

# **Project On Government Oversight**

## **Federal Contracting: Lessons Learned from Hurricane Katrina**

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666 11<sup>th</sup> Street, NW, Suite 500 • Washington, DC 20001-4542 • (202) 347-1122  
Fax: (202) 347-1116 • E-mail: [pogo@pogo.org](mailto:pogo@pogo.org) • [www.pogo.org](http://www.pogo.org)

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## Executive Summary

The Project On Government Oversight (POGO) has identified several systemic failures in, and evaporating oversight controls of, the federal contracting process and recommends that government contracting laws and regulations need to be strengthened because of:

1. **Poor Planning** – To make every effort to get the best results for taxpayers, the government must have an acquisition strategy based on informed market research.
2. **Inadequate Competition** – To better evaluate goods and services and get the lowest practical cost, the government must promote aggressive arm’s-length negotiations with contractors and encourage competition, correcting the current trend of entering into non-competitive contracts in nearly 50 percent of government dollars spent.
3. **Lack of Accountability** – To ensure that taxpayer dollars are being spent responsibly, the government must regularly monitor and audit contracts.
4. **Minimal Transparency** – To regain public faith in the contracting system, the government must ensure that the contracting process is open to the public, including requests for proposals, contract data, and contracting officers’ decisions and justifications.

As a case study demonstrating the impact of how these failures in the federal contracting system impacts the public, POGO researched and analyzed Hurricane Katrina-related federal contracting. POGO has reviewed the vast majority of Katrina-related federal reports, and has compiled a comprehensive analysis of contracting problems, as well as recommendations to address those problems. The intent of this report is to present lessons that need to be learned both from the mistakes made by the federal government, as well as from the occasional successes. POGO’s findings and recommendations are primarily based on government reports that have been published publicly.

The Federal Emergency Management Agency (FEMA), as the federal agency primarily responsible for relief and recovery, has issued tasks and mission assignments to at least 57 federal agencies and programs to respond to Hurricane Katrina.<sup>1</sup> These agencies and programs include the Army Corps of Engineers (ACE), NASA, the Department of Health and Human Services (HHS), the Department of Housing and Urban Development (HUD), and even the Farm Service Agency. All of these entities had a defined role as outlined in the National Response Plan.<sup>2</sup> It was FEMA’s responsibility to manage the national disaster

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<sup>1</sup> President’s Council on Integrity and Efficiency, “Oversight of Gulf Coast Hurricane Recovery: A 90-Day Progress Report to Congress,” December 30, 2005, p. 3. Available at <http://www.ignet.gov/pande/hsr/hk90dayrpt.pdf>.

<sup>2</sup> DHS, “National Response Plan.” Available at [http://www.dhs.gov/dhspublic/interapp/editorial/editorial\\_0566.xml](http://www.dhs.gov/dhspublic/interapp/editorial/editorial_0566.xml).

response, but many of FEMA's partners in the federal government share the blame for the failures of Hurricane Katrina relief efforts.

Overall, the federal government has struggled to track all of its Katrina relief-related spending. The White House Office of Management and Budget told *The National Journal* that it is the responsibility of each agency to track its own spending, but "Spokesmen at several federal agencies said they could only track 'obligations'—what the agency has promised to pay—and not the money that had actually been dispensed."<sup>3</sup> The GAO also complained of the challenges of tracking all of the federal spending when documentation is not centralized.<sup>4</sup> In fact, this problem is indicative of the federal government's general failure to adequately track and report its spending.

The scale of Hurricane Katrina contracting becomes clear by reading the most recent FEMA numbers: nearly 100,000 roofs damaged by Hurricane Katrina have been temporarily covered by FEMA's "Blue Roof" program; more than 99 million cubic yards of debris have been removed in Alabama, Louisiana, and Mississippi; more than \$6 billion has been paid directly to Hurricane Katrina victims from FEMA for housing and other needs; and more than \$15.3 billion has been paid out to National Flood Insurance Program policy holders.<sup>5</sup> (Appendix A).

The federal government must do everything it can to ensure that relief money reaches Hurricane Katrina victims and is not exploited by disaster profiteers. Some of the government's determinations that contracts were "appropriate" and costs and/or prices were "reasonable" most likely were based on the emergency situation and the restrictions that situation imposed. Mistakes will be made because of the urgency to conduct the relief effort, but POGO believes that following these recommendations will help to minimize waste and fraud and ensure that as much money as possible goes to the victims.

For more information about Hurricane Katrina and government contracting, please visit POGO's Katrina Contracting Resources page at <http://www.pogo.org/p/x/2005katrina.html> (Appendix B).

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<sup>3</sup> Paul Singer, National Journal, "Uneasy Money," August 11, 2006, p. 7. Available at <http://nationaljournal.com/scripts/printpage.cgi?/about/njweekly/stories/2006/0811nj3.htm> (Subscription-only).

<sup>4</sup> Ibid.

<sup>5</sup> DHS Press Release, "By the Numbers - One Year Later, FEMA Recovery Update for Hurricanes Katrina," August 22, 2006. Available at <http://www.fema.gov/news/newsrelease.fema?id=29109>.

## Introduction

In August 2005, a tropical storm gathered strength and inched its way toward the United States, first hitting Florida. After reaching a nearly unprecedented level of strength, the now-Hurricane Katrina hit the Gulf Coast on August 29, destroying houses, businesses, and critical infrastructure – flooding the historic city of New Orleans, and ultimately taking the lives of approximately 1,300 people.<sup>6</sup> Hurricane Katrina holds the infamous distinction of being one of the most destructive natural disasters in American history,<sup>7</sup> causing more damage and resulting in more deaths than the Chicago Fire of 1871, the San Francisco Earthquake and Fire of 1906, or Hurricane Andrew in 1992.<sup>8</sup> Unfortunately, the 2005 hurricane season was far from over. Less than a month after Katrina hit the Gulf Coast, Hurricane Rita hit the border between Texas and Louisiana.

These natural disasters forced the federal, state, and local governments to jump into action to provide essential goods and services to Katrina and Rita victims. In some cases, relief efforts started before Katrina hit landfall. The federal government has so far appropriated approximately \$120 billion to respond to the relief, recovery, and reconstruction needs of the devastated areas from Katrina and Rita.<sup>9</sup> Unfortunately, despite those efforts, the federal government fell far short in meeting the needs of the hurricane victims.

The FEMA's role is to protect life and property "by leading and supporting the Nation in a comprehensive, risk-based emergency management program"<sup>10</sup> and to administer the major provisions of the Stafford Act<sup>11</sup> (which authorizes the President to issue a major disaster declaration to initiate federal relief efforts). The Stafford Act provides the President with permanent authority to direct federal aid to disaster areas.<sup>12</sup> The federal government funds and oversees emergency response activities, debris removal, and

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<sup>6</sup> White House Report, "The Federal Response to Hurricane Katrina: Lessons Learned," February 2006, p. 1. Available at <http://www.whitehouse.gov/reports/katrina-lessons-learned.pdf>.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid., p. 5.

<sup>9</sup> On May 4, 2006, GAO (GAO-06-714T) estimated that over "over \$87 billion of federal funding has been appropriated in response to the recent hurricanes," p. 2. Available at <http://www.gao.gov/new.items/d06714t.pdf>. On June 15, 2006, President Bush signed legislation to provide an additional \$19.8 billion to families and communities rebuild from 2005 hurricanes. Available at <http://www.whitehouse.gov/news/releases/2006/06/20060615-15.html>.

<sup>10</sup> FEMA was placed inside the newly created Department of Homeland Security after 9/11. 6 U.S.C. § 317 (Role of Federal Emergency Management Agency). See Public Law 107-296 (the "Homeland Security Act of 2002").

<sup>11</sup> 42 U.S.C. § 5121 *et seq.* The Stafford Act also requires the President (more specifically FEMA, by executive order) "to provide technical assistance to the States in developing comprehensive plans and practicable programs for preparation against disasters." 42 U.S.C. § 5131. The President is also authorized to annually review disaster preparedness programs. See also Congressional Research Service Report (RL 33053), "Federal Stafford Act Disaster Assistance: Presidential Declarations, Eligible Activities, and Funding," August 29, 2005. Available at <http://www.fas.org/sgp/crs/homesecc/RL33053.pdf#search=%22stafford%20act%20CRS%22>.

<sup>12</sup> CRS Report (RL 33053), "Federal Stafford Act Disaster Assistance: Presidential Declarations, Eligible Activities, and Funding," August 29, 2005, Summary. Available at <http://www.fas.org/sgp/crs/homesecc/RL33053.pdf#search=%22stafford%20act%20CRS%22>.

individual assistance, and housing programs only after the President has issued a major disaster declaration that sets forth federal agency responsibilities under the National Response Plan.<sup>13</sup> (Appendix C)

Although the federal government had a National Response Plan in place,<sup>14</sup> had conducted planning workshops using a hypothetical catastrophic hurricane scenario (Hurricane Pam<sup>15</sup>), and had the experience of being called into action for such costly hurricanes as Hugo (SC 1989), Andrew (FL & LA 1992), Floyd (Mid-Atlantic & NE U.S. 1999), Allison (TX 2001), Isabel (Mid-Atlantic 2003), Charley (FL 2004), Ivan (FL 2004), Frances (FL 2004), and Jeanne (FL 2004),<sup>16</sup> many federal agencies failed to meet their missions before and after Hurricane Katrina hit the Gulf Coast. Even the Government Accountability Office (GAO) stated: “the federal government, in particular the Federal Emergency Management Agency (FEMA), received widespread criticism for a slow and ineffective response to Hurricane Katrina. Much of the criticism is warranted.”<sup>17</sup>

There is much more that can be done to provide better relief and recovery services to victims during an emergency event than was done by FEMA in response to Katrina. In a FEMA press release advising Massachusetts residents suffering from flood damage, emergency management officials gave consumers the following suggestions for hiring a contractor: use reliable, licensed contractors; get a written estimate; check references; ask for proof of insurance; insist on a written contract; get any guarantees in writing; have work inspected; make final payments when the work is completed; pay by check and avoid on-the-spot cash payments; and cancel the contract, if necessary.<sup>18</sup> If it had followed its own advice, FEMA could have avoided many of the mistakes made in the federal response to Hurricane Katrina.

Public outrage began to mount as evidence of the federal government’s failure to adequately meet the post-Katrina challenge became evident. As a result, the federal government mobilized one of the largest oversight operations in history. To date, the White House, the President’s Council on Integrity and Efficiency, the Executive Council on Integrity and Efficiency, the GAO, the Defense Contract Audit Agency, and numerous Inspectors General have published hundreds of reports assessing the federal response and

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<sup>13</sup> Ibid., p. 2, 9.

<sup>14</sup> Federal responsibilities, as outlined in the National Response Plan (NRP), include: meeting ice and water requirements for mass care; providing emergency health care services; locating and securing supplies of food; and providing temporary housing support. DHS, “National Response Plan.” Available at [http://www.dhs.gov/dhspublic/interapp/editorial/editorial\\_0566.xml](http://www.dhs.gov/dhspublic/interapp/editorial/editorial_0566.xml).

<sup>15</sup> U.S. House of Representatives Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina report, “A Failure of Initiative,” February 15, 2006, p. 81. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22katrina%20a%20failure%20of%20initiative%22>.

<sup>16</sup> National Weather Service, National Hurricane Center, Tropical Prediction Center, “Costliest U.S. Hurricanes 1900-2004 (unadjusted).” Available at <http://www.nhc.noaa.gov/pastcost.shtml>.

<sup>17</sup> DHS IG (OIG-06-32), “A Performance Review of FEMA’s Disaster Management Activities in Response to Hurricane Katrina,” March 2006, p. 1. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_06-32\\_Mar06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_06-32_Mar06.pdf).

<sup>18</sup> FEMA Report (1642-033), “Disaster Recovery Experts Advise: Be Careful When Hiring Contractors for Repairs,” July 28, 2006. Available at <http://www.fema.gov/news/newsrelease.fema?id=28344>.

spending related to Katrina and Rita. Those reports have identified logistical and contracting problems and recommended appropriate corrective actions. Congress has also been active, with House and Senate Committees holding hearings and releasing reports. The Senate Committee on Homeland Security and Governmental Affairs released a 700 page report entitled “Hurricane Katrina: A Nation Still Unprepared,” which reviews the nation’s emergency preparedness and response system.<sup>19</sup> The House Government Reform Committee Minority staff has most recently issued, “Waste, Fraud, and Abuse in Hurricane Katrina Contracts.”<sup>20</sup> The White House issued one of the most comprehensive reports, entitled “The Federal Response to Hurricane Katrina: Lessons Learned,” which is 230 pages long and includes 125 recommendations.<sup>21</sup>

According to the June 30, 2006, President’s Council for Integrity and Efficiency (PCIE) Hurricane Katrina Report,<sup>22</sup> there is an unprecedented level of oversight of hurricane-related spending (Appendix D). PCIE found that:

- Nearly 500 government staffers are investigating hurricane-related spending
- 239 arrests were made
- 283 indictments were handed down
- 80 people were convicted for hurricane-related crimes

These oversight efforts, and their results, are a step in the right direction, but they do not reveal a complete picture of the government’s failure in its response to Hurricane Katrina or the overall lack of oversight of federal spending. The majority of the indictments, arrests, and convictions have been against individuals who defrauded the government in petty crimes, rather than contractors caught exploiting the system on a large scale.<sup>23</sup> In other words, so far the government has picked the low-hanging fruit from the tree. Even these small cases of fraud have accrued – GAO estimated that the “range of improper and potentially fraudulent payments is from \$600 million to \$1.4 billion.”<sup>24</sup> Investigations of contractor waste and fraud are ongoing – the government has only been able to review

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<sup>19</sup> Available at [http://hsgac.senate.gov/\\_files/Katrina/FullReport.pdf](http://hsgac.senate.gov/_files/Katrina/FullReport.pdf).

<sup>20</sup> Available at <http://www.democrats.reform.house.gov/Documents/20060824110705-30132.pdf>.

<sup>21</sup> Those recommendations are grouped into 17 areas: national preparedness; integrated use of military capabilities; communications; logistics and evacuation; search and rescue; public safety and security; public health and medical support; human services; mass care and housing; public communications; critical infrastructure and impact assessment; environmental hazards and debris removal; foreign assistance; non-governmental aid; training, exercises, and lessons learned; homeland security professional development and education; and citizen and community preparedness. Available at <http://www.whitehouse.gov/reports/katrina-lessons-learned.pdf>.

<sup>22</sup> 10<sup>th</sup> PCIE Hurricane Katrina Report, to date as of 06-30-06, p. 2. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_PCIE\\_063006.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_PCIE_063006.pdf).

<sup>23</sup> DHS, “Hurricane Katrina Press Releases,” Accessed August 22, 2006. Available at [http://www.dhs.gov/dhspublic/interapp/editorial/editorial\\_0741.xml](http://www.dhs.gov/dhspublic/interapp/editorial/editorial_0741.xml).

<sup>24</sup> GAO Report (GAO-06-844T), “Hurricane Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between \$600 Million and \$1.4 Billion,” June 14, 2006, p. 8. Available at [http://coburn.senate.gov/ffm/index.cfm?FuseAction=Files.View&FileStore\\_id=b28a931a-88b9-46ec-ac3b-7a3360c53541#search=%22GAO-06-844T%22](http://coburn.senate.gov/ffm/index.cfm?FuseAction=Files.View&FileStore_id=b28a931a-88b9-46ec-ac3b-7a3360c53541#search=%22GAO-06-844T%22).

approximately one third of the money that has been awarded to contractors, and billions more have yet to be spent.<sup>25</sup>

## Hurricane Andrew (1992) Revisited: Lessons Not Learned

The government must do a better job at identifying what went wrong and take corrective actions to prevent it from making the same mistakes – mistakes that keep recurring in the government’s response to emergency events. It is disheartening to read a GAO report that found:

The causes of these breakdowns must be well understood and addressed in order to strengthen the nation’s ability to prepare for, respond to, and recover from major catastrophic events in the future—whether natural or man-made. **Unfortunately, many of the lessons emerging from Hurricanes Katrina and Rita are similar to those we identified more than a decade ago, in the aftermath of Hurricane Andrew in 1992,** which leveled much of South Florida. The experience of Hurricane Andrew raised questions about whether and how national disaster response efforts had incorporated lessons from experiences with Hurricane Hugo in 1989. **All critical players must do much more to learn from past mistakes and actually implement recommendations that address prior deficiencies in preparing for and responding to catastrophic disasters.** However, these actions will not be cost-free—posing a range of challenges in determining the priority of various action steps and how they will be funded.<sup>26</sup> (*Emphasis added.*)

Although the federal government’s response to Katrina and Rita partially addressed short-term needs such as ice, food, and shelter, and is continuing to address long-term capital reconstruction projects, the revelation of numerous abuses has shed light on weaknesses in the federal government’s contracting systems that allowed for such problems as excessive no-bid contracts, unreasonable prices and costs, and questionable expenses. The end result is that hurricane and other disaster victims do not receive the assistance they need during a time of crisis. Additionally, federal taxpayers are left paying inflated bills.

Before Hurricane Katrina, Hurricane Andrew in 1992 was the most destructive United States hurricane on record, with gusts reaching 164 miles per hour at the National Oceanic and Atmospheric Administration’s (NOAA’s) National Hurricane Center, and 177 miles

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<sup>25</sup> Ibid., p. 1.

<sup>26</sup> GAO Report (GAO-06-442T), “Hurricane Katrina: GAO’s Preliminary Observations Regarding Preparedness, Response, and Recovery,” March 8, 2006, p. 2. Available at <http://www.gao.gov/new.items/d06442t.pdf>.



per hour at a private home.<sup>27</sup> At the time, Andrew caused over \$26.5 billion (\$43.7 billion when adjusted for inflation) in damage to Louisiana and South Florida.<sup>28</sup> Andrew was also responsible for the loss of 23 lives in the United States.

Post-disaster reports for both Andrew and Katrina complained that state and local authorities needed more flexibility in contingency planning, and clearer statutory authorization through the Stafford Act to assess the needs and the federal resources available to address them after an emergency event.<sup>29</sup> In essence, federal agencies – mostly FEMA – are limited in spending money and assisting victims because they do not have legal authority to dispense funds without the President’s authorization. Additional comments in response to these disasters expressed concern that federal officials were inadequately trained, due largely to FEMA’s poor oversight. A 1993 GAO report pointed out that while FEMA had established training programs, the agency’s headquarters failed to establish performance standards or an evaluating program to monitor state performance.<sup>30</sup>

In fact, the GAO stated that “many of the lessons emerging from Hurricanes Katrina and Rita are similar to those we identified more than a decade ago, in the aftermath of Hurricane Andrew in 1992, which leveled much of South Florida.”<sup>31</sup> (Appendix E).

## The Appearance of Some Lessons Learned

Since its initial response to Hurricane Katrina, FEMA appears to have made several steps in the right direction to improve its relief and reconstruction efforts.

In response to critics, including POGO, who have pointed to FEMA’s lack of planning and pre-established contingency contracts, FEMA’s new head of contracting, Deidre Lee, has stated that improvements are being made.<sup>32</sup> Lee has gone on record stating that

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<sup>27</sup> NOAA, “Hurricane Andrew.” Available at <http://www.noaa.gov/hurricaneandrew.html>. See <http://www.nhc.noaa.gov/pastcost2.shtml?>

<sup>28</sup> National Weather Service, National Hurricane Center, Tropical Prediction Center, “Costliest U.S. Hurricanes 1900-2004 (unadjusted).” Available at <http://www.nhc.noaa.gov/pastcost.shtml>.

<sup>29</sup> GAO Letter (GAO/RCED-94-293R), “GAO Work on Disaster Assistance,” August 31, 1994, p. 17. Available at <http://archive.gao.gov/t2pbat2/152456.pdf>; “A Failure of Initiative,” February 15, 2006, p. 1, 5. Available at

<http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22a%20failure%20of%20initiative%22>.

<sup>30</sup> GAO Report (GAO/T-RCED-93-46), “Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation’s Response Strategy,” May 25, 1993, p. 26. Available at <http://archive.gao.gov/d43t14/149256.pdf>.

<sup>31</sup> GAO Report (GAO-06-442T), “Hurricane Katrina: GAO’s Preliminary Observations Regarding Preparedness, Response, and Recovery,” March 8, 2006, p. 1. Available at <http://www.gao.gov/new.items/d06442t.pdf>.

<sup>32</sup> Jonathan Marino, GovExec.com, “FEMA acquisitions chief pushes recruiting program,” April 21, 2006. Available at <http://www.govexec.com/dailyfed/0406/042106j1.htm>.

FEMA is “doing more pre-positioning” in an effort to better prepare for the next emergency event.<sup>33</sup>

Using full and open competition, FEMA recently awarded six new Individual Assistance Technical Assistance Contracts (IA-TAC) for future disasters to Shaw Environmental & Infrastructure, Fluor Enterprises, Inc., Partnership for Temporary Housing (PaTH), Disaster Solution Alliance (DSA), Bechtel National, and CH2M Hill. Those awards are for a period of two years with a contract ceiling of \$250 million each to provide temporary housing and Disaster Recovery Center support.<sup>34</sup> The task orders for the contracts require the contractors to utilize local firms to the maximum extent practical for additional subcontracting opportunities.<sup>35</sup> These contingency contracts follow the four no-bid contracts that were steered to Bechtel, Fluor, CH2M Hill, and Shaw and have been the subject of much criticism. While POGO applauds FEMA’s belated action to compete the new contracts, we urge contracting officials to enter into arrangements for services that are quantifiable and to oversee these contracts to assure that costs are reasonable.

In another good move, FEMA developed a debris contractor registry to enhance future contingency plans. The registry, a web-based database that allows debris removal contractors to post information about their capabilities and availability, should enhance state and local governments’ ability to plan for and manage debris removal operations either before or after emergency situations occur.<sup>36</sup>

Additionally, on August 18, 2006, FEMA director R. David Paulison stated that the agency has improved its satellite and mobile communications system, digital alert system, victim management program, and policies to handle the next emergency event.<sup>37</sup>

Furthermore, there is important new consideration as to whether the Director of FEMA should be either a career professional government employee, or a Cabinet official. Both suggestions have merit. A prescient June 21, 2004, letter from Pleasant Mann, President of the American Federation of Government Employees Union at FEMA, to Senator Hillary Rodham Clinton (D-N.Y.) stated that FEMA’s “professional staff are being systematically replaced by politically-connected novices and contractors who have now ‘burrowed in’ to civil service jobs.”<sup>38</sup> The obvious example is the appointment of Michael Brown (long-time friend with former FEMA Director Joe Allbaugh) as the head of FEMA. Before joining the government, Brown practiced law and was the Judges and

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<sup>33</sup> Ibid.

<sup>34</sup> FEMA Report (HQ-06-121), “FEMA Awards New Contracts for Temporary Housing and Disaster Recovery Center Support,” August 9, 2006, p. 1. Available at <http://www.fema.gov/news/newsrelease.fema?id=28685>.

<sup>35</sup> Ibid.

<sup>36</sup> FEMA Report (HQ-06-114), “FEMA Launches Debris Contractor Registry to Assist Communities,” July 24, 2006. Available at <http://www.fema.gov/news/newsrelease.fema?id=28179>.

<sup>37</sup> “Press briefing with FEMA Director David Paulison,” August 18, 2006. Available at [rtsp://video.c-span.org/project/hur/hur081806\\_katrina.rm](rtsp://video.c-span.org/project/hur/hur081806_katrina.rm).

<sup>38</sup> Letter available at <http://www.pogo.org/m/cp/cp-2004-AFGE4060-FEMA.pdf>.

Stewards Commissioner for the International Arabian Horse Association until 2001.<sup>39</sup> Serious questions have been raised about Brown's qualifications.

Having the Director of FEMA be a career professional, rather than a political appointee, avoids the possibility that cronies or political allies without adequate qualifications will be appointed to this important position. An additional advantage to making the FEMA Director a career professional is that it will mitigate the loss of institutional memory and promote the ability to apply lessons learned that the frequent shuffling of authority and organization at FEMA has threatened. On the other hand, a Cabinet-level Secretary would have the opportunity to begin FEMA's response more quickly and allow the agency to be more responsive to catastrophic disasters. Representative Don Young (R-AK) has introduced a bill (H.R. 5316) calling for the FEMA Director to serve a term of five years.<sup>40</sup> Policymakers need to give thoughtful consideration to this question, as well as to review the current definition of federal government job positions to ensure that "inherently governmental" functions responsible for emergency response are not outsourced to contractors or given to political appointees.

## **Problems and Solutions**

### **Poor Government Planning**

#### **Lack of Planning and Pre-Landfall Contracts**

Knowing when to buy goods or services is only part of the government's procurement role—knowing *what* to buy is crucial. Without detailed planning, a clear definition of requirements, and arm's-length negotiations, the government is limited in its ability to buy goods and services at fair and reasonable prices. During an emergency, the government is more often than not paying a premium for its purchases, and the victims are further harmed as funds intended to assist them are squandered. While mistakes are inevitable in a time of crisis, good planning will help to minimize this problem.

The lack of planning and pre-landfall contracts caused federal agencies to hustle to locate vendors, to shy away from aggressive negotiations, to enter into no-bid contracts, to use inappropriate contract types, and to pay higher prices in an effort to buy goods and services quickly. In other words, the victims and the taxpayers were not protected by normal market forces that prevent bad deals, and control waste, fraud, and abuse in government spending.

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<sup>39</sup> White House, Michael Brown Biography. Available at <http://www.whitehouse.gov/government/brown-bio.html>. IAHA, "Former International Arabian Horse Association Judges & Stewards Commissioner, Michael Brown," September 7, 2005. Available at <http://secure.arabianhorses.org/apps/index.cgi?page=pressrel&prid=41>.

<sup>40</sup> Congressional Record, December 8, 2005, p. E2492. Available at [http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2005\\_record&page=E2492&position=all](http://frwebgate.access.gpo.gov/cgi-bin/getpage.cgi?dbname=2005_record&page=E2492&position=all).

One agency that appears to have prepared and created contingency contracts was the U.S. Army Corps of Engineers (USACE). “To meet these responsibilities, USACE has pre-awarded competitively bid contracts for all of these functions to allow quick deployment of resources prior to and immediately after an event. These pre-awarded contracts are part of USACE’s Advanced Contracting Initiative (ACI), which has been in place for about six years.”<sup>41</sup>

Many other federal agencies, however, had inadequate contingency plans – despite practice runs for catastrophic disasters – and were not in a position to buy goods and services at pre-established prices. During “the real nightmare emergency” FEMA was often forced to instruct companies to begin work without a contract and submit vouchers for payment for the acquisition of food, ice, buses, and other supplies, relying in many cases on an assumption of good faith between agencies and contractors.<sup>42</sup> FEMA also did not adequately anticipate needs for temporary housing.<sup>43</sup> Furthermore, in some cases, evacuation of hospitals occurred without any contract at all.<sup>44</sup>

The GAO’s 2004 report on contingency planning found that few contingency documents adequately described federal agencies’ delegations of authority. As a result, agency personnel may not know who has the authority or responsibility to make the key decisions in an emergency, including providing critical services to citizens in the aftermath of an emergency.<sup>45</sup>

In some cases, inadequate planning – especially for temporary housing – led to hundreds of millions of dollars of waste in recovery efforts. For instance, FEMA purchased over 25,000 transitional homes and 27,000 travel trailers for over \$900 million. Unfortunately, FEMA purchased the temporary housing before planning how it would be used. As a result, there were 17,055 homes and 5,707 travel trailers waiting to be used as of April 2006.<sup>46</sup> Not one of the homes was sent to the most damaged parts of Louisiana and Mississippi because FEMA’s own regulations prohibit the use of the homes in flood plains.<sup>47</sup> FEMA does seem to have learned a lesson from this mistake, however: on August 18, 2006, FEMA Director David Paulison stated that the agency now has 8,000 to

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<sup>41</sup> “A Failure of Initiative,” February 15, 2006, p. 68. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22a%20failure%20of%20initiative%22>.

<sup>42</sup> “Oversight of Gulf Coast Hurricane Recovery: A 90-Day Progress Report to Congress,” p. 8. Available at <http://www.ignet.gov/pande/hsr/hk90dayrpt.pdf>.

<sup>43</sup> *Ibid.*, p. 330.

<sup>44</sup> *Ibid.*, p. 289.

<sup>45</sup> GAO Report (GAO-04-160), “Continuity of Operations: Improved Planning Needed to Ensure Delivery of Essential Government Services,” February 2004, p. 12. Available at <http://www.gao.gov/new.items/d04160.pdf>.

<sup>46</sup> President’s Council on Integrity and Efficiency, “Oversight of Gulf Coast Hurricane Recovery, a Semiannual Report to Congress,” April 30, 2006, p. 124-125. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_pcie\\_april06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_pcie_april06.pdf).

<sup>47</sup> U.S. House of Representatives Committee on Government Reform, “Waste, Abuse, and Mismanagement in Department of Homeland Security Contracts,” July 2006, p. 16. Available at <http://www.democrats.reform.house.gov/Documents/20060727092939-29369.pdf#search=%22richard%20.%20skinner%20katrina%20trailers%20site%3A.gov%22>.

9,000 travel trailers in Hope, Arkansas, that are being maintained and that are being held in reserve for the next emergency event.<sup>48</sup>

Poor communication between Washington and people “on the ground” exacerbated problems, even when they were all working for the same agency. For example, against the advice of FEMA officials in Alabama, FEMA Headquarters paid a federal contractor \$10 million to renovate 160 rooms and furnish another 80 rooms in military barracks. As local FEMA officials had projected, the facility largely went unused. In fact, only six occupants were living at the facility when FEMA officials decided to shut it down. FEMA also spent \$3 million for 4,000 base camp beds that were never used.<sup>49</sup>

To prevent abuse, the government should enter into pre-established contingency contracts, and ensure that certain contract types that have a greater propensity for abuse (including performance-based contracts, interagency contracts, time and material contracts, and purchase card transactions) are used only in limited circumstances and are accompanied by audit and oversight controls.

Although POGO has been critical of Indefinite Delivery, Indefinite Quantity (IDIQ) contracts – which are frequently misused in non-emergency acquisitions – this risky contracting vehicle is actually best suited for buying goods and services required during an emergency. IDIQs can lay the groundwork for an unpredictable event by establishing terms and prices if goods and services are needed at some future time. IDIQs would have helped significantly both during and immediately after Hurricane Katrina.

Before Katrina struck, FEMA had only one contract in place relevant to the Katrina response for temporary housing.<sup>50</sup> According to former FEMA director Mike Brown, the agency in some cases had to buy goods and services “off the street” to meet demand because of inadequate pre-established contracts.<sup>51</sup>

Perhaps the most tragic consequence of inadequate pre-established contingency contracts involved the removal of deceased victims from the devastated areas. Federal officials maintained that body recovery was ultimately a state responsibility with the federal government providing support only. After much finger-pointing between FEMA and Louisiana officials, on September 13, 2005, Governor Blanco directed the Louisiana Department of Health and Hospitals to sign a written contract to retrieve and transport the bodies of the deceased.<sup>52</sup>

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<sup>48</sup> “Press briefing with FEMA Director David Paulison,” August 18, 2006. Available at [rtsp://video.c-span.org/project/hur/hur081806\\_katrina.rm](http://rtsp://video.c-span.org/project/hur/hur081806_katrina.rm).

<sup>49</sup> GAO Report (GAO-06-714T) Report, “Hurricane Katrina: Improving Federal Contracting Practices In Disaster Recovery Operations,” May 4, 2006, p. 4, 6. Available at <http://www.gao.gov/new.items/d06714t.pdf>.

<sup>50</sup> “A Failure of Initiative,” February 15, 2006, p. 330. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22katrina%20a%20failure%20of%20initiative%22>.

<sup>51</sup> Ibid.

<sup>52</sup> White House Report, “The Federal Response to Hurricane Katrina: Lessons Learned,” February, 2006, p. 48. Available at <http://www.whitehouse.gov/reports/katrina-lessons-learned.pdf>.

In another example of the kinds of goods and services that could be expected and planned for in an emergency, FEMA fumbled when ordering crates to rescue the many pets stranded after the storm. “With thousands of starving animals wandering New Orleans, the federal disaster agency placed an emergency \$28,370 order with PetsMart for 970 wire pet crates on Sept. 9. The pet-supply chain jumped at the chance to help, even waiving delivery charges, a spokeswoman says. Over four days, FEMA first changed its order, canceled it, reinstated it, put it on hold and finally demanded it. But when the PetsMart truck arrived at a New Orleans naval base Friday, it was initially turned away. When the driver finally gained entry, he drove around the base all day, racking up 152 miles, to find someone to take delivery. The tail-chasing experience left PetsMart ‘frustrated and disappointed.’ FEMA admits ‘kinks’ in the process, but says it was its first big pet rescue.”<sup>53</sup>

Furthermore, in instances when the government was in a position to use pre-negotiated contracts, it failed to do so. GSA Schedules offer government buyers goods and services at pre-negotiated rates from approved vendors. Similar to a company’s catalog, government officers can look up information on which suppliers are pre-approved to sell to the government and what items are available.<sup>54</sup> Even though one company on the GSA Schedule to lease cars, SUVs, and light trucks could have provided FEMA with vehicles for under \$600/month, FEMA instead paid Enterprise Rent-A-Car to lease 18 vehicles at the annual price of \$11,232 a vehicle (\$936/month).<sup>55</sup>

In an effort to prevent contracting with the “usual suspects” that have long rap sheets of misconduct, the government should look for responsible vendors during its planning and contingency contracting phase. Some of the largest contractors hired to respond to the hurricanes have had checkered histories of misconduct: CH2M Hill (5 instances); Bechtel (11 instances); Halliburton/KBR (12 instances); and Fluor (18 instances). Instances of misconduct include: false claims against the government, violations of the Anti-Kickback Act, fraud, conspiracy to launder money, retaliation against workers’ complaints, and environmental violations.<sup>56</sup>

In the wake of Hurricane Katrina, C. Henderson Consulting Inc. received a FEMA contract valued at \$5.2 million to provide 50 ambulances a day for the month of September. GoldStar EMS, a Texas ambulance provider, was subcontracted by C. Henderson Consulting to provide 45 ambulances to fulfill C. Henderson’s contractual

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<sup>53</sup> Keith Naughton and Mark Hosenball, Newsweek, “Cash and ‘Cat 5’ Chaos – The gold rush: Contractors and prospectors are flooding the Gulf Coast to grab their piece of the biggest reconstruction ever. If only FEMA could stop fumbling,” September, 2005. Available at <http://www.msnbc.msn.com/id/9379239/>.

<sup>54</sup> GSA, “GSA Schedule e-Library Schedule Details.” Available at <http://www.gsaelibrary.gsa.gov/ElibMain/SinDetails.jsessionid=www.gsaelibrary.gsa.gov-50c9%3A43f09ea8%3A34ac18eed43496?executeQuery=YES&scheduleNumber=751&flag=&filter=&specialItemNumber=751+1>.

<sup>55</sup> Chris Joyner, *Clarion Ledger*, “FEMA car rentals draw criticism,” February 10, 2006. Available at <http://www.clarionledger.com/apps/pbcs.dll/article?AID=/20060210/NEWS0110/602100340&SearchID=73235472421454>.

<sup>56</sup> POGO’s Federal Contractor Misconduct Database. Available at <http://www.pogo.org>.

obligations. These ambulances were only available because the company was, essentially, waiting to go out of business due to an FBI investigation into alleged Medicaid fraud by top executives.<sup>57</sup>

## **Confusion about the Stafford Act**

The Robert T. Stafford Disaster Relief and Emergency Assistance Act is the primary legislation governing FEMA's response to catastrophic disasters, yet FEMA and other key federal entities have consistently struggled to enforce and understand the law (Appendix F). During Hurricane Katrina, FEMA and other agencies were not prepared to implement the Stafford Act's preference for the use of contractors already residing or doing business in the affected area.<sup>58</sup> Unfortunately, this is not a new problem: a 1993 GAO report examining federal disaster management, especially the response to Hurricane Andrew, found that federal agencies failed to mobilize local resources and undertake advance preparations because they were unsure about what the statutory guidance required.<sup>59</sup>

In its examination of federal agency responses to Hurricane Katrina, the House Select Committee to Investigate the Preparation for and Response to Hurricane Katrina found that the Stafford Act's ambiguous statutory guidance regarding local contractor participation resulted in few local firms receiving contracts and ongoing disputes over procuring contracts for debris removal and other services.<sup>60</sup>

## **Inadequate Competition**

To better evaluate goods and services and get the lowest practical cost the government must encourage competition.<sup>61</sup> Competition is essential to prevent waste, fraud, and abuse, and it promotes integrity in government spending. Moreover, by opening federal contracting competition to all contractors (including small and minority businesses), the government will expand its opportunities beyond the currently closed club of federal contractors. No-bid or sole source contracts may be necessary in some cases and there are existing exceptions found in federal regulations, but they should be used sparingly.

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<sup>57</sup> Yochi J. Dreazen, *The Wall Street Journal*, "Some Firms Hired in Katrina's Wake Have Checkered Pasts," September 20, 2005, p. B1.

<sup>58</sup> "Hurricane Katrina: Improving Federal Contracting Practices in Disaster Recovery Operations," May 4, 2006, p. 4. Available at <http://www.gao.gov/new.items/d06714t.pdf>.

<sup>59</sup> GAO Letter Report (GAO/RCED-94-293R), "GAO Work on Disaster Assistance," August 31, 1994, p. 17. Available at <http://archive.gao.gov/t2pbat2/152456.pdf>.

<sup>60</sup> "A Failure of Initiative," February 15, 2006, p. 5, 17. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22katrina%20a%20failure%20of%20initiative%22>.

<sup>61</sup> A policy debate continues pitting "low price" against "best value" as the preferred method for buying goods and services. Buying goods and services at the "lowest practical cost" would allow for some buying flexibility and provide a more objective criteria that would prevent the unjustified steering of contracts to non-responsible, questionable, or politically-connected companies.

During Katrina, the federal government missed awarding contracts to the best and brightest contractors, relying instead on the familiar and convenient.

### **Lack of competition and re-competing**

By the end of September 2005, it was reported that 80 percent of dollars spent on contracts, approximately \$1.5 billion, had been awarded without full and open competition.<sup>62</sup> The government estimated that 58.8 percent of the Hurricane Katrina contracts awarded before November 30, 2005, were noncompetitive. The justification for allowing no-bid contracts was the urgent need for rapid emergency response. However, other government reports have found that 50.5 percent of the contracts have continued to be awarded noncompetitively – despite the fact that an emergency action is no longer required and, therefore, no longer justifies no-bid contracts.<sup>63</sup>

According to the June 30, 2006, President’s Council for Integrity and Efficiency (PCIE) Hurricane Katrina Report,<sup>64</sup>

- Over 7,600 contracts have been awarded, totaling \$10.6 billion
- Almost 95% (\$10 billion) of the contracts awarded were in excess of \$500K
- Almost 70% (859 out of 1237) of the contracts over \$500K were awarded with less than full and open competition

Competitive awards were not used for the vast majority of large contracts, causing the government to buy goods and services at non-competitive prices.

The most glaring example of the negative impacts of non-competitive contracting was the four no-bid contract awarded to Fluor, CH2M Hill, Bechtel, and the Shaw Group. Awarded after Katrina hit land, FEMA awarded each company a contract with a ceiling price of \$500 million. On October 6, 2005, FEMA Director Paulison testified before the Senate Homeland Security and Governmental Affairs Committee that he has “never been a fan of no-bid contracts” and that FEMA would “re-bid all of those no-bid contracts.” Re-bidding did not occur, however, until August 2006. In fact, FEMA actually raised the ceilings on those contracts, authorizing more than \$3.3 billion to the four companies.<sup>65</sup>

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<sup>62</sup> “A Failure of Initiative,” February 15, 2006, p. 330. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22katrina%20a%20failure%20of%20initiative%22>.

<sup>63</sup> President’s Council on Integrity and Efficiency, “Oversight of Gulf Coast Hurricane Recovery, a Semiannual Report to Congress,” April 30, 2006, p. 13. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_pcie\\_april06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_pcie_april06.pdf).

<sup>64</sup> 10<sup>th</sup> PCIE Hurricane Katrina Report, to date as of 06-30-06, p. 2. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_PCIE\\_063006.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_PCIE_063006.pdf).

<sup>65</sup> FEMA, “Individual Assistance – Technical Assistance Contracts (IA-TACs) Contracts Awarded for the 2005 Hurricane Season,” last updated on August 9, 2006. Available at <http://www.fema.gov/media/backgrounders/ia-tacs.shtm>.



To off-set the public criticism, FEMA awarded up to \$3.6 billion in temporary hurricane-victim housing contracts to small and minority-owned firms.<sup>66</sup>

In another case, a sole-source printing services contract for \$200,000 was awarded without any evidence of competition or justification of urgency. For one order placed under the contract, the contracting officer did not obtain a price quote for printing 60,000 brochures. The \$34,015 billed for this printing service was paid without evidence of a prior agreement on price.<sup>67</sup>

While emergency circumstances give the government some leeway in entering into contracts that lack full and open competition,<sup>68</sup> FEMA did not consistently re-compete contracts once the emergency period ended.<sup>69</sup> For example, while FEMA's decision to hire the paramilitary security firm Blackwater to provide law enforcement assistance in the area was questionable, the government found the contract terms "appropriate" and the contract price (\$950 per security officer per day) "reasonable." However, the changing security requirements from the emergency response period meant that the government could have "reduce[d] costs by soliciting competitive proposals using a mix of armed and unarmed security personnel."<sup>70</sup> There were many out-of-work local law enforcement officers who have could been employed, and therefore the government could have saved hundreds of dollars per person each day.

Federal agencies use the excuse that because they need to buy goods and services quickly, they cannot wait to solicit competitive bids from prospective vendors. One example that disproves that myth was the Military Sealift Command's effort to procure cruise ships to be used as temporary housing for FEMA. Although the results of this effort have met with ridicule, because the low occupancy rates caused the per person cost to skyrocket, the government did conduct a competition in 19.5 hours and received offers for 13 vessels from seven contractors.<sup>71</sup>

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<sup>66</sup> FEMA Press Release (HQ-06-049), "Small Business Administration Work Together to Award Hurricane Katrina Recovery Contracts to Small and Minority-Owned Businesses," March 31, 2006. Available at <http://www.fema.gov/news/newsrelease.fema?id=24682>.

<sup>67</sup> DHS IG Report (GC-MS-06-29), "Review of FEMA Contracts Awarded by Contracting Officers at the Jackson, Mississippi Joint Field Office," March 28, 2006, p. 1-2. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_GC\\_MS\\_06-29.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_GC_MS_06-29.pdf).

<sup>68</sup> FAR Subpart 6.3 outlines situations that permit less than full and open competition – the exceptions are: "only one responsible source," "unusual and compelling urgency," "expert services," "international agreement," "authorized or required by statute," "national security," and "public interest."

<sup>69</sup> President's Council on Integrity and Efficiency, "Oversight of Gulf Coast Hurricane Recovery, a Semiannual Report to Congress," April 30, 2006, p. 11. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_pcie\\_april06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_pcie_april06.pdf).

<sup>70</sup> DHS IG Report (GC-HQ-06-17), "Management Advisory Report on Armed Services provided by Blackwater Security Consulting, LLC under Contract HSCEFC-05-J-F00002," March 1, 2006, p. 2. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_GC\\_HQ\\_06-17.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_GC_HQ_06-17.pdf).

<sup>71</sup> Department of the Navy Memorandum (N2006-0015), "Chartered Cruise Ships," February 16, 2006, p. 4. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_NAV\\_N06-0015.pdf#search=%22n2006-0015%22](http://www.dhs.gov/interweb/assetlibrary/OIG_NAV_N06-0015.pdf#search=%22n2006-0015%22).

## **Lack of Accountability**

To ensure that taxpayer dollars are being spent responsibly the government must regularly monitor and audit contracts.

### **Poor Oversight of Contracts**

Poor oversight in the award and monitoring stages of contracting is one of the most recurrent problems in the federal government's response to Hurricane Katrina. Adequate staffing was a huge problem for FEMA. According to one Department of Homeland Security official, FEMA was authorized to hire approximately 60 contracting officers before Hurricane Katrina hit U.S. land<sup>72</sup>— some government reports have stated that 172 acquisition officials were needed.<sup>73</sup> The agency, however, was severely understaffed — with only 36 contracting officers on staff.<sup>74</sup> Director Paulison has stated that FEMA is now getting the resources it needs and that he is working with Congress to increase the size of the agency.<sup>75</sup>

In addition to the lack of personnel was the lack of institutional memory. Many government reports attributed the lack of oversight to the frequent rotation of officials in and out of the areas, and other acquisition officials being “borrowed” from other agencies. All too often, there was no overlap in the rotation, allowing valuable institutional memory and scenario-specific information to be lost.<sup>76</sup>

As a result of inadequate contracting staff, mistakes were multiplied, some of which have been detected by post-award audits. Members of the House Government Reform Committee found that mileage claims were overstated and duplicate bills were submitted for debris removal and other services.<sup>77</sup> Additional examples of problems includes the arrest of two temporary FEMA employees for soliciting a \$20,000 bribe in return for inflating a catering contract.<sup>78</sup> One of the most costly mistakes was an alleged computation error missed by FEMA officials that would have resulted in Bechtel double-

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<sup>72</sup> Federal Bar Association, Briefing by Hugo Teufel III, DHS Associate General Counsel, January 19, 2006.

<sup>73</sup> “A Failure of Initiative,” February 15, 2006, p. 332. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22katrina%20a%20failure%20of%20initiative%22>.

<sup>74</sup> Federal Bar Association, Briefing by Hugo Teufel III, DHS Associate General Counsel, January 19, 2006.

<sup>75</sup> “Press briefing with FEMA Director David Paulison,” August 18, 2006. Available at [rtsp://video.c-span.org/project/hur/hur081806\\_katrina.rm](rtsp://video.c-span.org/project/hur/hur081806_katrina.rm).

<sup>76</sup> President's Council on Integrity and Efficiency, “Oversight of Gulf Coast Hurricane Recovery, a Semiannual Report to Congress,” April 30, 2006, p. 20. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_pcie\\_april06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_pcie_april06.pdf).

<sup>77</sup> Committee on Government Reform Hearing, “Sifting Through Katrina's Legal Debris: Contracting in the Eye of the Storm,” May 4, 2006. Available at <http://reform.house.gov/GovReform/Hearings/EventSingle.aspx?EventID=42668>.

<sup>78</sup> President's Council on Integrity and Efficiency, “Oversight of Gulf Coast Hurricane Recovery, a Semiannual Report to Congress,” April 30, 2006, p. 113. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_pcie\\_april06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_pcie_april06.pdf).

billing the federal government \$48 million, if it had not been found by the Defense Contract Audit Agency.<sup>79</sup> These mistakes were only caught because of the tremendous emphasis on after-the-fact review. They might never have been made had the necessary oversight of government contracts been in place during the duration of the contract.<sup>80</sup>

Poor contract oversight is exacerbated by the lack of communication among agencies that delegated acquisition functions. For instance, FEMA tasked GSA to write three contracts in Louisiana for base camps, hotel rooms, and ambulances, worth over \$120 million. GSA contracting officers awarded the contracts, but FEMA did not perform its oversight mission and the FEMA officials listed as the points of contact had no knowledge of the contracts. The GAO reported that “only after contacting multiple FEMA officials over a 3-week period were we able to determine the agency officials responsible for contract oversight.”<sup>81</sup>

In another case, the government overpaid Clearbrook \$3 million because of a mathematical error.<sup>82</sup> That contract was riddled with other problems, as well, including the payment of \$4.9 million prior to the effective date of the contract, billing the government as if the government were a “time and material plus fixed per diem rate contract” rather than the contract’s fixed price provision,<sup>83</sup> the absence of details about the scope of work to be done, and a lack of documentation supporting price reasonableness.<sup>84</sup>

In some cases, oversight suffered due to inadequate documentation necessary to track government spending. For example, the Department of Transportation Inspector General (DOT IG) reviewed the Federal Aviation Administration (FAA) contract with Landstar Express America for the transportation of commodities such as water, ice, and food. The IG found that “better internal controls over the emergency disaster relief transportation services contract are needed to ensure that the Government receives the transportation services it pays for. . . . The contracting officers were relying on documentation provided by the contractor to verify that transportation services had been provided as billed.”<sup>85</sup> In other words, the government relied on contractors to support their own invoices – an example of contractor self-policing. Landstar had submitted 570 invoices for its services.

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<sup>79</sup> Ibid., p. 3.

<sup>80</sup> The current dramatic increases in government spending, large jumps in contract actions, and leveling off of the size of the acquisition workforce offer huge concerns for how well the federal government spends taxpayer dollars.

<sup>81</sup> “Hurricane Katrina: Improving Federal Contracting Practices In Disaster Recovery Operations,” May 4, 2006, p. 7. Available at <http://www.gao.gov/new.items/d06714t.pdf>.

<sup>82</sup> DHS IG Report (GC-LA-06-07), “Clearbrook, LLC Billing Errors Under Contract,” November 10, 2005, p. 1. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_GC\\_LA\\_06-07.pdf#search=%22%20%22gc%20la%2006%2007%22%20site%3A.gov%22](http://www.dhs.gov/interweb/assetlibrary/OIG_GC_LA_06-07.pdf#search=%22%20%22gc%20la%2006%2007%22%20site%3A.gov%22).

<sup>83</sup> Ibid. “Time and materials” contracts provide few incentives to get work done quickly because contractors make more money the longer they take to perform. See FAR Subpart 16.6.

<sup>84</sup> Ibid.

<sup>85</sup> Office of the Secretary of Transportation (AV-2006-051), “Internal Controls Over Payments for Emergency Disaster Relief Transportation Services,” June 30, 2006, p. 2-3. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_GC\\_DOT\\_AV-2006-051.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_GC_DOT_AV-2006-051.pdf). Although documentation existed, it was not sent to regional offices and therefore was not used to verify contractor invoices.

When the DOT IG arrived to perform audits, only six of them had been paid – but those few invoices alone had resulted in \$33 million in overcharges.<sup>86</sup> Imagine the magnitude of overpayment likely to have been discovered if all 570 invoices had been paid.

Another example of inadequate oversight involves FEMA’s transportation support services contracts, which lacked performance standards. As a result, those services were “unresponsive and unreliable” – complaints with transportation services ranged from drivers being slow to make deliveries, drivers who were quick to turn back due to poor road or weather conditions (even in instances when the roads were open), and in one instance, “a driver claimed to be en route but a tracking device indicated he was still in a parking lot where he was found asleep.”<sup>87</sup>

The “blue roof” program is another example in which poor contract oversight resulted in wasted taxpayer dollars. FEMA and ACE entered into contracts to cover wind-damaged roofs with blue tarps. The main contractors—the Shaw Group, Simon Roofing, and LJC Construction—subcontracted the work out to contractors who in turn subcontracted the work. Due to the many levels of subcontractors, the multi-tiered contracts were sometimes inflated as much as 1,700% of the job’s actual cost; the taxpayer paid an average of \$2,480 per roof for a job that should cost under \$300, overbilling the government by \$12.5 million.<sup>88</sup>

### **Vague Contracts with Inadequate Cost Controls**

FEMA currently lacks a contracting template that clearly defines the expected roles, responsibilities, deliverables, and performance measures for contractors implementing FEMA’s missions.<sup>89</sup> As a result, many of FEMA’s contracts were incomplete and included open-ended or vague terms, which raised contractors’ concerns about liability and changing requirements.<sup>90</sup> FEMA also did not use a standard contract specifications template for many of the products and services that it purchased, despite the fact that the

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<sup>86</sup> Memorandum from Assistant IG for Aviation and Special Program Audits David A. Dobbs (AV-2006-032), “Report on Internal Controls Over the Emergency Disaster Relief Transportation Services Contract,” January 20, 2006, p. 3. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_AV-2006-032DOT.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_AV-2006-032DOT.pdf).

<sup>87</sup> Department of Homeland Security OIG Report (OIG-06-32), “A Performance Review of FEMA’s Disaster Management Activities in Response to Hurricane Katrina,” March 2006, p. 70. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_06-32\\_Mar06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_06-32_Mar06.pdf).

<sup>88</sup> U.S. House of Representatives Committee on Government Reform Minority Staff, “Dollars, Not Sense: Government Contracting Under the Bush Administration,” June 2006, p. 15. Available at <http://democrats.reform.house.gov/Documents/20060620140127-02294.pdf#search=%22blue%20tarps%20did%20not%20compete%20cost%20hurricane%20katrina%20site%3A.gov%22>. and Memorandum from Rep. Henry A. Waxman to the Democratic Members of the House Government Reform Committee, “Re: New Information About Katrina Contracts,” May 8, 2006, p. 8. Available at <http://democrats.reform.house.gov/Documents/20060508161101-77956.pdf>.

<sup>89</sup> DHS IG (OIG-06-32) Report, “A Performance Review of FEMA’s Disaster Activities,” March 2006, p. 96. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_06-32\\_Mar06.pdf#search=%22dhs%20FEMA%20disaster%20management%20march%202006%22](http://www.dhs.gov/interweb/assetlibrary/OIG_06-32_Mar06.pdf#search=%22dhs%20FEMA%20disaster%20management%20march%202006%22).

<sup>90</sup> “A Failure of Initiative,” February 15, 2006, p. 331. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22katrina%20a%20failure%20of%20initiative%22>.

same products and services were obtained on a regular basis.<sup>91</sup> Ambiguous contractual terms often led to inefficiency and waste.

For instance, an “agreement” with Corporate Lodging Consultants, Inc. (CLC) for emergency lodging for evacuees failed to include any mechanisms to control lodging costs (*i.e.*, incentives or penalties regarding lodging cost goals or a per night cap).<sup>92</sup> In fact, the per-night room rate escalated from the task order estimated price of \$60 to as high as \$364 and, as late as December 2005 FEMA was still paying those relatively high prices because the contract did not clearly outline price expectations. FEMA also was charged room rates that were considerably higher rates than the hotels’ published rate – discrepancies that ranged from \$44.95 to \$114.08.<sup>93</sup>

One of the most publicized example of inadequate cost controls was seen in FEMA’s portable classroom contract with Akima. Although the contract price increased nearly \$8 million overnight, eventually bringing the final contract price to \$39.5 million,<sup>94</sup> federal officials did not appear to question the higher amount or ask for any justification for the “inflated” price.<sup>95</sup>

Government investigations also found that many large contracts were awarded with pre-award cost authorizations without spending limits. Even by November 1, 2005, long after the need for urgent action had past, the verbal authorizations and letter contracts with Bechtel, CH2M Hill, Fluor and Shaw Environmental for temporary housing had not been converted to formal task orders with definitive pricing.<sup>96</sup>

## Government Purchase Cards

In response to the immediate need to get goods and services to victims quickly, despite existing authority to do so,<sup>97</sup> Congress and the President drastically raised government purchase card limits from \$2,500 to \$250,000 per purchase.<sup>98</sup> The result of that increase was that competition requirements were waived for any purchases up to that

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<sup>91</sup> “Oversight of Gulf Coast Hurricane Recovery: A 90-Day Progress Report to Congress,” p. 8. Available at <http://www.ignet.gov/pande/hsr/hk90dayrpt.pdf>.

<sup>92</sup> DHS IG Report (GC-HQ-06-09), “Management Advisory Report on Invoices submitted under Order HSFEHQ-06-F-0047 by Corporate Lodging Consultants, Inc.,” February 13, 2006, p. 1. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_GC\\_HQ\\_06-09.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_GC_HQ_06-09.pdf).

<sup>93</sup> *Ibid.*, p. 2.

<sup>94</sup> GAO Report (GAO-060454), “Hurricane Katrina: Army Corps of Engineers Contract for Mississippi Classrooms,” May 2006, p. 6. Available at <http://www.gao.gov/new.items/d06454.pdf>.

<sup>95</sup> GAO Report (GAO-06-264T), “Hurricanes Katrina and Rita: Preliminary Observations on Contracting for Response and Recovery Efforts,” November 8, 2005, p. 5. Available at <http://www.gao.gov/new.items/d06246t.pdf>.

<sup>96</sup> DHS IG (OIG-06-32) Report, “A Performance Review of FEMA’s Disaster Activities,” March, 2006, p. 33. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_06-32\\_Mar06.pdf#search=%22dhs%20FEMA%20disaster%20management%20march%202006%22](http://www.dhs.gov/interweb/assetlibrary/OIG_06-32_Mar06.pdf#search=%22dhs%20FEMA%20disaster%20management%20march%202006%22).

<sup>97</sup> See FAR Subpart 6.3.

<sup>98</sup> Public Law 109-62 (“Second Emergency Supplemental Appropriations Act to Meet Immediate Needs Arising from the Consequences Of Hurricane Katrina, 2005”), September 8, 2005.

extraordinarily-high limit, therefore placing taxpayer dollars at unnecessary risk.<sup>99</sup> Government purchase cards have a history of being outrageously abused – with government employees buying escort services and a much-publicized breast implant operation for a Hooters waitress, among others.<sup>100</sup> After much public outcry, the White House announced on October 3, 2005, that it was returning the government purchase card limit to \$2,500, stating “the higher purchase limits are no longer needed and will be used only in ‘exceptional circumstances’ in order to guard against fraud and abuse.”<sup>101</sup>

Government purchase cards were intended to be used by government officials to buy everyday items such as cell phones, office supplies, construction equipment, computer products, clothing, sleeping bags, rental cars, lodging, refrigerators, coolers, syringes, and digital cameras. While a well-controlled purchase card program can reduce transaction processing costs and provide agencies with flexibility to achieve their mission objectives, government purchase cards in response to Hurricane Katrina were used in what GAO has described as a “weak control environment.”<sup>102</sup>

The GAO detailed “numerous examples of potentially fraudulent, improper, and abusive or questionable transactions,”<sup>103</sup> including the purchase of a beer brewing kit for \$230, a 63-inch plasma screen television costing \$8,000 that was found unused in its original box six months after being purchased, training at a golf and tennis resort for \$2,000, iPods for \$7,000, dog booties costing \$68,000, and expensive shower units that cost \$71,000.<sup>104</sup>

To be effective, the purchase card program requires written authorization; independent documentation that items have been received; reconciling underlying receipts/sales slips to monthly purchase card statements and the identification of any invalid charges to prepare dispute forms; and a follow-up on any dispute forms.<sup>105</sup>

Unfortunately, the responsible official, the Department of Homeland Security’s Chief Financial Officer, did not make sure that these controls were consistently applied, and many organizational elements failed to follow up with cardholders who did not supply supporting documentation. The result was that 10,339 transactions between December 2003 and February 2006 were not audited.<sup>106</sup>

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<sup>99</sup> Office of Management and Budget Memorandum (2005-24), “Implementing Management Controls to Support Increased Micro-purchase Threshold for Hurricane Katrina Rescue and Relief Operations,” September 13, 2005, p. 1. Available at

[http://www.whitehouse.gov/omb/procurement/publications/katrina\\_guidance2005.pdf](http://www.whitehouse.gov/omb/procurement/publications/katrina_guidance2005.pdf).

<sup>100</sup> See <http://pogo.org/p/contracts/PurchaseCards.html>.

<sup>101</sup> Office of Management and Budget Press Release (2005-26), “OMB Guidance Requires Exceptional Circumstances for use of Increased Credit Card Purchases Limit,” September 13, 2005, p. 1. <http://www.whitehouse.gov/omb/pubpress/2005/2005-26.pdf>.

<sup>102</sup> GAO Report (GAO-06-957T), “Purchase Cards: Control Weaknesses Leave DHS Highly Vulnerable to Fraudulent, Improper, and Abusive Activity,” July 19, 2006, p. 5. Available at <http://www.gao.gov/new.items/d06957t.pdf>.

<sup>103</sup> Ibid., Summary.

<sup>104</sup> Ibid., p. 26.

<sup>105</sup> Ibid., p. 35.

<sup>106</sup> Ibid., p. 10.

A statistical review of DHS purchase card transactions found that 45 percent of transactions did not have the recommended prior written authorization and approximately 63 percent of transactions lacked evidence that the goods or services were actually received.<sup>107</sup>

Another problem identified by GAO was the high number of cards that were open, but had not been used. As of December 2005, approximately 19 percent of purchase cards (2,468) had open accounts that had not been used since January 2005, despite the fact that OMB and GSA have clearly stated that purchase cards should only be issued to individuals who have a documented need to acquire items from the government with the purchase card.<sup>108</sup>

Additionally, GAO found that approving officials were frequently assigned more cardholders than they could effectively supervise. In one case, three Coast Guard approving officials managed over four times the number of cardholders that DHS has considered effective.<sup>109</sup> In six instances, the cardholder and approving official was the same person, presenting a significant conflict of interest.<sup>110</sup>

## **Minimal Transparency**

To regain public faith in the contracting system, the government must ensure that the contracting process is open to the public, including pre-award decisions, contract data, and contracting officers' decisions and justifications. This means the process should be transparent, not only for the public to see which contractors are getting paid taxpayer dollars to provide goods or services, but also for government auditors to be able to access adequate documentation to do their work.

Unlike the contracting situation in Iraq, the government has posted some – albeit limited – Katrina and Rita contract information on the web. Although the federal government has a long way to go to catch up with technology by posting actual contracts and all task and delivery orders online, GSA, the Army Corps of Engineers, and FEMA posted spread sheets that provided insights into government spending.

For example, GSA, the Army Corps, and FEMA have publicly posted limited contract data.<sup>111</sup> The information, however, did not include detailed information about the level of competition or specific cost or pricing data. One highlight was the Army Corps's posting of links to some of its contracts.<sup>112</sup> Although some of those contracts were redacted and

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<sup>107</sup> Ibid., p. 4.

<sup>108</sup> Ibid., p. 8.

<sup>109</sup> Ibid.

<sup>110</sup> Ibid.

<sup>111</sup> Including agency name, contract number, level of competition, and reason not competed, as well as contractor name, contractor dollars obligated, contract type, a description of the good or service, place of performance, and special classifications (*i.e.*, small business, woman owned, minority owned, or veteran owned classifications, if any).

<sup>112</sup> Available at [http://www.mvn.usace.army.mil/hps/Temporary\\_Roofing\\_Repairs.htm](http://www.mvn.usace.army.mil/hps/Temporary_Roofing_Repairs.htm).

line-item costs were not associated with the services being provided, that minimal level of transparency allowed the public to better understand the actions of the government.

Another transparency problem was that many contract files for the response to Hurricane Katrina did not contain any source selection information explaining why contracts were awarded to particular contractors, and often contained little or no documentation about “price reasonableness.”<sup>113</sup> In some cases, contracting officers agreed to multi-million dollar price quotes without any documentation. Other contracts were awarded with limited terms, conditions, scope of work descriptions, and prices.<sup>114</sup> In fact, it appears there was no source selection process for some contract awards.<sup>115</sup> Simply stated, the contracting system for Hurricanes Katrina and Rita allowed payments to be made first and questions to be asked later, exposing taxpayers to large risks and wasting resources that could have directly aided Hurricane victims.

For more information on government contracts, please visit:

**GSA’s lists of Katrina and Rita contracts** – <https://www.fpds.gov/>.

**Army Corps of Engineers contracts** –

<http://www.hq.usace.army.mil/cepa/katrina/contracts.pdf> and

[http://www.mvn.usace.army.mil/hps/contract\\_information.htm](http://www.mvn.usace.army.mil/hps/contract_information.htm).

**FEMA’s Katrina contracts** – <http://www.dhs.gov/interweb/assetlibrary/CPO-KatrinaContracts.pdf>.

## Recommendations

### Poor Government Planning

1. Emergency officials should review previous post-event reports to make sure that recommendations are incorporated into future contingency plans, thereby learning from prior successes and failures.
2. All major agencies should conduct reviews to pre-determine the contracts they are likely to require for goods and services during an emergency situation. These

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<sup>113</sup> President’s Council on Integrity and Efficiency, “Oversight of Gulf Coast Hurricane Recovery, a Semiannual Report to Congress,” April 30, 2006, p.18. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_pcie\\_april06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_pcie_april06.pdf). “Source selection” is the procedure of selecting a contractor in competitive negotiated acquisitions. See FAR Subpart 15.3.

<sup>114</sup> “A Failure of Initiative,” February 15, 2006, p. 61. Available at <http://www.gpoaccess.gov/katrinareport/mainreport.pdf#search=%22katrina%20a%20failure%20of%20initiative%22>.

<sup>115</sup> President’s Council on Integrity and Efficiency, “Oversight of Gulf Coast Hurricane Recovery, a Semiannual Report to Congress,” April 30, 2006, p. 18. Available at [http://www.dhs.gov/interweb/assetlibrary/OIG\\_pcie\\_april06.pdf](http://www.dhs.gov/interweb/assetlibrary/OIG_pcie_april06.pdf).



needs are likely to include search and rescue; rapid assessment teams; medical evacuation; sheltering and temporary housing; commodity distribution; and debris removal.

3. Agencies should enter into pre-established contingency contracts with multiple vendors in regions throughout the entire U.S. Vendors should include small and local contractors in order to jump-start the local economy.
4. The federal government should make better use of existing contracts during emergency response situations, rather than entering into new and potentially risky contracts. This is not an endorsement of interagency contracting in non-emergency situations.
5. The government should create a centralized database which lists instances of contractor misconduct so that government procurement officials can make informed contracting decisions prior to committing federal funds. Currently, POGO provides this service on its website, [www.pogo.org](http://www.pogo.org).

#### **Confusion about the Stafford Act**

1. Congress should review pre-declaration activities authorized under the Stafford Act to ensure agencies can adequately respond to an imminent emergency event.
2. Congress should resolve ambiguities in the Stafford Act regarding local contractor preference. In addition, clear, unambiguous remedies and penalties for failure to meet such statutorily-mandated preferences may need to be considered.

#### **Inadequate Competition**

1. Government agencies should conduct full and open competitions, to the maximum extent practicable, for all non-urgent purchases, including contingency contracts that are needed to meet any forthcoming emergency event. Agencies should require multiple competitive bids for task and delivery orders before the contract can be considered “competitive.”
2. Agencies should only utilize the existing exceptions to full and open competition found in federal regulations and ensure that non-competitive contract pricing is fair and reasonable.
3. Agencies should conduct limited competitions for urgent purchases, whenever possible, but obtain the lowest practical cost and rebid them once the emergency period ends.

## **Poor Oversight of Contracts**

1. All federal agencies should rebuild acquisition and oversight staff to meet their missions and have plans in place to supplement their staff with qualified acquisition professionals in an emergency event.
2. Acquisition staff must ensure that the government is using the most appropriate contracting vehicle when the contract is awarded – entering into fixed-price contracts and avoiding high-risk performance-based or “time and materials” contracts that are prone to abuse. In the event that these risky contracts are necessary for expediency, they should include measurable performance standards and cost caps.
3. Acquisition staff must perform post-award contract oversight on the need for the goods and services, the level of competition, price/cost fairness and reasonableness determinations, type of contract used, and the duration of the contract.
4. Interagency contracts should be monitored by all parties, including the buying agency, the ordering agency, and the contractor.
5. FEMA should avoid rotating contracting officers. When “borrowing” is necessary, FEMA should make sure that new contracting officials are de-briefed by the previous official to reduce the loss of institutional memory.

## **Vague Contracts with Inadequate Cost Controls**

1. FEMA should develop a contract mechanism that clearly defines the expected roles, responsibilities, deliverables, and performance measures for contractors.
2. Agencies should adhere to well-defined contract templates to reduce contract ambiguities and omissions.
3. Agencies should guarantee that contractors provide documentation for goods and services prior to payment of invoices.

## **Government Purchase Cards**

1. Congress should pass the “Purchase Card Waste Elimination Act of 2006” (S. 457) which would require additional guidance to improve the management of the government’s purchase card program.
2. The government should consistently implement purchase card program internal controls.

3. Purchase cards should only be issued to individuals who have a documented need to acquire items for the government.
4. Purchase card accounts should be conditional on cardholders receiving training on the program's key internal controls, which should reduce fraudulent and abusive purchases.
5. No cardholder should be their own authorizing official.
6. Agencies should confirm that approving officials review cardholder support and certify monthly statements.

### **Minimal Transparency**

1. The government should post all contracting opportunities online.
2. Federal agencies awarding contracts, procuring goods or services through existing contracts or agreements, or disbursing grant money should create publicly available websites with copies of all contracts, task/delivery orders, grants, and other disbursements so that Congress and the American public can track the billions of dollars that are being spent. Congress should pass the "Federal Funding Accountability and Transparency Act of 2006" (S. 2590) to improve public access to federal spending.
3. The government should create a new online database listing all non-competitive contracts and awards.
4. Agencies should enter timely, consistent, and accurate contracting information in the Federal Procurement Data System-Next Generation System (FPDS-NG), available at <https://www.fpds.gov/>.
5. Agencies need to better document contract files per the regulatory requirements. The government should not pay a contractor until applicable documentation and invoices are received and verified.

# **Appendix A**



## By the Numbers - One Year Later

### *FEMA Recovery Update for Hurricanes Katrina*

Release Date: August 22, 2006

Release Number: HQ-06-127Numbers

» En Español

- 1** Hurricane Katrina was the **single most catastrophic natural disaster in U.S. history**. The storm devastated a 90,000 square-mile area, which is roughly the size of Great Britain. The storm also resulted in the largest displacement of Americans in our nation's history, forcing more than 270,000 into shelters after landfall.
- 42** 42 states and the District of Columbia received **Presidential emergency declarations** following Hurricane Katrina to shelter evacuees. This total is the most declarations made for a single disaster in FEMA history.
- 4,200** The (800) 621-FEMA teleregistration and help line ran for more than **4,200 hours straight** – 176 days – after Hurricane Katrina struck. Never have the registration and help line call centers operated for 24 hours a day, 7 days a week (including holidays) for such a long duration.
- 6,300** Nearly **6,300 medical personnel** were deployed to provide medical attention and expertise to state and local governments and disaster victims after Hurricane Katrina.
- 100,000** Nearly **100,000 roofs damaged by Hurricane Katrina** have been temporarily covered by FEMA's "Blue Roof" program operated by the U.S. Army Corps of Engineers so that families can remain in their homes as they rebuild. These are the most roofs covered following a single hurricane in the "Blue Roof" program's history.
- 112,000** More than **112,000 travel trailers and mobile homes are serving as temporary homes for Hurricane Katrina** victims, triple the number of units used following all of last year's Florida hurricanes and far outnumbering any housing mission in FEMA's history. Manufactured housing continues to be moved into the Gulf Coast region to support ongoing housing needs.
- 420,000** **Households** have received Other Needs Assistance, which provides financial assistance for serious, disaster-related needs. More than \$1.9 billion has been distributed through this grant program.
- 1.3 Million** Hurricane Katrina destroyed tens of thousands of homes and other housing units. To evaluate damage, FEMA has conducted more than **1.3 million inspections** in Alabama, Louisiana and Mississippi to determine Katrina's impact on homes.
- 99 Million** Since Hurricane Katrina, **more than 99 million cubic yards of debris** have been removed in Alabama, Louisiana and Mississippi. FEMA debris removal project have totaled beyond \$3.7 billion to date.
- 650 Million** FEMA paid **\$650 million** for hotel and motel rooms to date to provide hotel and motel rooms to tens of thousands of families affected by Hurricanes Katrina and Rita who were in need of short-term sheltering. After peaking near 85,000 hotel rooms for a single night in October, fewer than 35 hotel rooms are currently in use.

To date, FEMA has approved nearly **\$975 million in Community Disaster Loans** for

- 975 Million** municipalities in Louisiana and Mississippi to help local authorities maintain essential services such as law enforcement, schools and fire services in the hardest hit communities, including a \$120 million loan approved for the City of New Orleans. **(more than \$715 million directly to Louisiana communities)**
- 4.8 Billion** More than **\$4.8 billion in federal funds have been reimbursed to states for “mission assignments”** such as debris removal in Alabama, Louisiana, and Mississippi after Hurricane Katrina. This total nearly doubles the combined total of \$2.6 billion allocated for Public Assistance projects from the 2004 hurricanes that resulted in hurricane-related damage in 15 states, Puerto Rico and the U.S. Virgin Islands.
- 6.0 Billion** FEMA has provided more than **\$6.0 billion directly to Hurricane Katrina victims** for housing and other needs assistance through the Individuals and Households Assistance Program (IHP). This total is the most ever provided by FEMA for any single natural disaster and is nearly four times the amount for the four major Florida hurricanes in 2004.
- 10.4 Billion** The U.S. Small Business Administration has approved **more than \$10.4 billion in disaster loans** to homeowners, renters and businesses as a result of damages caused by last year’s Gulf Coast hurricanes.
- 15.3 Billion** More than **\$15.3 billion has been paid out to National Flood Insurance Program policyholders**. More than 97 percent of all claims filed have been paid out to Gulf Coast hurricane victims. **This Hurricane Katrina total is more than the combined total of all previous 37 years in NFIP history.**

*\*all numbers as of Aug. 18, 2006*

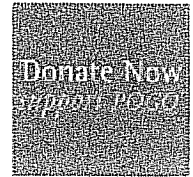
FEMA manages federal response and recovery efforts following any national incident. FEMA also initiates mitigation activities, works with state and local emergency managers, and manages the National Flood Insurance Program. FEMA became part of the U.S. Department of Homeland Security on March 1, 2003.

# **Appendix B**



## ***Katrina Contracting***

The federal government's response to the Katrina Hurricane could cost up to \$200 billion -- much of it going to contractors doing everything from addressing short term needs like food and shelter to repairing public water works systems. Numerous abuses during the Iraq reconstruction have helped to shed light on weaknesses in the federal government's contracting systems that lead to waste, fraud and abuse. Many of those same problems are returning in the Katrina relief and rebuilding effort -- no-bid contracts, outrageously high charges, questionable expenses. The result is that people who need help do not get it. Working with government experts, the Project On Government Oversight has conducted investigations into contracting abuses for more than 20 years. We hope this resource page is useful and informational. Please send us your suggestions and ideas for how we can improve it.



### **▼ Alerts and Info from the Project On Government Oversight**

- ▼ **POGO's Katrina Contracting Concerns and Recommendations**
- ▼ **Troubled Contracting Vehicles**
  - ▼ **Government Purchase Cards**
  - ▼ **No-Bid Contracts**
- ▼ **Revolving Door**
- ▼ **Contractor Misconduct**
- ▼ **Inherently Governmental Functions**
- ▼ **Transparency**
- ▼ **Emergency Procurement Authorities**
- ▼ **Alerts on Katrina**

### **▼ Katrina Spending**

- ▼ **Examples of Waste or Fraud in Katrina Spending**
- ▼ **Contracts Awarded**
  - ▼ **List compiled by POGO**
  - ▼ **List compiled by the General Services Administration**
    - ▼ **List compiled by Army Corps of Engineers**
- ▼ **List compiled by Army Corps of Engineers of prime post-Katrina contractors**
  - ▼ **List compiled by Federal Emergency Management Agency (FEMA)**
  - ▼ **List compiled by the U.S. Navy's Military Sealift Command** (go to the contracts button)
  - ▼ **Dept. of the Navy Cruise Ships audit report**. February 16, 2006.
  - ▼ **Other press releases and announcements**
- ▼ **Weekly Spending Reports from FEMA and the Army Corps of Engineers Submitted to Congress**
- ▼ **Department of Commerce - Hurricane Contracting Information Center (HCIC)**
- ▼ **Senate Budget Committee releases current tally of Hurricane-Related spending, including**



supplemental appropriations, tax relief, and education allocations. November 18, 2005.

## ▼ **Government Oversight of Katrina Spending**

### ▶ **Congressional Oversight of Katrina Spending**

- ▶ **A FAILURE OF INITIATIVE** -- Final Report of the Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina. February 15, 2006.
- ▶ **Senate Budget Committee releases current tally of Hurricane-Related spending, including supplemental appropriations, tax relief, and education allocations.** April 6, 2006.
- ▶ **House Committee on Homeland Security issues lessons learned Press Release and Fact Sheet.**

May 11, 2006.

▶ **Senate Committee on Homeland Security and Governmental Affairs report -- "Hurricane Katrina: A Nation Still Unprepared."** May 2006. (Be aware this is a very large pdf and may take time opening.)

### ▶ **Government Agencies Conducting Oversight**

▶ **Department of Health & Human Services creates an Office of Inspector General on Hurricane Relief work**

▶ **Department of Homeland Security Inspector General**

- ▶ **Federal Agents Seek Out Disaster Fraud.** October 31, 2005.
- ▶ **DHS IG recommends improvements in national emergency systems.** March 8, 2006.
- ▶ **All DHS Inspector General Report Links,** March 16, 2006.
- ▶ **DHS agrees with critics - FEMA was slow and ineffective.** March 2006.

▶ **Blackwater contract should be competed to find opportunities to "reduce costs."** March 2, 2006.

▶ **Department of Justice Katrina Fraud Task Force**

▶ **Inspectors General (IGnet) providing Katrina Oversight**

▶ **Special IG for Gulf Coast Hurricane Recovery finds excessive hotel lodging prices.** February 13, 2006.

▶ **Transportation Dept. overpays contractor by \$32 million** and agreed to price quotes without documentation. January 20, 2006.

▶ **National Science Foundation releases report on levee failures.** May 22, 2006.

▶ **General Accountability Office ([click here for a complete listing](#))**

### ▶ **White House Oversight of Katrina Spending**

▶ **President's Council on Integrity and Efficiency -- 90-Day Progress Report to Congress.** December 30, 2005.

▶ **President's Council on Integrity and Efficiency** biweekly report on hurricane oversight, including statistics on agency audits, investigations, arrests, indictments, and convictions. June 30, 2006.

▶ **President's Council on Integrity and Efficiency - Oversight of Gulf Coast Hurricane Recovery,** Semiannual Report to Congress. April 30, 2006.

▶ **White House finds U.S. unprepared for natural disasters and calls for fixes.** February 2006.


▶ **Examples of Waste or Fraud in Katrina Spending**

▶ **Legislative Proposals to Improve Oversight of Katrina Spending**

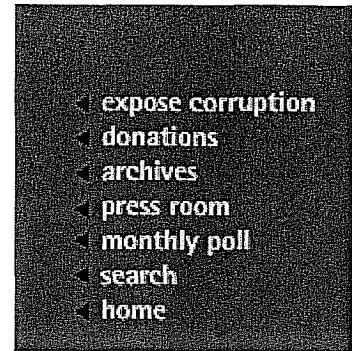
## ▼ **News Articles of Interest**

## ▼ **Other Resources and Links**

▶ **POGO Letter to Senator Collins (R-ME), Chair, Committee on Homeland Security & Governmental Affairs,** detailing government contracting concerns and recommendations in the aftermath of Hurricane Katrina. September 16, 2005 . [read this letter »](#)

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**General Accountability Office (GAO)  
Katrina Related Reports and Testimony**

- ▶ [GAO Report - GAO report on Katrina: Individual Disaster Assistance Programs: Framework for Fraud Prevention, Detection, and Prosecution. July 12, 2006.](#)
- ▶ [GAO Report - Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse. June 16, 2006.](#)
- ▶ [GAO Report - Hurricanes Katrina and Rita Disaster Relief: Improper and Potentially Fraudulent Individual Assistance Payments Estimated to Be Between \\$600 Million and \\$1.4 Billion. June 14, 2006.](#)
- ▶ [GAO Report - Hurricanes Katrina and Rita: Coordination Between FEMA and the Red Cross Could Be Improved for the 2006 Hurricane Season. June 8, 2006.](#)
- ▶ [GAO Report - Hurricane Katrina: Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters. May 25, 2006.](#)
- ▶ [GAO Report - Hurricane Katrina: Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters. May 15, 2006.](#)
- ▶ [GAO Report - Lessons Learned in Protecting and Educating Children After the Gulf Coast Hurricanes. May 11, 2006.](#)
- ▶ [GAO Testimony - Hurricane Katrina: Improving Federal Contracting Practices in Disaster Recovery Operations. Statement of William T. Woods, Director, Acquisition and Sourcing Management before the Committee On Government Reform, House of Representatives. May 4, 2006.](#)

- ▶ [GAO Report - Competition in Contracting and Small Business Archive: GAO finds that the Army Corps didn't leverage buying power for classrooms in contract with Akima.](#) May 1, 2006.
- ▶ [GAO Report - Hurricane Katrina: Planning for and Management of Federal Disaster Recovery Contracts.](#) April 10, 2006.
- ▶ [GAO Report - Hurricane Katrina: Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance.](#) April 6, 2006.
- ▶ [GAO Report - Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance.](#) April 6, 2006.
- ▶ [GAO Report - Hurricane Katrina: Status of the Health Care System in New Orleans and Difficult Decisions Related to Efforts to Rebuild It Approximately 6 Months After Hurricane Katrina.](#) March 28, 2006.
- ▶ [GAO's Briefing to Congress: Agency Management of Contractors Responding to Hurricanes Katrina and Rita,](#) March 15, 2006.
- ▶ [GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery.](#) March 8, 2006.
- ▶ [GAO Report - Emergency Preparedness and Response: Some Issues and Challenges Associated with Major Emergency Incidents.](#) February 23, 2006.
- ▶ [GAO Report on the Evacuation of Hospitals and Nursing Homes Due to Hurricanes.](#) February 16, 2006.
- ▶ [GAO finds military meals on eBay.](#) February 13, 2006.
- ▶ [GAO Testimony stating that FEMA weakness expose taxpayers to "significant fraud and abuse."](#) February 13, 2006.
- ▶ [Observations Regarding Preparedness and Response to Hurricanes Katrina and Rita.](#) February 1, 2006.
- ▶ [GAO Report - Federal Emergency Management Agency: Challenges for the National Flood Insurance Program.](#) January 25, 2006.
- ▶ [GAO Report - Hurricane Protection: Statutory and Regulatory Framework for Levee Maintenance and Emergency Response for the Lake Pontchartrain Project.](#) December 15, 2005.
- ▶ [GAO Report - Hurricanes Katrina and Rita: Provision of Charitable Assistance.](#) December 13, 2005.
- ▶ [GAO Report - Army Corps of Engineers: History of the Lake Pontchartrain and Vicinity Hurricane Protection Project.](#) November 9, 2005.
- ▶ [GAO Report - Hurricanes Katrina and Rita: Preliminary Observations on Contracting for Response and Recovery Efforts.](#) November 8, 2005.
- ▶ [GAO testimony cites flaws in government Katrina spending, highlighting the purchase of portable classrooms at inflated prices.](#) November 2, 2005.
- ▶ [GAO Report - Federal Emergency Management Agency: Oversight and Management of](#)

the National Flood Insurance Program. October 20, 2005.

▶ GAO Report - Federal Emergency Management Agency: Challenges Facing the National Flood Insurance Program. October 18, 2005.

▶ GAO Report - Federal Emergency Management Agency: Improvements Needed to Enhance Oversight and Management of the National Flood Insurance Program. October 18, 2005.

▶ GAO Report - Army Corps of Engineers: Lake Pontchartrain and Vicinity Hurricane Projection Project. September 28, 2005.

▶ GAO Testimony - Hurricane Katrina: Providing Oversight of the Nation's Preparedness, Response, and Recovery. September 28, 2005.

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# **Appendix C**

# CRS Report for Congress

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## **Federal Stafford Act Disaster Assistance: Presidential Declarations, Eligible Activities, and Funding**

**August 29, 2005**

Keith Bea  
Specialist, American National Government  
Government and Finance Division

# Federal Stafford Act Disaster Assistance: Presidential Declarations, Eligible Activities, and Funding

## Summary

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act) authorizes the President to issue a major disaster declaration to speed a wide range of federal aid to states determined to be overwhelmed by hurricanes or other catastrophes. Financing for the aid is appropriated to the Disaster Relief Fund (DRF), administered by the Department of Homeland Security (DHS). Funds appropriated to the DRF remain available until expended (a “no-year” account). The Stafford Act authorizes temporary housing, grants for immediate needs of families and individuals, the repair of public infrastructure, emergency communications systems, and other forms of assistance.

Because the Stafford Act provides the President with permanent authority to direct federal aid to stricken states, Congress need not enact new legislation to meet immediate needs. Congress appropriated over \$10 billion to the DRF in FY2005, largely in response to the four hurricanes that struck Florida in the fall of 2004. The appropriations legislation for FY2006 includes roughly \$2 billion for the DRF in both the House and Senate versions of H.R. 2360 in conference at the time Hurricane Katrina struck. Congress can elect to consider supplemental appropriations should additional money be required to meet the requests for assistance.

This report will be updated as warranted by events.

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# Federal Stafford Act Disaster Assistance: Presidential Declarations, Eligible Activities, and Funding

## Overview of the Stafford Act

The Robert T. Stafford Disaster Relief and Emergency Assistance Act (the Stafford Act) authorizes the President to issue major disaster declarations that authorize federal agencies to provide assistance to states overwhelmed by disasters.<sup>1</sup> Through executive orders, the President has delegated to the Federal Emergency Management Agency (FEMA), within the Department of Homeland Security (DHS), responsibility for administering the major provisions of the Stafford Act. Assistance authorized by the statute is available to individuals, families, state and local governments, and certain nonprofit organizations.

Activities undertaken under authority of the Stafford Act are provided through funds appropriated to the Disaster Relief Fund (DRF). Federal assistance supported by DRF money is used by states, localities, and certain non-profit organizations to provide mass care, restore damaged or destroyed facilities, clear debris, and aid individuals and families with uninsured needs, among other activities. In calendar year 2004, President Bush issued 68 major disaster declarations; in calendar year 2005, 32 such declarations have been issued, including those for Florida, Louisiana, and Mississippi for Hurricane Katrina.<sup>2</sup>

**Presidential Declarations.** Under Stafford Act authority, five types of actions may be taken, summarized as follows.

- **Major disaster.** The President issues a major disaster declaration after receiving a request from the governor of the affected state.<sup>3</sup> Major disaster declarations may be issued after a natural catastrophe

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<sup>1</sup> The Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121 et seq. In addition to the assistance authorized by the Stafford Act, a wide range of aid is provided by other federal agencies under general statutory authority.

<sup>2</sup> For a list of major disaster declarations, see U.S. Federal Emergency Management Agency, "Federally Declared Disasters by Calendar Year," at [<http://www.fema.gov/library/drcys.shtm>], visited Aug. 29, 2005. For information on the assistance provided after four hurricanes struck Florida in 2004, see CRS Report RL32581, *Assistance After Hurricanes and Other Disasters: FY2004 and FY2005 Supplemental Appropriations*, by Keith Bea and Ralph Chite.

<sup>3</sup> For criteria considered in the declaration of a major disaster, see 44 CFR 206.48.

or, “regardless of cause, fire, flood or explosion.”<sup>4</sup> A declaration authorizes DHS to administer various federal disaster assistance programs for victims of declared disasters. Each major disaster declaration specifies the type of incident covered, the time period covered, the types of disaster assistance available, the counties affected by the declaration, and the name of the federal coordinating officer.

- **Emergency.** The declaration process for emergencies is similar to that used for major disasters; the President may, however, issue an emergency declaration without a gubernatorial request if primary responsibility rests with the federal government.<sup>5</sup> An emergency declaration may be issued on “any occasion or instance” in which the President determines that federal assistance is required. Under an emergency declaration, the federal government funds and undertakes emergency response activities, debris removal, and individual assistance and housing programs. DRF expenditures for an emergency are limited to \$5 million per declaration unless the President determines that there is a continuing need; Congress must be notified if the \$5 million ceiling is breached.
- **Fire suppression.** The Secretary of DHS is authorized to provide fire suppression assistance to supplement the resources of communities when fires threaten such destruction as would warrant a major disaster declaration.
- **Defense emergency.** Upon request from the governor of an affected state, the President may authorize the Department of Defense (DOD) to carry out emergency work for a period not to exceed 10 days. DOD emergency work is limited to work essential for the preservation of life and property.
- **Pre-declaration activities.** When a situation threatens human health and safety, and a disaster is imminent but not yet declared, the Secretary of DHS may place agency employees on alert. DHS monitors the status of the situation, communicates with state emergency officials on potential assistance requirements, and deploys teams and resources to maximize the speed and effectiveness of the anticipated federal response and, when

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<sup>4</sup> 42 U.S.C. 5122(2).

<sup>5</sup> “The President may exercise any authority vested in him by ... this title with respect to an emergency when he determines that an emergency exists for which the primary responsibility for response rests with the United States because the emergency involves a subject area for which, under the Constitution or laws of the United States, the United States exercises exclusive or preeminent responsibility and authority. In determining whether or not such an emergency exists, the President shall consult the Governor of any affected state, if practicable. The President’s determination may be made without regard to subsection (a) of this section.” 42 U.S.C. 5191(b).

necessary, performs preparedness and preliminary damage assessment activities.

In considering a gubernatorial request for disaster relief, the President evaluates a number of factors, including the cause of the catastrophe, damages, needs, certification by state officials that state and local governments will comply with cost sharing and other requirements, and official requests for assistance. FEMA has established thresholds which are considered by the President and DHS officials in the process of determining whether a major disaster is to be declared.<sup>6</sup> Neither the Stafford Act nor implementing regulations provide for a congressional role in the declaration process.<sup>7</sup>

**Types of Assistance and Eligibility.** FEMA has established three major categories of aid under the Stafford Act — individual and household, public, and hazard mitigation assistance. The persons and organizations eligible for assistance authorized by the Stafford Act may be summarized in the following fashion:

- **Individuals and households** — immediate temporary shelter, cash grants (maximum of approximately \$25,000, adjusted for inflation) for uninsured emergency personal needs, temporary housing assistance (rental and mortgage payments) generally for 18 months, home repair grants, unemployment assistance due to the disaster, debris removal from private property when deemed in the public interest, emergency food supplies, legal aid for low-income individuals, and crisis counseling;
- **State, tribal, and local governments and certain private nonprofit organizations**<sup>8</sup> — repair, reconstruction, or replacement of infrastructure and recreational facilities; emergency protective measures, emergency communications and transportation systems; and loans to replace lost revenue or meet federal cost-sharing requirements; and,

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<sup>6</sup> One indicator used in determining whether a major disaster declaration will be declared for disasters that occur after Oct. 1, 2004, is whether damages exceed \$1.14 per capita in each affected state. See U.S. Department of Homeland Security, Federal Emergency Management Agency, “Notice of Adjustment of Statewide Per Capita Impact Indicator,” *Federal Register*, vol. 69, Oct. 19, 2004, p. 61515. Similarly, a “countywide” indicator (\$2.84 per capita for disasters that occur after October 1, 2004) is used in determining which local jurisdictions will be included in the major disaster declaration. See U.S. Department of Homeland Security, Federal Emergency Management Agency, “Notice of Adjustment of Statewide Per Capita Impact Indicator,” *Federal Register*, vol. 69, Oct. 19, 2004, p. 61505-61506.

<sup>7</sup> For regulations on the request and declaration process, see 44 CFR §§206.35-206.39.

<sup>8</sup> Eligible private non-profit organizations provide essential services and are open to the general public. Essential services include medical and custodial care, education, water, sewer and electrical systems, homeless shelters, and cultural programs such as those offered by museums.

- **State governments** — hazard mitigation assistance to reduce future disaster losses.

**Disaster Relief Funding.** Congress appropriates money to the Disaster Relief Fund (DRF) to ensure that the foregoing federal assistance is available to help individuals and communities stricken by severe disasters. Funds appropriated to the DRF remain available until expended.<sup>9</sup>

Appropriations to the DRF generally evoke little controversy. Supplemental appropriations legislation is generally required each fiscal year to meet the urgent needs of particularly catastrophic disasters. Questions have been raised in the past concerning the increased cost of federal disaster assistance authorized by the Stafford Act as the categories of aid and eligibility for federal disaster assistance have expanded.

Congress has previously explored the issue of rising federal disaster assistance costs and reliance upon supplemental appropriations.<sup>10</sup> As shown in **Table 1** below, DRF obligations have increased considerably since 1990 in comparison to those recorded in previous decades.

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<sup>9</sup> Such accounts are referred to as “no-year” accounts. For background on this and other types of federal budget accounts, see CRS Report 98-410 GOV, *Fact Sheet on the Budget Process*, by Bill Henniff, Jr.

<sup>10</sup> U.S. Congress, Senate Bipartisan Task Force on Funding Disaster Relief, *Federal Disaster Assistance*, S.Doc. 104-4, 104<sup>th</sup> Cong., 1<sup>st</sup> sess., (Washington: GPO, 1995). The House convened a task force that issued an unpublished report. Following completion of the task force efforts, some Members introduced a concurrent resolution (H.Con.Res. 39, 104<sup>th</sup> Congress) seeking a “fundamental overhaul of federal disaster policies.” See also U.S. Congress, House Committee on the Budget, Task Force on Budget Process, *Budgetary Treatment of Emergencies*, hearing, 105<sup>th</sup> Cong., 2<sup>nd</sup> sess., June 23, 1998 (Washington: GPO, 1998).

**Table 1. Disaster Relief Fund, FY1974-FY2005**  
(millions of dollars, 2005 constant dollars)

FY	Request.	Total Appropriations				Outlays	
		Original	Supplemental	Nominal	Constant	Nominal	Constant
1974	100	200	233	433	1,412	250	816
1975	100	150	50	200	591	206	609
1976	187	187	0	187	517	362	999
1977	100	100	200	300	770	294	754
1978	150	115	300	415	997	461	1,108
1979	200	200	194	394	876	277	616
1980	194	194	870	1,064	2,175	574	1,173
1981	375	358	0	358	668	401	746
1982	400	302	0	302	526	115	201
1983	325	130	0	130	217	202	337
1984	0	0	0	0	0	243	391
1985	100	100	0	100	156	192	299
1986	194	100	250	350	533	335	511
1987	100	120	<sup>b</sup> 0	120	178	219	325
1988	125	120	0	<sup>c</sup> 120	173	187	269
1989	200	100	<sup>d</sup> 1,108	1,208	1,674	140	194
1990	270	98	<sup>e</sup> 1,150	1,248	1,668	1,333	1,781
1991	270	0	0	0	0	552	711
1992	<sup>f</sup> 184	185	4,136	<sup>g</sup> 4,321	5,429	902	1,134
1993	292	292	2,000	<sup>h</sup> 2,292	2,816	2,276	2,796
1994	<sup>i</sup> 1,154	226	<sup>j</sup> 4,709	4,935	5,935	3,743	4,502
1995	320	320	<sup>k</sup> 3,275	3,595	4,235	2,116	2,492
1996	320	222	<sup>k</sup> 3,275	<sup>k</sup> 3,497	4,042	2,233	2,581
1997	320	<sup>l</sup> 1,320	<sup>l</sup> 3,300	4,620	5,248	2,551	2,898
1998	<sup>m</sup> 2,708	320	<sup>n</sup> 1,600	1,920	2,155	1,998	2,242
1999	<sup>o</sup> 2,566	<sup>p</sup> 1,214	<sup>q</sup> 1,130	2,344	2,597	3,746	4,149
2000	2,780	<sup>r</sup> 2,780	0	2,780	3,019	2,628	2,853
2001	2,909	300	<sup>s,t</sup>	<sup>u</sup> 5,890	6,249	3,217	3,413
2002	<sup>v</sup> 1,369	664	<sup>v</sup> 7,008	<sup>v</sup> 12,160	12,677	3,947	4,114
2003	1,843	800	<sup>w</sup> 1,426	<sup>w</sup> 2,199	2,255	8,541	8,761
2004	1,956	1,800	<sup>x</sup> 2,275	<sup>x</sup> 2,042	<sup>y</sup> 2,068	<sup>y</sup> 3,044	<sup>y</sup> 3,082
2005	2,151	2,042	<sup>x</sup> 8,500	10,542	10,542	<sup>y</sup> 3,363	<sup>y</sup> 3,363
<b>Total</b>	<b>24,240</b>	<b>16,360</b>	<b>48,988</b>	<b>72,099</b>	<b>84,455</b>	<b>50,648</b>	<b>60,224</b>

**Sources:** U.S. President, annual budget documents; appropriations legislation; U.S. FEMA budget justifications. Constant dollar amounts based on CRS calculations in turn based on GDP (chained) price index in U.S. President (Bush), *Historical Tables, Budget of the United States Government, Fiscal Year 2005* (Washington, 2004), pp. 184-185. Table prepared by Keith Bea, Specialist in American National Government, Government and Finance Division.

- a. Data in the request column generally represent the first budget request submitted by the Administration each year and do not include amended or supplemental requests. Notes in this column provide additional detail.
- b. In Feb. 1987, a total of \$57.5 million was rescinded and transferred from the DRF to the Emergency Food and Shelter Program account (P.L. 100-6). That amount was returned to the fund the same year in supplemental appropriations legislation enacted in July 1987 (P.L. 100-71).
- c. P.L. 100-202, the Continuing Appropriations Act for FY1988, appropriated \$120 million for disaster relief. According to FEMA, the original appropriation for that fiscal year was \$125 million, but \$5 million was transferred to the Department of Labor for “low income agriculture workers.”
- d. Supplemental funds were included in P.L. 101-100, continuing appropriations legislation enacted after Hurricane Hugo struck in Sept. 1989. According to FEMA, this amount was “referred to as a supplemental but was an increase in the original appropriation during a continuing resolution.”
- e. P.L. 101-130, enacted after the Loma Prieta earthquake, appropriated \$1.1 billion in supplemental funding for FY1990. In addition, \$50 million was appropriated in P.L. 101-302, dire emergency supplemental appropriations legislation. **Table 1** does not reflect a \$2.5 million transfer from the President’s unanticipated needs fund.
- f. FY1992 request does not include the budget amendment of \$90 million submitted by the Administration.
- g. Appropriations for FY1992 included a \$943 million dire emergency supplemental in P.L. 102-229, enacted in fall 1991 after Hurricane Bob; \$300 million after the Los Angeles riots and flooding in Chicago (spring 1992) in P.L. 102-302; and \$2.893 billion in P.L. 102-368 after Hurricanes Andrew and Iniki, Typhoon Omar, and other disasters.
- h. Total for FY1993 includes the \$2 billion supplemental approved after the Midwest floods in 1993 (P.L. 103-75).
- i. The original FY1994 budget request was \$292 million. On July 29, 1993, a supplemental request of \$862 million was sent by President Clinton to Congress.
- j. Supplemental appropriations for FY1994 enacted after the Northridge earthquake struck Los Angeles (P.L. 103-211).
- k. Additional supplemental appropriation approved for Northridge earthquake costs (P.L. 104-19) for FY1995, with the same amount (\$3.275 billion) reserved for a contingency fund for FY1996. However, \$1 billion of the contingency fund was rescinded in FY1996 omnibus appropriations, P.L. 104-134. In the same legislation, another \$7 million was also appropriated to other FEMA accounts for costs associated with the bombing of the Alfred P. Murrah federal building in Oklahoma City.
- l. The FY1998 budget appendix (p. 1047) noted a transfer of \$104 million from the disaster relief fund in FY1996. In the FY1997 appropriations act (P.L. 104-204), \$1 billion that had been rescinded in FY1996 (P.L. 104-134) was restored, and \$320 million in new funds were appropriated. Supplemental appropriations of \$3.3 billion were approved in P.L. 105-18 after flooding in the Dakotas and Minnesota, and after storms in other states were declared major disasters. The legislation specified, however, that of the total, \$2.3 billion was to be available in FY1998 only when FEMA submitted a cost control report to Congress. This requirement was met, and the funding was made available in FY1998.
- m. The FY1998 request consisted of a \$320 million base amount plus \$2.388 billion “to address actual and projected requirements from 1997 and prior year declarations.” (*Budget Appendix FY1998*, p. 1047). Does not include \$50 million requested for the DRF for mitigation activities.
- n. Supplemental appropriations legislation (P.L. 105-174) for FY1998, approved for flooding associated with El Niño and other disasters.
- o. The FY1999 request consisted of \$307.8 million for the DRF and an additional \$2.258 billion in contingency funding to be available when designated as an emergency requirement under the Balanced Budget Act of 1985, as amended.
- p. The FY1999 omnibus appropriations act (P.L. 105-277, 112 Stat. 2681-579) included \$906 million for costs associated with Hurricane Georges, flooding associated with El Niño, and other disasters.
- q. Emergency supplemental appropriations for FY1999 (P.L. 106-31) included \$900 million for tornado damages as well as \$230 million for unmet needs, subject to allocation directions in the conference report (H.Rept. 106-143).
- r. FY2000 appropriations act (P.L. 106-74, 113 Stat. 1085) included disaster relief funding as follows: \$300 million in regular appropriations and \$2.480 billion designated as emergency

- spending for costs associated with Hurricane Floyd and other disasters. In addition, the Consolidated Appropriations Act (P.L. 106-113) authorized the Director of FEMA to use up to \$215 million in disaster relief funds appropriated in P.L. 106-74 for the purchase of residences flooded by Hurricane Floyd, under specified conditions.
- s. Supplemental appropriations legislation (P.L. 106-246) authorized that \$77 million from the DRF was to be used for buyout and relocation assistance for victims of Hurricane Floyd. The act also appropriated \$500 million in a separate account for claim compensation and administrative costs associated with the Cerro Grande fire that destroyed much of Los Alamos, New Mexico.
  - t. P.L. 107-38 appropriated \$40 billion in response to the terrorist attacks of Sept. 11, 2001. Pursuant to the statute, these funds for FY2001 were allocated by the Office of Management Budget from the Emergency Response Fund (ERF). Of the total appropriated in P.L. 107-38 after the Sept. 11 attacks, \$4.4 billion was allocated for FY2001 through P.L. 107-117 (115 Stat. 2338). The total available for obligation for FY2001 (\$5.9 billion) taken from FEMA *Justification of Estimates, FY2003*, p. DR-2.
  - u. Request for FY2002 did not include funding for the Disaster Relief Contingency Fund.
  - v. Congress appropriated a total of \$7.008 billion for FY2002 in P.L. 107-117 and P.L. 107-206 to meet additional needs associated with the terrorist attacks. Total funds available (\$12.16 billion) include a transfer from TSA, \$1 billion released from the Emergency Contingency Fund, and other sources. See DHS, Emergency Preparedness and Response Directorate, *Justification of Estimates, FY2004*, p. DR-2.
  - w. Includes \$442 million in P.L. 108-69 and \$938 million in P.L. 108-83 to meet needs associated with tornadoes, winter storms, the recovery of wreckage of the Space Shuttle *Columbia* and other disasters. Also, funds appropriated in these measures and in the FY2004 appropriations act for DHS (P.L. 108-90) have been used for costs associated with Hurricane Isabel. Total of \$2.199 billion available taken from DHS, Emergency Preparedness and Response Directorate, *Justification of Estimates, FY2005*, p. FEMA-18.
  - x. P.L. 108-106, which primarily addressed reconstruction costs in Iraq and Afghanistan, also contained an appropriation of \$500 million for needs arising from disasters in fall 2003, including Hurricane Isabel and the California fires. Section 4002 of the act designates the funds an emergency requirement pursuant to the budget resolution adopted by Congress (H.Con.Res. 95), but the Consolidated Appropriations Act for FY2004 (Section 102(a), Division H, P.L. 108-199) rescinded \$225 million of the \$500 million appropriated in P.L. 108-106. Total of \$2.043 billion taken from: DHS, Emergency Preparedness and Response Directorate, *Justification of Estimates, FY2005*, p. FEMA-18. P.L. 108-303, enacted after Hurricanes Charley and Frances struck Florida, appropriated \$2 billion to the DRF and gave discretion to DHS to transfer \$300 million to the Small Business Administration for disaster loans. P.L. 108-324, Division B of the Military Construction Appropriations Act for FY2005, appropriated an additional \$6.5 billion to the DRF.
  - y. Outlay data and constant dollar calculations based on estimates.

## Issues for the 109<sup>th</sup> Congress

**Controlling Federal Expenditures.** The increase in federal expenditures since 1990 has been the subject of some debate. A report issued by the Office of Inspector General (OIG) for FEMA concluded that the increase in federal disaster costs since 1989 “is due to a greater number and magnitude of disasters, expansion of the law and eligibility for assistance, and interpretation of the law and regulations.”<sup>11</sup> Some contend that other factors, notably political considerations, contribute to the costs of disaster relief as well. The author of one study reportedly analyzed data from the insurance industry, climatic study organizations, and DHS, and concluded that “electoral motivations ... had a dramatic effect on which states

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<sup>11</sup> U.S. Federal Emergency Management Agency, at [<http://www.fema.gov/library/pp2man.shtml>], visited Nov. 19, 2004.

were granted disaster declarations.”<sup>12</sup> More specifically, and less dramatically, Tarcey reported in a published summary of his work: “The best predictor of a disaster declaration, bar none, is actual need. The question arises in these marginal cases, when it’s unclear whether to give or not.”<sup>13</sup>

Another perspective on the issue was presented in a study completed by the Government Accountability Office (GAO) that also considered the effects of politics on disaster declarations. After examining presidential declaration data from the perspective of the party affiliation of governors and members of state congressional delegations, the authors concluded that there “were no indications that party affiliation affected White House major disaster declaration decisions.”<sup>14</sup> In light of concerns about funding decisions after the hurricanes, and the rising deficit, Members of the 109<sup>th</sup> Congress may elect to consider means of controlling costs or establishing alternative funding mechanisms.

**Long-Term Recovery Policy.** The Stafford Act authorizes a variety of assistance for stricken states through the full range of events that precede and result from catastrophes. Specific provisions, and the phases of emergency management to which they pertain, include

- **Preparedness:** funding is provided to help states and communities develop disaster preparedness plans, improve warning systems, and conduct training and exercise activities;<sup>15</sup>
- **Emergency response:** federal resources may be used to provide equipment, supplies, and personnel to support state and local efforts, to coordinate disaster relief operations, and provide essential assistance to meet emergency needs;<sup>16</sup>
- **Recovery:** repair of damaged buildings and infrastructure, debris removal, temporary housing and limited home repairs, and revenue loss loans;<sup>17</sup> and,

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<sup>12</sup> For a summary, see Andrew Reeves, “Plucking Votes from Disasters,” *Los Angeles Times*, May 12, 2004, p. A19.

<sup>13</sup> Brian Tarcey, “Flooding the Ballot Box: The Politics of Disaster,” *Harvard Magazine*, at [<http://www.harvard-magazine.com/on-line/030492.html>], visited May 21, 2004.

<sup>14</sup> U.S. General Accounting Office, *Disaster Assistance: Timeliness and Other Issues Involving the Major Disaster Declaration Process*, GAO/RCED-89-138, May 25, 1989, pp. 1, 4.

<sup>15</sup> 42 U.S.C. 5131.

<sup>16</sup> 42 U.S.C. 5170a, 5170b. Even before a major disaster declaration is issued, the President is authorized to direct the Secretary of Defense to use departmental resources for emergency work essential for preserving life and property (42 U.S.C. 5170b(c)).

<sup>17</sup> 42 U.S.C. 5172-5186.



- **Hazard mitigation:** financial assistance before and after a major disaster declaration is issued to reduce future disaster losses.<sup>18</sup>

The Stafford Act does not explicitly authorize the President to provide long-term recovery assistance to communities.<sup>19</sup> However, the federal government has occupied the field to some extent. The Secretary of Commerce is authorized to undertake disaster economic recovery activities.<sup>20</sup> The *National Response Plan*, the document that sets forth agency responsibilities when major disaster declarations are issued, includes a “Long-Term Community Recovery and Mitigation Annex.” This annex “provides a framework for federal government support to state, regional local, and tribal governments, nongovernmental organizations (NGOs), and the private sector designed to enable community recovery from the long-term consequences” of catastrophes.<sup>21</sup> Congress may be called upon to consider whether the existing statutory authority of the Secretary of Commerce is adequate, and to consider whether the Secretary of DHS may undertake long-term recovery activities as set out in the *National Response Plan*, or to consider other legislative initiatives

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<sup>18</sup> 42 U.S.C. 5133 (pre-disaster mitigation); 42 U.S.C. 5170c (post-disaster mitigation).

<sup>19</sup> Title V of P.L. 93-288, the Disaster Relief Act of 1974 (88 Stat. 160-163), authorized the President to provide economic recovery assistance “after the period of emergency aid and replacement of essential facilities and services.” Congress never funded this authority, and it was repealed in 1998 amendments (see Sec. 102(c) of P.L. 105-393, 112 Stat. 3617).

<sup>20</sup> 42 U.S.C. 3149(c)(2).

<sup>21</sup> U.S. Department of Homeland Security, *National Response Plan* (Washington: 2004), pp. ESF#14-1 through 14-6.

# **Appendix D**

## FINDINGS OF THE GOVERNMENT ACCOUNTABILITY OFFICE

Issue	After Hurricane Andrew (1992)	After Hurricane Katrina (2005)
Preparing for Catastrophic Disasters	“The Congress should consider giving FEMA and other federal agencies explicit authority to take actions to prepare for catastrophic disasters when there is warning. . . . Federal response time could be reduced by encouraging agencies to do as much advance preparation as possible prior to a disaster declaration- -and even earlier for disasters, such as hurricanes, where some warning exists.” <sup>1</sup>	“Congress should consider giving FEMA and other federal agencies explicit authority to take actions to prepare for catastrophic disasters when there is warning.” <sup>2</sup>
Using FEMA’s Existing Authority to Respond to Catastrophic Disasters	“[FEMA should] improve its catastrophic disaster response capability by using existing authority to aggressively respond to catastrophic disasters, assessing the extent of damage, and then actively advising state and local officials of identified needs and the federal resources available to address them.” <sup>3</sup>	“FEMA [should] improve its catastrophic disaster response capability by using existing authority to aggressively respond to catastrophic disasters, assessing the extent of the damage, and then advising state and local officials of identified needs and the federal resources available to address them.” <sup>4</sup>
Disaster Response – Congress Should Cite Explicit Authority to Prepare	“[T]he Congress should consider 1. Giving FEMA and other federal agencies explicit authority to take actions to prepare for catastrophic disasters when there is warning, and 2. Removing statutory restrictions on DOD’s authority to activate Reserve units for catastrophic disaster relief.” <sup>5</sup>	“Congress should consider (1) giving FEMA and other federal agencies explicit authority to take actions to prepare for catastrophic disasters when there is warning and (2) removing statutory restrictions on DOD’s authority to activate Reserve units for catastrophic disaster relief.” <sup>6</sup>

<sup>1</sup> GAO Report (GAO/T-RCED-93-46), “Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation’s Response Strategy,” May 25, 1993, p. 3, 14. Available at <http://archive.gao.gov/d43t14/149256.pdf>.

<sup>2</sup> GAO Report (GAO-06-442T), “Hurricane Katrina: GAO’s Preliminary Observations Regarding Preparedness, Response, and Recovery,” March 8, 2006, p. 3. Available at <http://www.gao.gov/new.items/d06442t.pdf>.

<sup>3</sup> “Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation’s Response Strategy,” May 25, 1993, p. 17, 18. Available at <http://archive.gao.gov/d43t14/149256.pdf>.

<sup>4</sup> “Hurricane Katrina: GAO’s Preliminary Observations Regarding Preparedness, Response, and Recovery,” March 8, 2006, p. 13. Available at <http://www.gao.gov/new.items/d06442t.pdf>.

<sup>5</sup> “Disaster Management: Recent Disasters Demonstrate the Need to Improve the Nation’s Response Strategy,” May 25, 1993, p. 3. Available at <http://archive.gao.gov/d43t14/149256.pdf>.

# **Appendix E**

10th PCIE Hurricane Katrina Report: To Date As of 06-30-06

	DNCS	DHS	DOC	DOD	DOE	DOI	DOJ	DOL	DOT	ED	EPA	GSA	HHS	HUD	NASA	SBA	SSA	TIGTA	TREAS	USDA	USPS	VA	TOTAL
<b>Section 01. OIG STAFF ASSIGNED</b>																							
<b>A. Full-Time Equivalent</b>																							
1. Administrative	-	5.00	-	-	-	-	-	-	-	-	-	-	-	2.00	1.00	-	-	-	-	-	-	-	8.50
2. Auditors	0.50	58.00	-	127.00	3.00	6.50	3.50	20.00	8.00	24.50	3.50	4.75	19.00	5.00	8.00	9.00	3.00	27.00	2.00	45.00	28.00	8.00	383.75
3. Consultants/Contractors	-	4.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.00
4. Inspectors	-	-	-	-	-	-	-	-	-	-	-	-	8.00	-	-	-	-	-	-	-	-	-	8.00
5. Investigators	-	28.00	1.00	9.00	-	1.25	0.50	68.00	2.00	1.00	4.00	1.00	-	6.00	2.00	1.00	8.00	-	-	5.00	7.00	1.00	76.75
6. Other (e.g. Technical, Specialists)	-	-	-	-	-	-	-	14.00	-	-	-	-	-	6.00	-	-	-	-	-	-	3.00	-	9.00
<b>Total</b>	<b>0.50</b>	<b>95.00</b>	<b>1.00</b>	<b>136.00</b>	<b>3.00</b>	<b>7.75</b>	<b>4.00</b>	<b>102.00</b>	<b>10.00</b>	<b>25.50</b>	<b>7.50</b>	<b>5.75</b>	<b>27.00</b>	<b>22.00</b>	<b>11.00</b>	<b>10.00</b>	<b>11.00</b>	<b>27.00</b>	<b>2.00</b>	<b>50.00</b>	<b>38.00</b>	<b>9.00</b>	<b>431.00</b>

<b>Section 02. CONTRACT: AGENCY ACTIONS</b>																							
<b>A. # Contracts Awarded</b>																							
1. <= \$500K	-	3,203	-	-	-	670	50	4	58	-	191	1,592	161	11	26	-	13	19	-	403	24	-	6,419
2. > \$500K (1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
a. Full and Open Competition	-	180	-	-	-	11	-	-	7	-	76	42	22	-	6	-	1	-	-	51	2	-	278
b. "Limited" Competition	-	1	-	-	-	2	-	-	2	-	19	19	4	-	2	-	-	-	-	1	-	-	31
c. No Bid/Sole Source	-	391	-	-	-	11	3	2	6	-	13	151	7	-	-	-	-	-	-	4	3	-	595
d. Other	-	218	-	-	-	-	3	-	-	-	-	12	-	3	-	-	-	-	-	-	-	-	230
Sub-Total of > \$500K (1)	-	770	-	-	-	24	6	2	15	-	89	224	29	10	8	-	1	-	-	56	5	-	1,237
<b>Total # Contracts Awarded</b>	<b>-</b>	<b>3,973</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>694</b>	<b>56</b>	<b>6</b>	<b>71</b>	<b>-</b>	<b>280</b>	<b>1,816</b>	<b>190</b>	<b>21</b>	<b>34</b>	<b>-</b>	<b>14</b>	<b>19</b>	<b>-</b>	<b>459</b>	<b>29</b>	<b>-</b>	<b>7,656</b>
<b>B. \$ Value Contracts Awarded (in thousands)</b>																							
1. <= \$500K	\$ -	\$ 256,657	\$ 5,300	\$ 94,588	\$ -	\$ 17,330	\$ 2,383	\$ 2,712	\$ 7,592	\$ -	\$ 14,181	\$ 80,713	\$ 14,061	\$ 1,060	\$ 4,598	\$ -	\$ 1,454	\$ 358	\$ -	\$ 42,798	\$ 2,176	\$ -	\$ 547,917
2. > \$500K (1)	\$ -	\$ 6,109,893	\$ 1,200	\$ 2,460,066	\$ -	\$ 28,616	\$ 9,991	\$ 2,048	\$ 355,616	\$ -	\$ 261,194	\$ 548,474	\$ 82,160	\$ 18,325	\$ 127,015	\$ -	\$ 600	\$ -	\$ -	\$ 83,605	\$ 6,173	\$ -	\$ 10,064,875
<b>Total \$ Value of Contracts Awarded</b>	<b>\$ -</b>	<b>\$ 6,366,550</b>	<b>\$ 6,500</b>	<b>\$ 2,554,654</b>	<b>\$ -</b>	<b>\$ 45,946</b>	<b>\$ 12,374</b>	<b>\$ 4,760</b>	<b>\$ 363,208</b>	<b>\$ -</b>	<b>\$ 275,355</b>	<b>\$ 629,187</b>	<b>\$ 96,221</b>	<b>\$ 19,385</b>	<b>\$ 131,611</b>	<b>\$ -</b>	<b>\$ 2,054</b>	<b>\$ 356</b>	<b>\$ -</b>	<b>\$ 126,403</b>	<b>\$ 8,349</b>	<b>\$ -</b>	<b>\$ 10,612,792</b>

<b>Section 03. CONTRACT: OIG REVIEWS</b>																								
<b>A. # Of Contract Reviews</b>																								
1. In-Process	-	63	1	10	-	-	-	8	1	-	2	182	63	2	11	-	-	-	-	-	-	-	341	
2. Completed	-	105	-	1	-	-	1	-	-	-	-	134	9	1	22	-	-	-	-	-	3	1	277	
<b>Total</b>	<b>-</b>	<b>168</b>	<b>1</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>8</b>	<b>1</b>	<b>-</b>	<b>136</b>	<b>182</b>	<b>72</b>	<b>3</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>618</b>	
<b>B. \$ Value of Reviews (in thousands)</b>																								
1. In-Process	\$ -	\$ 2,472,995	\$ 6,500	\$ 2,438,733	\$ -	\$ -	\$ -	\$ 4,760	\$ -	\$ -	\$ 981	\$ 542,550	\$ 66,466	\$ 17,600	\$ 11,243	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,062,129
2. Completed	\$ -	\$ 1,218,558	\$ -	\$ 249,000	\$ -	\$ -	\$ 5,180	\$ -	\$ 238,036	\$ -	\$ 258,428	\$ -	\$ 26,216	\$ 1,100	\$ 77,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,349	\$ 709,440	\$ -	\$ 2,792,224
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,691,553</b>	<b>\$ 6,500</b>	<b>\$ 2,687,733</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,180</b>	<b>\$ 4,760</b>	<b>\$ 238,036</b>	<b>\$ -</b>	<b>\$ 259,409</b>	<b>\$ 542,550</b>	<b>\$ 92,682</b>	<b>\$ 18,700</b>	<b>\$ 89,160</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,349</b>	<b>\$ 709,440</b>	<b>\$ -</b>	<b>\$ 7,854,352</b>

<b>Section 04. PURCHASE CARD: AGENCY TRANSACTIONS</b>																							
<b>A. Total \$ spent to date (in thousands)</b>																							
	\$ -	\$ 22,687	\$ 289	see DoD comments	\$ -	\$ 24,475	\$ 8,228	\$ 488	\$ 816	\$ -	\$ 1,480	\$ 107	\$ 2,201	\$ -	\$ 135	\$ -	\$ 224	\$ 79	\$ -	\$ 20,601	\$ 1,930	\$ -	\$ 83,740

<b>Section 05. PURCHASE CARD: OIG REVIEWS</b>																							
<b>A. % of PCard Transaction \$s reviewed to date</b>																							
	0%	100%	0%	see DoD comments	-	0%	46%	0%	0%	0%	50%	0%	0%	0%	91%	0%	0%	0%	0%	0%	100%	0%	

<b>Section 06. NON-CONTRACT: OIG REVIEWS</b>																							
<b>A. # Grant Reviews</b>																							
1. In-Process	-	22	1	-	-	-	-	3	4	10	-	-	1	-	-	-	-	-	-	-	-	-	42
2. Completed	-	21	-	-	-	-	1	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	29
<b>B. # Mission Assignment Reviews</b>																							
1. In-Process	-	2	-	3	-	-	-	-	2	-	1	-	-	-	5	-	1	-	-	-	9	-	24
2. Completed	-	-	-	-	-	-	-	4	-	-	3	-	-	-	-	-	-	-	-	4	1	-	12
<b>C. # Other Non-Contract Reviews</b>																							
1. In-Process	1	18	-	12	1	1	-	10	1	-	-	1	3	-	-	5	-	2	2	12	1	3	71

10th PCIE Hurricane Katrina Report: To Date As of 06-30-06

	PHCS	DHS	DOC	DOJ	DOE	DOI	DOJ	DOL	DOT	ED	EPA	SSA	HHS	HUD	NASA	SSA	SSA	TIGTA	TREAS	USDA	USPS	VA	TOTAL
2. Completed	-	6	-	-	1	-	-	3	1	-	-	-	-	-	-	4	-	8	-	-	7	-	50
<b>Section 07. OIG REPORTING</b>																							
A. # Reports Issued	-	44	-	1	-	-	2	7	3	-	4	2	9	-	-	-	-	5	-	-	-	-	77
B. Reported \$ Value (in thousands)																							
1. Questioned Costs	\$ -	\$ 13,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,646
(a). Unsupported Costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,292	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,292
2. Funds Put to Better Use	\$ -	\$ 75,670	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,670
<b>Section 08. OIG CONGRESSIONAL RESPONSES</b>																							
A. # Congressionals Received	-	23	-	9	-	-	-	-	-	-	-	-	1	1	-	1	1	-	-	-	1	-	37
B. # OIG Congressional Responses																							
1. In-Process	-	7	-	5	-	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-	13
2. Completed	-	16	-	1	-	-	-	-	-	-	-	-	-	-	-	1	1	-	-	-	-	1	29
<b>Section 09. OIG INVESTIGATIVE STATISTICS</b>																							
A. # Hotline Complaints (1)	-	6,205	2	9,664	2	-	-	13	1	-	7	-	4	89	-	15	25	-	-	5	50	-	16,032
B. # Cases Opened	-	979	1	7	-	-	6	234	18	-	8	2	17	40	11	8	44	3	2	11	3	-	1,368
C. # Arrests	-	189	-	1	-	-	1	22	2	-	-	-	-	6	5	-	9	1	2	2	-	-	236
D. # Indictments	-	223	-	-	-	-	-	29	3	-	-	-	-	6	2	-	14	1	1	4	-	-	283
E. # Convictions	-	60	-	2	-	-	-	9	1	-	-	-	-	2	-	-	3	1	1	1	-	-	50

LEGEND:  
 (1) DOE = over \$1 million  
 (2) PCIE = # complaints received on Katrina Hotline;  
 (3) DOE = To date, DOE has received only a small portion of the funds allocated for hurricane

# **Appendix F**

FIGURE 11. Overview of initial Federal involvement under the Stafford Act

