Testimony
Before the House Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina

HURRICANES KATRINA AND RITA
Contracting for Response and Recovery Efforts

Statement of David E. Cooper, Director, Acquisition and Sourcing Management
HURRICANES KATRINA AND RITA

Contracting for Response and Recovery Efforts

Why GAO Did This Study

The devastation experienced by those throughout the Gulf Coast in Louisiana, Mississippi, Alabama, and Texas in the wake of Hurricanes Katrina and Rita has called into question the government’s ability to effectively respond to such disasters. The government needs to understand what went right and what went wrong, and to apply these lessons to strengthen its disaster response and recovery operations.

The federal government relies on partnerships across the public and private sectors to achieve critical results in preparing for and responding to natural disasters, with an increasing reliance on contractors to carry out specific aspects of its missions. At the same time, the acquisition functions at several agencies are on GAO's high risk list, indicating a vulnerability to fraud, waste, abuse, and mismanagement.

GAO was asked to provide an overview of (1) its role in evaluating the contracting community with regard to disaster preparedness and response; (2) GAO's plans for reviewing the performance of the federal government and its contractors in preparing for and responding to the hurricanes; and (3) what GAO has learned so far about the performance of the federal government and its contractors in preparing for and responding to the hurricanes.

What GAO Found

The private sector is an important partner with the government in responding to and recovering from natural disasters such as Hurricanes Katrina and Rita. Such partnerships often include multiple federal agencies, for-profit contractors and not-for-profit organizations, and state and local governments. Importantly, federal agencies are relying increasingly on contractors to carry out specific aspects of their missions. The government’s response to Katrina and Rita, for example, depended heavily on contractors to deliver ice, water, and food supplies as well as the effort to patch rooftops and supply temporary housing to displaced residents and evacuees. GAO can draw on its large body of knowledge to evaluate the procurement and contracting community’s preparation for and response to Katrina, Rita, and other disasters. GAO’s past work has shown that far too often, poorly planned and executed acquisitions have resulted in the government’s inability to obtain quality goods and services on time and at a fair price—an outcome that is unacceptable, particularly in the current fiscal environment.

GAO’s work on contracting issues related to Hurricanes Katrina and Rita will focus on agency planning, contract execution, and monitoring of contractor performance. To ensure good contracting outcomes, agencies must have sound acquisition plans, sufficient knowledge to make good business decisions, and the means to monitor contractor performance and ensure accountability. These components are critical to successfully managing contracts following any disaster, especially catastrophic disasters such as Hurricanes Katrina and Rita. The fact that natural disasters are not precisely predictable must not be an excuse for careless contracting practices.

GAO’s preliminary observations about the purchase of classrooms by the Army Corps of Engineers illustrate what can happen when sound contracting practices are not followed. The Corps was faced with a significant challenge in this acquisition because the classrooms were purchased in a short time frame and negotiations were compressed. GAO has concerns that the government may be paying more than necessary and questions whether Corps contracting officials had sufficient knowledge to ensure a good acquisition outcome. As a part of our ongoing work on Katrina and Rita, we will continue to review the facts and circumstances of this particular contract and other contracts supporting hurricane recovery efforts as we assess the overall contracting environment and practices in place.
Mr. Chairman and Members of the Select Committee:

Thank you for inviting me here today to discuss the Nation’s response to Hurricanes Katrina and Rita. We have witnessed many heroic efforts by dedicated public servants and volunteers working long hours to reduce the pain and suffering of those affected and to restore some sense of normalcy to the impacted regions. Yet, as you know, the devastation experienced by those throughout the Gulf Coast in Louisiana, Mississippi, Alabama, and Texas has undermined the Nation’s confidence in its government’s ability to effectively respond to such disasters. Ultimately, we need to understand what went right and what went wrong, and to apply these lessons to strengthen the government’s response and recovery operations as we look toward our long-range 21st century challenges.

GAO has already had teams in the hurricane-stricken areas, which have begun collecting information and gaining the insight that will be necessary to identify lessons learned and improvements needed for future emergencies. Our work is being coordinated with the rest of the accountability community at the federal, state, and local levels to ensure that all significant issues associated with relief and recovery are addressed while avoiding unnecessary duplication of efforts. The Comptroller General has been personally involved in the coordination effort, and has spoken a number of times with the Department of Homeland Security (DHS) Inspector General, Mr. Skinner. While the Inspectors General are expected to be on the front lines of reviewing agencies’ response and recovery efforts, GAO plans to take a more systemic, cross-cutting look at a broad range of issues. As provided for in our congressional protocols, we plan to conduct hurricane-related work under the Comptroller General’s statutory authority since it is an issue of interest to the entire Congress and numerous committees in both houses. We plan to review the use of Katrina and Rita related funds by various federal agencies.

My statement today will highlight GAO’s role in evaluating the federal contracting community with regard to disaster preparedness, response, and recovery; our plans for conducting hurricane-related work in the future; and what we have learned so far about the performance of the federal government and its contractors in their preparations for and response to Hurricanes Katrina and Rita.
GAO has a broad and deep reservoir of knowledge, which we will draw on to conduct our work. Much of our response and recovery work was done in the aftermath of the terrorist attacks of September 11, 2001, and the subsequent creation of the Department of Homeland Security in March 2003. In all, we have published over 120 reports on disaster preparedness and response and other issues raised by the hurricanes.

Our framework of analysis for this work will be based on the National Response Plan. We will draw on our large body of knowledge to address several cross-cutting issues one of which is contracting. Our past work on preparedness—programs to prevent disasters or prepare in advance to respond—has identified needed improvements in a number of areas, including balancing efforts to prepare for terrorism with efforts related to natural disasters; providing training, exercises, evaluations, and lessons learned to first responders; providing flood control and protection; and improving public health preparedness. Our prior work on disaster response also has identified needed improvements, including coordination of federal, state, and local responses, the role of the military, and the medical and public health response capabilities. Finally, our work on recovery—programs to help affected communities get back to normal—has identified challenges related to federal assistance to recovery areas, private non-government assistance efforts, and lessons from overseas recovery programs. In many of these areas we have made a number of recommendations, some of which have yet to be implemented.

The private sector is an important partner with the government in responding to and recovering from natural disasters such as Hurricanes Katrina and Rita. As we noted early this year, such partnerships increasingly underlie more and more government operations and

---

1. GAO has posted on its website (www.gao.gov) more than 120 prior reports and testimonies related to preparedness, response and recovery from natural disasters and terrorist attacks. The list includes, for example, our reports on the federal government’s response to Hurricane Andrew in 1992, including the military’s role in South Florida. GAO’s past work has noted a host of needed improvements in a variety of government programs related to Hurricane Katrina and other natural disasters.

2. The National Response Plan, prepared by the Department of Homeland Security, establishes a comprehensive all-hazards, both natural and manmade, approach to enhance the ability of the United States to manage domestic incidents.
missions. Networks that are being created often include multiple federal agencies, for-profit contractors and not-for-profit organizations, and state and local governments. Importantly, federal agencies are relying increasingly on contractors to carry out specific aspects of their missions. The government’s response to Katrina and Rita, for example, depended heavily on contractors to deliver ice, water, and food supplies, as well as the effort to patch rooftops and supply temporary housing to displaced residents and evacuees.

With hundreds of billions of tax dollars spent each year on goods and services, it is essential that federal agency acquisitions be handled in an efficient, effective, and accountable manner. However, as the government increases its reliance on contractors, GAO and other accountability organizations, inspectors general, and agencies continue to identify systemwide weaknesses in key areas of acquisition. The acquisition function at several agencies has been on GAO’s high-risk list for over a decade, and in January 2005, we added interagency contracting to this list. For Katrina relief alone, the Congress has appropriated over $62 billion—over 95 percent of which is being administered through the Department of Homeland Security. In January 2003, we designated DHS’s formation through the merger of 22 agencies as high-risk because of the size and complexity of the effort and the wide array of existing challenges faced by the components being merged into the department.

Far too often, the result of poorly planned and executed acquisitions has been an inability to obtain quality goods and services on time and at a fair price. Given the fiscal challenges we currently face and are likely to continue to face for decades to come, the federal government must improve its ability to acquire goods and services in a cost-effective manner.

Key elements must be in place to manage risks and achieve successful contract outcomes. To ensure good contracting outcomes, agencies must 3

---

4GAO’s High-Risk Series identifies areas in the federal government with vulnerability to fraud, waste, abuse, and mismanagement.
have sound acquisition plans, sufficient knowledge to make good business
decisions, and the means to monitor contractor performance and ensure
accountability. These components are critical to successfully managing
contracts following any disaster—especially catastrophic disasters, such
as Hurricanes Katrina and Rita. The fact that these disasters are not
precisely predictable must not be an excuse for careless contracting
practices.

Our preliminary field work indicates that agency contracting practices in
preparing for and responding to natural disasters are in need of review and
revision. GAO’s work on contracting issues related to Hurricanes Katrina
and Rita both in the near and long term will focus on agency planning,
execution, and monitoring of contractor performance.

Among the issues that warrant consideration in assessing agency
approaches to emergency contract planning are

- the strategies and flexibilities agencies used to plan their procurements
to avoid the risks associated with undefined contracts;
- the knowledge agencies used to identify, select, and manage
contractors to achieve successful outcomes;
- the foresight to have competitively awarded contracts in place prior to
the event against which orders can be placed as needed; and
- the decisions agencies make about how best to maximize the use of
local contractors.

In assessing the execution of these contracts, we will consider such issues
as how effectively agencies

- communicated and coordinated among themselves and with
contractors;
- defined contract terms and conditions to avoid excessive costs and
ensure desired performance; and
- monitored contractors.

We will consider the possible underlying causes of the problems we
identify in agency planning and execution such as the

- capability of information systems to provide visibility into financial and
contracting operations;
- skills and training of the acquisition workforce;
alignment of responsibilities among the key officials in managing the award and oversight of contracts; and
the policies, procedures, and guidance for managing contracts.

To illustrate what can happen when sound contracting practices are not followed, I would like to discuss some preliminary observations about the purchase of portable classrooms for the state of Mississippi. In response to a tip received through GAO’s hotline that the government is paying highly inflated prices, we are reviewing a contract the Army Corps of Engineers awarded on behalf of the Federal Emergency Management Agency to purchase portable classrooms for Mississippi schools damaged along the Gulf Coast.

The Corps faced a significant challenge in this acquisition. It was faced with acquiring the classrooms in a short time frame and negotiations were compressed. To meet the requirement, the Corps placed a non-competitive order on a pre-existing agreement established by the Army Contracting Agency in Ft. Eustis, Virginia. The agreement was intended to be used to acquire and install portable buildings (not specifically classrooms) on Army installations. In negotiations, the contractor proposed to provide the classrooms for $39 million and that amount was accepted. Since being awarded, the order has been amended several times to adjust the type and quantity of classrooms provided and other work required.

We have concerns that the government may be paying more than necessary. We question whether Corps contracting officials had sufficient knowledge to ensure a good acquisition outcome. For example, we found information in the Corps’ contract files and from other sources that suggest the negotiated prices were inflated. Further, we found the Corps modified the contract after it was awarded to allow the contractor to substitute a different mix of classrooms than required by the contract. However, we found little evidence that the Corps conducted a complete analysis to determine the impact of the modifications on the contract price.

7The Government Accountability Office’s FraudNET is to facilitate the reporting of allegations of fraud, waste, abuse, or mismanagement of federal funds. Allegations are received via e-mail at: fraudnet@gao.gov.
In this situation, the Corps was heavily dependent on information provided by the vendor and did not have the benefit of competition. These circumstances, as we have shown in prior work, increase risk and often result in poor outcomes. We will pursue the question of whether the contracting staff had sufficient information to make a sound business decision.

As a part of our ongoing work on Katrina and Rita, we will continue to review the facts and circumstances of this particular contract and other contracts supporting hurricane recovery efforts as we assess the overall contracting environment and practices in place.

In closing, as federal agencies prepare for and respond to unforeseen devastation that result from hurricanes and other natural disasters and terrorist attacks, they must be effective in planning and executing contracts with private firms to achieve critical mission outcomes and ensure accountability. We will continue to work with the accountability community and have already reached out to relevant congressional committees, federal Inspectors General, and state and local auditors in the affected states to coordinate our efforts and most effectively utilize our resources.

Mr. Chairman this concludes my statement. I would be happy to respond to any questions you or other members of the Committee may have at this time.

For further information regarding this testimony, please contact David Cooper at (617)565-7500 or cooperd@gao.gov, Individuals making key contributions to this testimony included William T. Woods, Penny Berrier, John Needham, Ralph Roffo, Karen Sloan, Katherine Trimble.
### GAO’s Mission

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

### Obtaining Copies of GAO Reports and Testimony

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

### Order by Mail or Phone

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

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

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

### To Report Fraud, Waste, and Abuse in Federal Programs

Contact:  
E-mail: fraudnet@gao.gov  
Automated answering system: (800) 424-5454 or (202) 512-7470

### Congressional Relations

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

### Public Affairs

Paul Anderson, Managing Director, AndersonP1@gao.gov (202) 512-4800  
U.S. Government Accountability Office, 441 G Street NW, Room 7149  
Washington, D.C. 20548