HURRICANE KATRINA

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

Why GAO Did This Study
Hurricane Katrina destroyed or damaged 134,000 homes and 10,000 rental units in Mississippi alone. The Federal Emergency Management Agency (FEMA) in part responded by providing displaced individuals with temporary housing in the form of mobile homes and travel trailers, placed on both private property and at FEMA-constructed group sites. In 2006, FEMA awarded 10 contracts in Mississippi to maintain and deactivate (MD) the housing units and 5 for group site maintenance (GSM). GAO was asked to investigate whether there were indications of fraud, waste, and abuse related to FEMA’s oversight of these 15 contracts.

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

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

Comparison of Projected Trailer Costs at Private and Group Sites

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