AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

SIFTING THROUGH KATRINA'S LEGAL DEBRIS: CONTRACTING IN THE EYE OF THE STORM

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

MAY 4, 2006

Serial No. 109–160

Printed for the use of the Committee on Government Reform

Available via the World Wide Web: http://www.gpoaccess.gov/congress/index.html
http://www.house.gov/reform

U.S. GOVERNMENT PRINTING OFFICE

28–897 PDF WASHINGTON : 2006

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON GOVERNMENT REFORM

TOM DAVIS, Virginia, *Chairman*

CHRISTOPHER SHAYS, Connecticut
DAN BURTON, Indiana
ILEANA ROS-LEHTINEN, Florida
JOHN M. MCHUGH, New York
JOHN L. MICA, Florida
GIL GUTKNECHT, Minnesota
MARK E. SOUDER, Indiana
STEVEN C. LATOURETTE, Ohio
TODD RUSSELL PLATTS, Pennsylvania
CHRIS CANNON, Utah
JOHN J. DUNCAN, JR., Tennessee
CANDICE S. MILLER, Michigan
MICHAEL R. TURNER, Ohio
DARRELL E. ISSA, California
JON C. PORTER, Nevada
KENNY MARCHANT, Texas
LYNN A. WESTMORELAND, Georgia
PATRICK T. MCHENRY, North Carolina
CHARLES W. DENT, Pennsylvania
VIRGINIA FOXX, North Carolina
JEAN SCHMIDT, Ohio

HENRY A. WAXMAN, California
TOM LANTOS, California
MAJOR R. OWENS, New York
EDOLPHUS TOWNS, New York
PAUL E. KANJORSKI, Pennsylvania
CAROLYN B. MALONEY, New York
ELIJAH E. CUMMINGS, Maryland
DENNIS J. KUCINICH, Ohio
DANNY K. DAVIS, Illinois
WM. LACY CLAY, Missouri
DIANE E. WATSON, California
STEPHEN F. LYNCH, Massachusetts
CHRIS VAN HOLLEN, Maryland
LINDA T. SANCHEZ, California
C.A. DUTCH RUPPERSBERGER, Maryland
BRIAN HIGGINS, New York
ELEANOR HOLMES NORTON, District of Columbia

BERNARD SANDERS, Vermont (Independent)

DAVID MARIN, *Staff Director*
LAWRENCE HALLORAN, *Deputy Staff Director*
TERESA AUSTIN, *Chief Clerk*
PHIL BARNETT, *Minority Chief of Staff/Chief Counsel*

CONTENTS

	Page
Hearing held on May 4, 2006	1
Statement of:	
Perkins, Randall, president AshBritt, Inc.; George Schnug, CEO, AmeriCold Logistics, Inc.; Neal Fox, member, Board of Advisors, FedBid, Inc.; and James Necaise, vice president, Necaise Brothers Construction, accompanied by David Machado, staff engineer	135
Fox, Neal	201
Machado, David	216
Perkins, Randall	135
Schnug, George	196
Riley, Major General Don, Director of Civil Works, U.S. Army Corps of Engineers; William Woods, Director, Acquisition and Sourcing Management, U.S. Government Accountability Office; Matt Jadacki, Special Inspector General, Gulf Coast Hurricane Recovery, U.S. Department of Homeland Security; Emily Murphy, Chief Acquisition Office, U.S. General Services Administration; Elaine Duke, Chief Procurement Officer, U.S. Department of Homeland Security; and Deidre Lee, Deputy Director of Operations, Federal Emergency Management Agency, U.S. Department of Homeland Security	30
Duke, Elaine	36
Jadacki, Matt	78
Murphy, Emily	50
Riley, Major General Don	30
Woods, William	61
Letters, statements, etc., submitted for the record by:	
Clay, Hon. Wm. Lacy, a Representative in Congress from the State of Missouri, prepared statement of	116
Cummings, Hon. Elijah E., a Representative in Congress from the State of Maryland, prepared statement of	110
Davis, Chairman Tom, a Representative in Congress from the State of Virginia, prepared statement of	4
Dent, Hon. Charles W., a Representative in Congress from the State of Pennsylvania, prepared statement of	254
Duke, Elaine, Chief Procurement Officer, U.S. Department of Homeland Security, prepared statement of	38
Fox, Neal, member, Board of Advisors, FedBid, Inc., prepared statement of	203
Jadacki, Matt, Special Inspector General, Gulf Coast Hurricane Recovery, U.S. Department of Homeland Security, prepared statement of	80
Kucinich, Hon. Dennis J., a Representative in Congress from the State of Ohio, prepared statement of	250
Machado, David, staff engineer, prepared statement of	219
Maloney, Hon. Carolyn B., a Representative in Congress from the State of New York, prepared statement of	101
Murphy, Emily, Chief Acquisition Office, U.S. General Services Administration, prepared statement of	52
Perkins, Randall, president AshBritt, Inc., prepared statement of	137
Riley, Major General Don, Director of Civil Works, U.S. Army Corps of Engineers, prepared statement of	32
Schnug, George, CEO, AmeriCold Logistics, Inc., prepared statement of	198
Watson, Hon. Diane E., a Representative in Congress from the State of California, prepared statement of	121
Waxman, Hon. Henry A., a Representative in Congress from the State of California, prepared statement of	8

Page

Letters, statements, etc., submitted for the record by—Continued
Woods, William, Director, Acquisition and Sourcing Management, U.S. Government Accountability Office, prepared statement of 63

SIFTING THROUGH KATRINA'S LEGAL DEBRIS: CONTRACTING IN THE EYE OF THE STORM

THURSDAY, MAY 4, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:30 a.m., in room 2154, Rayburn House Office Building, Hon. Tom Davis (chairman of the committee) presiding.

Present: Representatives Tom Davis, Shays, Burton, Gutknecht, Platts, Dent, Foxx, Waxman, Maloney, Cummings, Kucinich, Clay, Watson, Lynch, Van Hollen, Sanchez, and Norton.

Also present: Representatives Pickering, Taylor, and Melancon.

Staff present: Keith Ausbrook, chief counsel; Jennifer Safavian, chief counsel for oversight and investigations; Patrick Lyden, parliamentarian; Steve Castor, counsel; Chas Phillips, policy counsel; Rob White, communications director; Andrea LeBlanc, deputy communications director; Edward Kidd, professional staff member; John Brosnan, procurement counsel; Teresa Austin, chief clerk; Sarah D'Orsie, deputy clerk; Phil Barnett, minority staff director/chief counsel; Kristin Amerling, minority general counsel; Karen Lightfoot, minority communications director/senior policy advisor; Michelle Ash, minority chief legislative counsel; Jeff Baran, Margaret Daum, and Michael McCarthy, minority counsels; David Rapallo, minority chief investigative counsel; Earley Green, minority chief clerk; and Jean Gosa, minority assistant clerk.

Chairman TOM DAVIS. Good morning and welcome to today's hearing to examine the Federal Government's contracting policies, practices, preparations and response to Hurricane Katrina.

The purpose of this hearing is to examine the contracts in place prior to Katrina's landfall and planning efforts that took place in anticipation of this catastrophic event; the rationale and processes for awarding disaster relief and recovery contracts in the immediate aftermath; the internal controls in place to ensure that Federal acquisition laws were followed and that effective contracting practices were used; and the terms and performances of Katrina relief contracts.

Most importantly, however, I want this committee to learn the ways in which the management and oversight of disaster-related contracting can be strengthened by heeding lessons learned after Katrina. We do not want a reoccurrence of some of the problems that ensued.

On August 25, 2005 Hurricane Katrina hit the Gulf Coast States of Louisiana, Mississippi, and Alabama with Category 4 winds and torrential rains causing widespread flooding and destruction. By September 9, 2005, Congress had provided over $63 billion for disaster relief and is considering another $20 billion supplemental request.

The contracting community faced unique and challenging circumstances. Acquisition personnel acted to meet pressing humanitarian needs, contacting firms in an effort to provide immediate relief to survivors and to protect life and property. Many firms were called into action on a sole source basis under acquisition flexibilities that allow the government to acquire urgently needed goods and services in emergency situations. Notwithstanding the extraordinary scope of the disaster, a significant portion of the immediate response efforts were provided through existing contracts that had previously been awarded through full and open competition.

As we learned from our work on the House Select Katrina Committee, the circumstances and urgent needs created by the storm provided an unprecedented opportunity for fraud and mismanagement. Nevertheless, despite the speed and scope of the effort, the system, though stressed, seemed to work well.

Today we want to learn whether the proper procedures, vehicles and mechanisms are in place to minimize systematic vulnerabilities and meet the challenges posed by catastrophic events.

The committee is interested in pre-disaster acquisition planning by Federal agencies, the initial acquisition response to the need for immediate relief, and efforts to respond to more long-term recovery needs. The adequacy of the existing acquisition work force to provide contract management and support is going to be examined as well.

Finally, we will review lessons learned and suggestions for improvements in our response to future disasters. Our review will include the use of set-asides, including local contractor participation, under the Stafford Act.

In addition, we want to understand the specific roles and responsibilities of private companies as contractors to the Federal Government. Our witnesses can bring their perspectives regarding forward contracting, reverse auctions, the use of on-line acquisition technology and the challenges that occurred in implementing the Stafford Act in preferences for local contractors. We will ask what assistance these firms provided to agencies, the extent of previous support for agency missions during natural disasters, and their participation in preexisting disaster relief plans.

Finally, I am interested in the companies' perspectives regarding the most effective contracting vehicles, methods and policies.

Millions of dollars have gone to private firms to help prepare for and respond to Katrina. Part of our job is to ask what contracts should have been in place before this storm arrived and the rationale and process for awarding disaster relief and recovery contracts in the immediate aftermath. We will ask about the ways in which the management and oversight of disaster-related contracting can be strengthened.

Concerns have been raised with respect to how the Federal Government awards contracts in the immediate aftermath of a disaster. I hope that we can take the time to understand how the procurement system works before we rush to change it. I am sure we will learn that there have been mistakes when decisions were made quickly. There will be disagreements with contractors over pricing and payment schedules, which happens with complex contracts under difficult situations.

We also need to look at and review the local participation. Under the Stafford Act agencies and prime contractors are to give preference to local subcontractors, but many small local businesses continue to complain they are not hired or are hired on unfair terms. Questions have been raised about the Corps of Engineers' use of limited competition to award contracts for debris removal and cleanup, for example.

At the same time larger firms argue that the projects are too big or complicated for small firms to handle. Agencies cite the need to hire firms with the track record, financial strength and expertise to meet the requirements. They also note the challenges posed by managing hundreds of smaller contractors.

This raises a related but important issue. Clearly, we want contractors to have the expertise to get the job done, but before we can address that issue we need a sufficiently trained acquisition work force. Our acquisition laws have been crafted to provide enough flexibility for the government to quickly get what it wants in emergency situations. I hope we will learn what tools, if any, we will need to be better prepared next time.

The officials on panel one will provide an overview of the acquisition process and a description of the acquisitions made before Katrina. The witnesses will undertake a review of the agencies' performances in response to Katrina and their plans for the future. The DHS IG and the GAO witnesses will provide an overview of their Katrina-related investigations and oversight efforts.

Panel two consists of representative companies whose work can highlight particular contracting issues surrounding response and recovery requirements. AshBritt is a national firm providing debris removal services. AmeriCold Logistics contracted to provide ice. FedBid provides reverse auction services. And Necaise Brothers is a small local contractor. Panel two witnesses are expected to provide an overview of the goods and services they provided, a review of their contracts with the Federal Government and the unique challenges they face carrying out their missions.

I look forward to hearing from them.

I would now recognize our distinguished ranking member, Mr. Waxman, for his opening statement.

Before I do that let me ask unanimous consent for Mr. Pickering, Mr. Taylor and Mr. Melancon to participate in today's hearing. Hearing no objection, so ordered.

Mr. Waxman.

[The prepared statement of Chairman Tom Davis follows:]

COMMITTEE ON GOVERNMENT REFORM

"Sifting Through Katrina's Legal Debris: Contracting in the Eye of the Storm"

May 4, 2006
10:00 a.m.

Room 2154, Rayburn House Office Building

Good morning, and welcome to today's hearing to examine the Federal government's contracting policies, practices, preparations, and response to Hurricane Katrina.

The purpose of this hearing is to examine: 1) the contracts in place prior to Katrina's landfall, and planning efforts that took place in anticipation of this catastrophic event; 2) the rationale and process for awarding disaster relief and recovery contracts in the immediate aftermath; 3) the internal controls in place to ensure that federal acquisition laws were followed and that effective contracting practices were used; and 4) the terms and performance of Katrina relief contracts.

Most importantly, however, I want this Committee to learn the ways in which the management and oversight of disaster-related contracting can be strengthened by heeding lessons learned after Katrina.

On August 29, 2005, Hurricane Katrina hit the Gulf Coast states of Louisiana, Mississippi, and Alabama with Category IV winds and torrential rains, causing widespread flooding and destruction. By September 9, 2005, Congress had provided over $63 billion for disaster relief, and is considering another $20 billion supplemental request.

The contracting community faced unique and challenging circumstances. Acquisition personnel acted to meet pressing humanitarian needs, contacting firms in an effort to provide immediate relief to survivors and to protect life and property. Many firms were called into action on a sole-source basis under acquisition flexibilities that allow the government to acquire urgently needed goods and services in emergency situations. Notwithstanding the extraordinary scope of the disaster, a significant portion of the immediate response efforts were provided through existing contracts that had been previously awarded through full and open competition.

As we learned from our work on the House Select Katrina Committee, the circumstances and urgent needs created by the storm provided an unprecedented opportunity for fraud and mismanagement. Nevertheless, despite the speed and scope of the effort, the system, though stressed, appeared to work well.

Today, we want to learn whether the proper procedures, vehicles, and mechanisms are in place to minimize systematic vulnerabilities and meet the challenges posed by catastrophic events.

The Committee is interested in pre-disaster acquisition planning by federal agencies, the initial acquisition response to the need for immediate relief, and efforts to respond to more long term recovery needs. The adequacy of the existing acquisition workforce to provide contract management and support will be examined as well. Finally, we will review lessons learned and suggestions for improvements in our response to future disasters. Our review will include the use of set asides, including local contractor participation under the Stafford Act.

In addition, we want to understand the specific roles and responsibilities of private companies as contractors to the federal government. Our witnesses can bring their perspectives regarding forward contracting, reverse auctions, the use of on-line acquisition technology, and the challenges that occurred in implementing the Stafford Act preferences for local contractors. We will ask what assistance these firms provided to agencies, the extent of previous support for agency missions during natural disasters, and their participation in pre-existing disaster relief plans. Finally, I am interested in the companies' perspectives regarding the most effective contracting vehicles, methods, and policies.

Millions of dollars has gone to private firms to help prepare for and respond to Katrina. Part of our job is to ask what contracts should have been in place before this storm arrived and the rationale and process for awarding disaster relief and recovery contracts in the immediate aftermath. We'll ask about the ways in which the management and oversight of disaster-related contracting can be strengthened.

Concerns have been raised with respect to how the federal government awards contracts in the immediate aftermath of a disaster. I hope we can take the time to understand how the procurement system works, before we rush to change it.

I am sure we will learn that there have been mistakes when decisions were made quickly. There will be disagreements with contractors over pricing and payment schedules, which happens with complex contracts under difficult circumstances.

We also need to review local participation. Under the Stafford Act, agencies and prime contractors are to give preference to local subcontractors, but many small local businesses continue to complain they aren't hired, or are hired on unfair terms. Questions have been raised about the Corps of Engineers' use of a limited competition to award contracts for debris removal and clean up, for example.

At the same time, larger firms argue that the projects are too big or complicated for small firms to handle. Agencies cite the need to hire firms with the track record, financial strength, and expertise to meet their requirements. They also note the challenges posed by managing hundreds of smaller contractors.

This raises a related, but important issue. Clearly, we want contractors to have the expertise to get the job done. But before we can address that issue, we need a sufficiently trained acquisition workforce.

Our acquisition laws have been crafted to provide enough flexibility for the government to quickly get what it needs in emergency situations. I hope we will learn what tools, if any, we need to be better prepared the next time.

The officials on Panel I will provide an overview of the acquisition process and a description of the acquisitions made before and after Katrina. The witnesses will undertake a review of their agencies' performance in response to Katrina and their plans for the future. The DHS-IG and GAO witnesses will provide an overview of their Katrina-related investigations and oversight efforts.

Panel II consists of representative companies whose work can highlight particular contracting issues surrounding response and recovery requirements. AshBritt is a national firm providing debris removal services; AmeriCold Logistics contracted to provide ice; FedBid provides reverse auction services; and Necaise Brothers is a small, local contractor. Panel II witnesses are expected to provide an overview of the goods and services they provided, a review of their contracts with the Federal government, and the unique challenges they face carrying out their missions.

I look forward to hearing from them.

Mr. WAXMAN. Mr. Chairman, I want to commend you for holding this hearing and for your efforts in working on a bipartisan basis to get documents from the agencies. This is a hearing that we should be doing.

The picture the documents paint are not very pretty. It is hard not to get angry. After Hurricane Katrina devastated the Gulf States Americans did what they always do. They opened their wallets to get the recovery going. As a Nation we committed billions of dollars to make things better and Americans asked us to make sure the job was done right. Today we examine how that money has been spent, and what we will find is massive fraud, waste and abuse, pervasive mismanagement and gross incompetence.

Much of this is summarized in the briefing memo that my staff prepared, and I would ask unanimous consent that it and the documents it cited be made a part of the record.

Chairman TOM DAVIS. Without objection, it will be made part of the record. Thank you.

[The prepared statement of Hon. Henry A. Waxman follows:]

Statement of Rep. Henry A. Waxman, Ranking Minority Member
Committee on Government Reform Hearing
"Sifting Through Katrina's Legal Debris:
Contracting in the Eye of the Storm"

May 4, 2006

Today's hearing should make our blood boil. And it should shame us.

After Hurricane Katrina devastated the Gulf States, Americans did what they always do. They opened their wallets to get the recovery going. As a nation, we committed billions of dollars to make things better. And Americans asked us to make sure the job was done right.

Today we examine how that money has been spent. And what we will find is massive fraud, waste, and abuse … pervasive mismanagement … and gross incompetence.

Much of this is summarized in a briefing memo that my staff has prepared, and I ask unanimous consent that it and the documents it cites be made part of the record.

One of the first and most basic challenges the Gulf States faced was removing countless tons of debris. The U.S. Army Corps of Engineers led this effort and awarded four contracts totaling $2 billion to clean up the mess.

The debris contractors grabbed the money and then committed every abuse imaginable. Some sought double payments for the same load … others massaged their travel records to qualify for bonuses for long-distance transport … and one contractor even picked up debris from a public dump and then drove it to the federal site just to game the system.

The types of fraud and waste in the debris contracts goes on and on. And it's all summarized in depressing detail in this memo.

Things weren't any better in the effort to patch damaged roofs. The federal government spent millions on contracts with companies to install temporary blue plastic sheeting to protect damaged homes. But internal government documents show that blue roofs that were installed for billing purposes were never installed on actual roofs … overcharges were routine … and exaggerating the amount of work actually done seems to have been standard procedure.

The Katrina contracts are a lose-lose-lose proposition. Private contractors exploited the system to make a bundle, taxpayers were gouged, and the folks devastated by Katrina in Louisiana and Mississippi didn't get the help they deserved.

Who let this happen? The short answer is the Corps of Engineers, the prime contractors, the Bush Administration, and Congress.

The Corps had the dual responsibility of getting the work done and looking out for taxpayers. But the Corps of Engineers regularly failed to inspect trucks as they left dump sites and repeatedly overestimated the size of the loads delivered by the contractors. In a series of damning reports, government auditors describe the Corps' assessments as "unusually high," "overly generous," "very liberal," and "consistently on the high side."

The exact same types of problems plagued the "blue roof" contracts. Government auditors found that Corps officials entered into an "informal agreement" with the private contractors not to question billings as long as the bills did not exceed the estimates by more than 50%. According to the auditors, this agreement was "excessive and unreasonable" and "does not adequately protect the Government from waste or abuse."

One of the most powerful findings that emerges from the documents is how fundamentally flawed the Bush Administration's entire contracting approach has been. The cornerstone of the Administration's approach has been to award large umbrella contracts to major prime contractors. These contractors don't collect the debris themselves and they don't patch roofs themselves. Instead, they hire subcontactors to do the work, and then these subcontractors hire other subcontractors.

The theory behind this approach is that the prime contractors should have the resources and the expertise to oversee these layers of contractors effectively.

What the documents reveal is that this entire approach is bankrupt. The government auditors repeatedly report that the prime contractors are exercising virtually no oversight over the subcontractors. They don't know where the subcontractors are, what they are doing, or whether they've completed their work.

This approach builds overhead on top of overhead and dramatically inflates costs for taxpayers. Each contractor, subcontractor, and sub-subcontractor wants a cut even if it isn't doing any real work. And it's an ideal environment for fraud.

When GAO testifies this morning, we will also learn that there was inadequate planning … that the agencies failed to communicate with each other about who was in charge … and that there was ineffective contractor oversight because there weren't enough people on the ground. GAO will also tell us about other examples in which millions of dollars were simply thrown away because of incompetence and lax oversight.

What's clear is that the contractor looting in Katrina isn't an isolated incident. Contract mismanagement, deficient oversight, and exorbitant overcharges have occurred again and again since 2001.

The Bush Administration has gone on three spending binges in the last five years. The first was the frenzied award of huge homeland security contracts after the September 11 attacks. The second was the $20 billion spent on Iraq reconstruction. And the third is responding to Katrina.

All three are marked by unprecedented contractor abuse. We aren't talking about hundreds of thousands of dollars lost to fraud and wasteful spending. We aren't talking about millions. We are talking about billions of dollars — billions — squandered or looted.

Scattered through Iraq right now are over 100 partially built public health hospitals, paid for by U.S. taxpayers, which are likely never to be completed. They cost over $180 million. The contractor, Parsons, got paid. But it didn't finish the work.

Last month, the *New York Times* reported on a $70 million ditch Halliburton built in Iraq. It appears company officials knew their plan for repairing an oil pipeline couldn't possibly work. It didn't … but they still got their $70 million and American taxpayers bought a ditch.

Yet despite the litany of extraordinary abuses, no one in this Administration seems to care. And no senior officials are ever held accountable.

Congress is no better. Given all the billions of taxpayer dollars that have been wasted, Americans might think that Congress would dig into this problem. But in almost every case — with the exception of a few hearings in this Committee — Congress has looked the other way.

I'm particularly frustrated by the Katrina looting because we knew it was going to happen. That's why I joined with Minority Leader Pelosi last September in introducing the "Hurricane Katrina Accountability and Clean Contracting Act." This legislation would have enacted fundamental reforms in time to prevent the Katrina abuses.

But the bill never received a hearing, and Administration officials claimed we were exaggerating the problem. The day after Leader Pelosi and I introduced our Katrina legislation, the President said reforms weren't necessary. And he promised: "We'll make sure your money is being spent wisely. And we're going to make sure that the money is spent honestly."

I said at the outset that we should all be ashamed and I mean that. But at the same time, I want to thank Chairman Davis for holding this hearing. He is one of the lone figures on the Republican side who will ask questions and request documents. He doesn't always go as far as I think he should, but he does much more than many of his colleagues.

In particular, I want to thank him for requesting with me the documents from the Army Corps of Engineers and the Department of Homeland Security that detail the abuses in Katrina-related contracts.

Those 3,000 pages of documents are the reason we are here today. And I look forward to working with the Chairman, and all the Committee members, in getting to the bottom of this and finally holding someone accountable for the unconscionable looting and incompetence.

We owe that to American taxpayers and we owe it to all those who lost so much in Katrina.

TOM DAVIS, VIRGINIA,
CHAIRMAN

CHRISTOPHER SHAYS, CONNECTICUT
DAN BURTON, INDIANA
ILEANA ROS-LEHTINEN, FLORIDA
JOHN M. McHUGH, NEW YORK
JOHN L. MICA, FLORIDA
GIL GUTKNECHT, MINNESOTA
MARK E. SOUDER, INDIANA
STEVEN C. LaTOURETTE, OHIO
TODD RUSSELL PLATTS, PENNSYLVANIA
CHRIS CANNON, UTAH
JOHN J. DUNCAN, JR., TENNESSEE
CANDICE MILLER, MICHIGAN
MICHAEL R. TURNER, OHIO
DARRELL ISSA, CALIFORNIA
JON C. PORTER, NEVADA
KENNY MARCHANT, TEXAS
LYNN A. WESTMORELAND, GEORGIA
PATRICK T. McHENRY, NORTH CAROLINA
CHARLES W. DENT, PENNSYLVANIA
VIRGINIA FOXX, NORTH CAROLINA
JEAN SCHMIDT, OHIO
VACANCY

ONE HUNDRED NINTH CONGRESS

Congress of the United States
House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
FACSIMILE (202) 225–3974
MINORITY (202) 225–5051
TTY (202) 226–6852

http://reform.house.gov

HENRY A. WAXMAN, CALIFORNIA,
RANKING MINORITY MEMBER

TOM LANTOS, CALIFORNIA
MAJOR R. OWENS, NEW YORK
EDOLPHUS TOWNS, NEW YORK
PAUL E. KANJORSKI, PENNSYLVANIA
CAROLYN B. MALONEY, NEW YORK
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
DANNY K. DAVIS, ILLINOIS
WM. LACY CLAY, MISSOURI
DIANE E. WATSON, CALIFORNIA
STEPHEN F. LYNCH, MASSACHUSETTS
CHRIS VAN HOLLEN, MARYLAND
LINDA T. SANCHEZ, CALIFORNIA
C.A. DUTCH RUPPERSBERGER, MARYLAND
BRIAN HIGGINS, NEW YORK
ELEANOR HOLMES NORTON, DISTRICT OF COLUMBIA

BERNARD SANDERS, VERMONT,
INDEPENDENT

MEMORANDUM
May 4, 2006

To: Democratic Members of the House Government Reform Committee
Fr: Rep. Henry A. Waxman
Re: New Information about Katrina Contracts

On Thursday, May 4, at 10 a.m. in 2154 Rayburn, the Government Reform Committee will hold a hearing on contracting problems in the aftermath of Hurricane Katrina. One memo has already been distributed describing the general issues for the hearing and highlighting some of the major problem contracts. The purpose of this second memo is to provide members with significant new information uncovered during the Committee's investigation. This new information has not yet been made public.

In light of numerous press and auditor accounts detailing major contracting deficiencies in the response to Hurricane Katrina, the Government Reform Committee launched an investigation into the Administration's procurement processes. On March 2, 2006, Chairman Davis and Ranking Member Waxman wrote to Homeland Security Secretary Michael Chertoff requesting "copies of all audits, reports, or other assessments in the possession of the Department that raise questions about contractor cost estimates, billings, accounting or estimating systems, or performance." On April 6, 2006, the Chairman and Ranking Member sent a similar request to the Army Corps of Engineers.

In response to these requests, the Committee has received approximately 3,000 pages of documents, including audits by the Defense Contract Audit Agency, reports by the DHS Inspector General, and performance assessments by the Army Corps of Engineers. In total, these documents span the period from the week Hurricane Katrina struck to the week of the current hearing. The documents include evaluations of federal contracts for debris removal, temporary roofing, and temporary housing in the aftermath of Hurricane Katrina.

I. KEY FINDINGS

This memo is a summary of the minority staff's review of the Katrina contracting documents. The review finds that the documents disclose widespread mismanagement, waste, and fraud in contracts worth billions of dollars. The documents reveal a host of major problems that occurred in numerous locations under multiple contracts over a period of many months.

The Debris Removal Contracts. The Corps of Engineers awarded four contracts worth $500 million each to remove and dispose of debris. According to internal government documents, lax government oversight allowed the contractors to double bill for the same debris, overstate mileage to claim extra fees, haul ineligible debris from private property to boost reimbursements, and inflate prices by improperly mixing low-cost vegetative debris into loads of high-cost construction and demolition debris. The problems included:

- Failure to Empty Trucks. Government inspectors observed contractors "fraudulently being paid for the same load" by exiting dump sites "without completely unloading the debris from its truck bed." These problems were compounded by the absence of federal oversight. The Corps of Engineers frequently failed to inspect trucks leaving the dumps. According to the auditors, "This provides the opportunity for truck drivers to leave debris in the bed of the truck while receiving full credit for each load, resulting in government overpayments to the contractors and minimizing the amount of debris being cleared from the right-of-ways."

- Excessive Mileage Claims. Contractors took advantage of a system that paid them an extra $2 per cubic yard for debris carried over 15 miles. In one instance, "mileages were overstated" in over 50% of the 303 trips examined by auditors.

- Payments for Ineligible Debris. Halliburton's subsidiary, KBR, received a subcontract to remove debris from public rights-of way, but submitted bills for "hauling debris collected from … wooded lots, beyond the public right of way." According to the auditors, this was "a recurring problem" for both KBR and other contractors.

- Mixing Debris. Contractors fraudulently mixed vegetative debris with construction and demolition debris to inflate their billings by $2.84 per cubic yard.

- Overpayments for Partial Loads. Government investigators reported that Corps of Engineers officials regularly credited contractors with hauling more debris to dumps than they actually carried. Auditors found that the Corps' assessments of contractor performance were "overly generous," "unusually high," "more on the liberal side," "often very liberal," and "consistently on the high side."

In the case of one large debris contractor, Ashbritt, the problems were so severe that the Corps took the extraordinary step of issuing a "cure notice" to the company. This document threatened to terminate the contact unless Ashbritt took immediate corrective action.

The "Blue Roof" Contracts. The Corps of Engineers issued contracts collectively worth over $300 million to contractors for temporary roof repairs using blue plastic sheeting. When the auditors examined these contracts, they found consistently inflated charges and unsatisfactory supervision and oversight. The problems included:

- Repeated Overbillings. One evaluation revealed net overbillings of 43%; a second revealed overbillings of 52%. In one case, a contractor "listed nearly 4 times as many

square feet covered than was actually covered." In another, Corps of Engineers officials went on "final inspections only to arrive at the location and find that there was no blue roof plastic installed despite the contractor's assertion of completion through attending final inspection."

- Inadequate Supervision of Subcontractors. The prime contractors hired by the Corps did not directly install blue sheeting. Instead, their role was to hire subcontractors, who often hired additional layers of subcontractors, to do the actual work. The auditors found, however, that the prime contractors consistently failed to supervise the work of the subcontractors, calling into question what value they provided. The prime contractors failed to inspect work and had little knowledge of or control over the activities of the subcontractors.

- Lax Oversight. Government inspectors found that the Corps officials had an "informal agreement" not to challenge bills that exceeded estimates by 50%. According to the inspectors, this understanding was "excessive and unreasonable" and "does not adequately protect the Government from waste or abuse."

Other Contract Abuses. The government auditors found multiple other instances of waste, fraud, and abuse in Katrina contracting. In the contract to provide housing trailers, for example, Bechtel attempted to double-bill taxpayers for more than $48 million. Even government-issued credit cards were abused. Procedures were violated in 83% of the credit card transactions examined by auditors, leading the auditors to conclude: "Controls existed to prevent the inappropriate use of credit cards. The controls were circumvented and ignored."

I. THE DEBRIS REMOVAL CONTRACTS

On September 15, 2005, the Army Corps of Engineers awarded four $500 million contracts to remove and dispose of debris left in Hurricane Katrina's wake.[1] Ashbritt received the contract for Mississippi, while Environmental Chemical Corporation (ECC), Ceres Environmental Services, and Phillips and Jordan (P&J) received the contracts for Louisiana.

The Corps of Engineers provided the Committee with hundreds of evaluations from the Corps' Internal Review Office. These evaluations describe the observations and findings of auditors from the Internal Review Office and the Defense Contract Audit Agency (DCAA).

The auditors reported serious and recurring problems. They found that the Corps of Engineers failed to properly assess the amount of debris carried by contractor trucks and failed to ensure that the trucks were empty when they left the dumps. These failures led to overpayments to the contractors. The auditors also found that the contractors overcharged the government by claiming that they drove further than they actually did, improperly loading debris from private property and wooded lots, and mixing different types of debris. Auditors concluded that there was also inadequate subcontractor supervision. The deficiencies of one contractor, Ashbritt,

---

[1] U.S. Corps of Engineers of Engineers, *News Release: Debris Removal Contracts Awarded for Hurricane Recovery Efforts* (Sept. 15, 2005).

were so severe that the Corps of Engineers took the extraordinary step of issuing a "cure notice," which warned the company that its contract could be terminated if the problems were not corrected.

A. Improper Debris Assessments

Auditors repeatedly reported that Corps of Engineers officials were crediting contractors with hauling more debris to dumps than they actually carried. When a truck arrived at the dump, the Corps official would assess how full the truck was and give the driver a "load ticket," which was the basis for payment. Because the contractors were paid by the cubic yard of debris, any overestimate of the amount of debris on the truck would lead to an overpayment to the contractor. According to the Corps' *Guidelines for Estimating Loads in Trucks*, "It is virtually impossible for a truck to be 100% loaded, because wood debris, tree branches and rubble cannot be placed in a truck without having air holes/voids."[2]

According to the auditors, Corps officials routinely gave contractors credit for completely full trucks even when the trucks were not full. For example, at one Louisiana dump site, 19 of the 20 loads observed by auditors were assessed as 100% full. However, the auditors "did not note any of the trucks entering the site having 100% loads."[3]

This occurred repeatedly at different sites over a period of months. Auditors found Corps' assessments to be "more on the liberal side,"[4] "often very liberal,"[5] "unusually high,"[6] "overly generous,"[7] and "consistently on the high side."[8] These flawed assessments resulted in an "overstatement of the amount of debris actually hauled."[9] In effect, the Corps was paying for debris that was never picked up or dropped off.

B. Failure to Empty Trucks

The Corps of Engineers also frequently failed to inspect trucks leaving the dumps. In many cases, the Corps did not have an exit tower from which exiting trucks could be viewed from above. This opened the door to abuse, allowing trucks to exit the dumps with debris still in the bed of the truck. The contractor could then receive "payment for hauling the same material multiple times."[10]

---

[2] Alabama Document #1.

[3] Louisiana Document # 142 (Dec. 3, 2005).

[4] Louisiana Document # 169 (Dec. 16, 2005).

[5] Louisiana Document # 173 (Dec. 20, 2005).

[6] Louisiana Document # 173 (Dec. 20, 2005).

[7] Louisiana Document # 187 (Jan. 25, 2006).

[8] Louisiana Document # 215 (Mar. 5, 2006).

[9] Louisiana Document # 173 (Dec. 20, 2005).

[10] Mississippi Document (Oct. 19, 2005).

Auditors found that the Corps did not have adequate exit towers at at least five dumps in Louisiana, one dump in Alabama, and two dumps in Mississippi.[11] According to the auditors: "This provides the opportunity for truck drivers to leave debris in the bed of the truck while receiving full credit for each load, resulting in government overpayments to the contractors and minimizing the amount of debris being cleared from the right-of-ways."[12]

The Corps' oversight was deficient in other ways, as well. At one Louisiana site, auditors found that the Corps' lacked the "staffing to verify that trucks had emptied their loads prior to leaving."[13] At another dump, the quality assurance official "had been asleep in his vehicle" and did not examine departing trucks.[14]

Not surprisingly, the lax oversight invited fraud. In Mississippi, auditors "observed a self-loading truck exiting the Petal dumpsite in Forrest County without completely unloading the debris from its truck bed."[15] As a result, the contractor was "fraudulently being paid twice for the same load."[16] About a month later, auditors "observed four trucks leaving the dumpsite in Laurel, MS with a considerable amount of debris remaining in the trucks."[17]

At another site, a contractor was observed transferring debris from one dump site to another to inflate billings. According to the auditors: "They watched the driver climb the citizen dump pile and enter the excavator. He proceeded to load his trailer himself. ... When the load was complete, the driver exited the dumpsite. ... He then pulled around the entrance tower and unloaded his trailer with the debris he obtained from the citizen dumpsite."[18]

C. Claiming Extra Mileage

In several cases, contractors took advantage of a system that paid them $2 per cubic yard more for debris carried over 15 miles to a dump. In Alabama, when auditors examined contractor trucks, they found a "high rate of invalid reporting of odometer readings."[19] According to the auditors, "Of the 303 tickets ... reviewed, 56% of the reported mileages were overstated." Under the P&J contract, a subcontractor provided odometer readings of 21 miles,

---

[11] Louisiana Document # 137 (Nov. 29, 2005); Louisiana Document # 156 (Dec. 12, 2005); Louisiana Document # 162 (Dec. 13, 2005); Louisiana Document # 213 (Feb. 23, 2006); Alabama Document # 16 (Sept. 29, 2005); Mississippi Document (Sept. 25, 2005); Mississippi Document (Oct. 19, 2005).

[12] Louisiana Document # 137 (Nov. 29, 2005).

[13] Louisiana Document # 185 (Jan. 28, 2006).

[14] Louisiana Document # 210 (Feb. 20, 2006).

[15] Mississippi Document (Sept. 25, 2005).

[16] *Id.*

[17] Mississippi Document (Oct. 19, 2005).

[18] Mississippi Document (Oct. 11, 2005).

[19] Alabama Document # 11 (Sept. 20, 2005).

but only traveled 11 miles to the dump. According to auditors, "The contractor would be overpaid the two dollar difference between the 15 mile rate … and the 16 to 30 mile rate."[20]

D. Loading Ineligible Debris

Contractors also sought to overcharge the government by recovering debris from wooded lots on private property instead of public rights-of-way as required by their contracts.

One of the companies engaged in this practice was a Halliburton subsidiary, KBR, which held a subcontract for debris removal from Ceres. Auditors reported that in December, KBR was found "hauling debris collected from the wooded lots, beyond the public right of way."[21] According to auditors, "the government is being charged for the removal of debris that is not contractually obligated. This could result in contract overruns and failure to meet the contract goals."[22]

Two weeks later, KBR was again found to be engaging in the same improper practice. According to the contracting officer, "This is a recurring problem."[23] Almost four months later, KBR drivers were still continuing this practice. Auditors reported: "This has been discussed with Ceres before. Basically, if this happens again Corps will direct Ceres to pull truck placards."[24]

Another contractor, P&J, was also caught loading debris from private property in Alabama.[25] And ECC subcontractors in Louisiana spent their time collecting debris from the Lakewood Country Club golf course.[26]

E. Mixing Different Types of Debris

Another method of inflating prices was to mix different types of debris in order to obtain the higher price. Under the terms of the contracts, the debris removal contractors were paid $2.84 more per cubic yard to remove construction and demolition debris than they were paid to remove vegetative debris. In Alabama, auditors found that contractors improperly mixed these different types of debris in order to charge the government the extra $2.84 per cubic yard. This fraudulent activity was directly observed by auditors.[27]

---

[20] Alabama Document # 19 (Sept. 29, 2005).

[21] Louisiana Document # 141 (Dec. 2, 2005).

[22] *Id.*

[23] Louisiana Document # 160 (Dec. 13, 2005).

[24] Louisiana Document # 198 (Feb. 1, 2006).

[25] Alabama Document # 22 (Oct. 4, 2005).

[26] Louisiana Document # 101 (Nov. 8, 2005).

[27] Alabama Document # 23 (Oct. 6, 2005); Alabama Document # 26 (Oct. 27, 2005).

F. Failure to Supervise Subcontractors

According to auditors, prime contractors also failed to adequately supervise their subcontractors. For instance, when auditors examined Ceres's operations in Louisiana, they found that Ceres did "not have a sufficient number of [quality control employees] in the field to appropriately monitor lower tier subcontractors."[28] In early December, Ceres had "no contractor personnel" at one dumpsite in Tangipahoa Parish.[29] In fact, Ceres "had not had a representative onsite for approximately a week."[30] Auditors concluded, "The contractor is not managing this dump site."[31]

G. Ashbritt's Cure Notice

The problems of one company, Ashbritt, were so severe that the Corps of Engineers took the extraordinary step of issuing a cure notice to the company. This document threatened to terminate Ashbritt's contract unless it took immediate action to correct its serious problems.[32] The problems identified in the cure notice included failure to prosecute work in a diligent manner, failure to comply with safety requirements due to a high accident rate, and damage to homeowner property.[33]

In connection with the cure notice, the Corps of Engineers also issued performance assessment ratings of "unsatisfactory" for "Quality of Product/Service," "Schedule," "Business Relations," and "Management of Key Personnel."[34]

III. THE "BLUE ROOF" CONTRACTS

The U.S. Army Corps of Engineers, on behalf of FEMA, administered the temporary roof repair program, commonly known as the "blue roof" program because of the blue plastic sheeting employed. The blue sheeting was provided by FEMA, but the Corps of Engineers employed contractors to manage the program and install the temporary roof patches.

The Corps of Engineers awarded about $330 million in blue roof contracts to five large prime contractors in the weeks following Katrina, and it added two small businesses as prime contractors toward the end of 2005. The original prime contractors in Mississippi were Carothers Construction, Inc., and Ceres Environmental Services. S&M Associates, Inc., later received a small business contract. The original prime contractors in Louisiana were LJC

---

[28] Louisiana Document # 141 (Dec. 2, 2005).

[29] Louisiana Document # 148 (Dec. 4, 2005).

[30] *Id.*

[31] *Id.*

[32] Corps of Engineers, Cure Notice to Ashbritt (Oct. 16, 2005).

[33] *Id.*

[34] *Id.*

Construction Company, Inc., Shaw Constructors, Inc., and Simon Roofing, with Ystueta, Inc. later receiving a small business contract.

New documents provided by the Corps of Engineers reveal pervasive problems in the "blue roof" program, including overcharges and failure by prime contractors to properly manage subcontractors. Prime contractors were unable to tell Corps of Engineers auditors where subcontractors were performing work on any particular day, could not provide accurate payroll records from subcontractors or respond to complaints that subcontractors were not being paid, and failed to perform quality assurance checks of subcontractor work before submitting bills to the government. Due to this mismanagement, auditors identified overcharges in every sample of bills they reviewed. Auditors now project that total overbillings will exceed $12.5 million.

A. Consistent Overbilling

Last month auditors projected, based on sampling, that overbilling for the temporary roof contracts exceeds $9 million in Mississippi alone.[35] Audits of the Louisiana contractors projected overbilling of nearly $3.5 million.[36] Because these figures are preliminary projections based on sampling, the actual amount of overcharges could increase when final audits are completed.

As early as November 2005, Corps of Engineers staff identified inconsistencies in bills that indicated overbilling by contractors. An evaluation of ten buildings under the contract with Simon Roofing "disclosed a total estimated net overbilling of 43 percent of the originally billed amount," and evaluation of another ten buildings "disclosed a total estimated overbilling of 52 percent of the originally billed amount."[37] A month later, another report found overcharges of 50% in a sample of 11 buildings. According to this report, the same work had been billed by two different prime contractors, LJC and Shaw.[38]

Individual examples were even more egregious. In one case, a Corps official reported that a Shaw bill for one roof "listed nearly 4 times as many square feet covered than was actually covered."[39]

Lax management by the Corps of Engineers emboldened contractors to overbill. In October 2005, Corps of Engineers reviewers challenged an "informal agreement" by Corps representatives not to scrutinize bills that exceeded estimates by less than 50%. According to the investigators:

---

[35] Mississippi Documents (Apr. 12, 2006).

[36] Louisiana Documents #207 and #208 (Feb. 17, 2006); Louisiana Document # 217, (Mar. 6, 2006).

[37] Louisiana Document # 138 (Nov. 29, 2005).

[38] Louisiana Document # 153 (Dec. 10, 2005).

[39] Louisiana Document # 84 (Nov. 1, 2005).

> [T]his informal agreement may lead to a large overstatement of required roofing and the related payment to the contractor, in addition to the over-utilization of scarce Blue Roof material and wasted roofing crew time. We believe that fifty percent of the original estimate is excessive and unreasonable and does not adequately protect the Government from waste or abuse.[40]

B. Failure to Properly Manage Subcontractors

The prime contractors for the blue roof project did not directly employ staff to install the roofs. Instead, the prime contractors entered into multiple layers of subcontracts, so that the actual workers who installed the blue roofs were, in some instances, employed by third-tier subcontractors.[41] Because of this arrangement, it is not clear what value the large prime contractors actually provided to the government. The prime contractors claim that their value was in management and coordination. But the Corps of Engineers documents call this assertion into question, revealing that prime contractors exercised little quality control over their subcontractors and had little visibility of what work was actually being performed.

1. Failure to Inspect Work

Corps of Engineers quality control personnel regularly found that work had not been completed, and in some instances had not even begun, despite certifications from prime contractors that they had inspected the work of their subcontractors. Corps of Engineers reports are particularly critical of Shaw's performance as a prime contractor.

On October 12, 2005, Corps of Engineers inspectors examining Shaw's performance reported that they went "on final inspections only to arrive at the location and find that there was no blue roofing plastic installed despite the contractor's assertion of completion through attending the final inspection." The auditors concluded that "Shaw is failing to adequately monitor and inspect the roofing efforts of its subcontractors and crews as required." They added further: "The contractor's failure to maintain adequate inspection and quality control procedures over its roofing subcontractors and crews has a compounded effect in potentially harming the government."[42]

The previous month, on September 17, Corps inspectors examining Shaw wrote:

> We visited 7 locations. ... [Q]uality deficiencies were noted relative to all 7 houses and ALL 7 were rejected and scheduled for rework by the USACE QA [quality assurance]. It appears Shaw and/or subcontract QC [quality control] representatives had not visited the 7 worksites prior to or during roof repair. ... It appears that Shaw has not placed adequate personnel to administer the work being performed and/or has failed to adequately train subcontractor personnel. Without proper supervision provided by the prime contractor

---

[40] Louisiana Document #20 (Oct. 11, 2005).

[41] Louisiana Document #63 (Oct. 25, 2005).

[42] Louisiana Document #22 (Oct. 12, 2005).

quality issues are compromised resulting in a potential for significant rework, wasting of resources and an indefinite delay in mission completion.[43]

2. Little Control Over or Knowledge of Subcontractors

Prime contractors exercised little control over the scheduling of work crews, government monitors could not locate crews, and crews were not deployed efficiently. According to one Corps of Engineers report:

> It seems the contractor is not sorting their [work orders] by address so that their crews would not waste time traveling from one site to another. ... This internal control weakness presents an immeasurable risk to the USACE that: Separate crews will be traveling to the same area at different times to install the blue roofs instead of one crew efficiently working one area. This will result in excessive amounts of time wasted on travel as well as the use of a limited supply of fuel. Time spent setting up and packing up the work area to go to scattered locations in lieu of an organized plan reduces the number of homes that the contractor can complete daily.[44]

Another Corps of Engineers report found:

> The failure to have an adequate quality control program will lead to substantial rework and wasted government furnished material. The failure seems to be primarily due to the inability to identify the location of the roofing crews without going through numerous steps. ... On this date the contractor required about one hour to obtain the location of the work area of three observed crews. Since Shaw has responsibility for a stated 277 roofing crews, this is considered unacceptable.[45]

3. Failure to Ensure Workers Were Paid

Another problematic aspect of the failure to manage multiple layers of subcontractors is that, in some cases, workers were unpaid for weeks at a time. According to auditors:

> We continued to receive numerous complaints from workers regarding lack of payment. On October 24, 2005, we met with roofers who worked previously for LJC for one week and were not paid for the work. The roofers are currently working for prime contractor, LJC. Unfortunately they have not been paid since the inception of work. They were issued check #2274 from RST Gutters, Inc., a subcontractor to LJC, in the amount of $12,231.30. The check was drawn against a bank account from Washington Mutual. RST Gutters told the workers not to cash the check because there were insufficient funds at this time. RST Gutters stated that they had received a bad check from Classic Roofing, a higher tier LJC subcontractor, as the reason for the bad check. It appears that Classic

---

[43] Mississippi Document (Sept.. 17, 2005).

[44] Mississippi Document (Oct. 2, 2005).

[45] Mississippi Document (Oct. 11, 2005).

> Roofing may be where the non payment problem exists. In addition to being issued a bad check, the men stated that the bad check did not contain the correct amount. They believe the check was short by $3400 of regular wages because it did not include wages for small roof repairs and steep roof pitch. We were notified today that some of the roofers left the area and went back to Texas.[46]

In this case, the company that was not paid, RTS Gutters, was a third-level subcontractor. According to the report, the prime contractor was LJC; the first-level subcontractor was Liberty Roofing; and the second-level subcontractor was Classic Roofing. The report found: "It seems the prime contractor, LJC, has failed to assure that payments are made to the work crews."[47]

IV. OTHER CONTRACTS AND TRANSACTIONS

Serious problems also manifested themselves in other contracts and transactions. In some cases, federal officials were responsible for increasing waste, fraud, and abuse. In other cases, contractors exhibited significant deficiencies.

A. Bechtel's Technical Assistance Contract

Under Bechtel's no-bid "technical assistance contract," FEMA tasked the company to install 35,000 travel trailers. This task order alone was worth over $154 million, but a third of this amount was deemed invalid by government auditors. According to the Defense Contract Audit Agency, Bechtel submitted one monthly charge on each trailer for "preventative" maintenance and another monthly charge for "corrective" maintenance. When the auditors examined these fees, however, they discovered that the first charge included both preventative and corrective maintenance, meaning that Bechtel billed twice for corrective maintenance. The auditors confronted the company about these duplicate charges, and Bechtel admitted that this "computation error" would have improperly cost taxpayers more than $48 million during the 18 month period of the contract.[48]

In addition to the millions in duplicate charges, the auditors also concluded that Bechtel improperly charged for utility costs for the trailers in the amount of $6.9 million. According to the auditors, Bechtel would not have to pay these fees because the trailers were scheduled to be demobilized.[49]

These and other invalid charges led the auditors to raise questions about Bechtel's system for properly estimating costs. In a separate report, DCAA found that Bechtel "did not always

---

[46] Mississippi Document (Oct. 25, 2005).

[47] *Id.*

[48] Defense Contract Audit Agency, *Application of Agreed-Upon Procedures to Evaluate Bechtel National, Inc.'s Proposal for Contract No. HSFEHQ-05-D-0572, Task Order HSFEHQ-05-J-004, Revision 2, Site Maintenance and Food Services* (Rept. No. 4281-2006D28000002) (Nov. 10, 2005).

[49] *Id.*

comply" with the Federal Acquisition Regulation or its own company procurement manual "to ensure adequate and reliable cost estimates." Bechtel responded that these deficiencies resulted from "the emergency response situation and compressed schedules created by Hurricane Katrina." Nevertheless, the company committed to supplementing training, enhancing cost models, and boosting resources to review costs before submitting them to the government.[50]

B. Misuse of Government Credit Cards

Government credit cards are notoriously prone to abuse. The response to Hurricane Katrina was no exception. For example, in November, auditors reviewed 119 government credit card transactions totaling $32,712. According to auditors, "There were procedure violations in 83% of these transactions."[51] Auditors reported that "[t]he general attitude is that the Emergency Response Operation justifies non-compliance with the internal control standards."[52] They concluded, "Controls existed to prevent the inappropriate use of credit cards. The controls were circumvented and ignored."[53]

V. CONCLUSION

The documents obtained by the Committee portray widespread instances of waste, fraud, and abuse in key contracts related to the recovery and rebuilding of the Gulf Coast after Hurricane Katrina. They raise questions about the integrity of contractors, the costs of relying on multiple layers of subcontractors, and the adequacy of oversight. The cumulative burden on the taxpayer appears to be substantial.

---

[50] Defense Contract Audit Agency, *Report on Estimating System Deficiencies* (Rept. No. 4281-2006D24020001) (Dec. 20, 2005).

[51] Alabama Document # 28 (Nov. 3, 2005).

[52] *Id.*

[53] *Id.*

Mr. WAXMAN. One of the first and most basic challenges the gulf faced was removing countless tons of debris. The U.S. Army Corps of Engineers led this effort and awarded four contracts totaling $2 billion to clean up the mess. The debris contractors grabbed the money and then committed every abuse imaginable. Some sought double payments for the same load. Others massaged their travel record to qualify for bonuses for long distance transport. And one contractor even picked up debris from a public dump and drove it to the Federal site just to game the system. The types of fraud and waste in the debris contract goes on and on, and it is all summarized in depressing detail in this memo.

Things were not any better in the effort to patch damaged roofs. The Federal Government spent millions on contracts with companies to install temporary blue plastic sheeting to protect damaged homes. But internal government documents show that blue roofs that were installed for billing purposes were never installed on actual roofs. Overcharges were routine, and exaggerating the amount of work actually done seems to have been standard procedure.

The Katrina contracts are a lose-lose proposition. Private contractors have exploited the system to make a bundle, taxpayers were gouged, and the folks devastated by Katrina in Louisiana, Alabama and Mississippi didn't get the help they have deserved.

Who let this happen? Well, the short answer is the Corps of Engineers, the prime contractors, the Bush administration and Congress. The Corps had the actual responsibility of getting the work done and looking out for taxpayers. But the Corps of Engineers regularly failed to inspect trucks as they left dump sites and repeatedly overestimated the size of the loads delivered by the contractors. In a series of damning reports, government auditors describe the Corps' assessment as unusually high, overly generous, very liberal and consistently on the high side.

The exact same types of problems plagued the blue roof contracts. Government auditors found that Corps officials entered into an informal agreement with the private contractors, not to question bills as long as the bills did not exceed the estimate by more than 50 percent. According to the auditors, this agreement was, "excessive and unreasonable and does not adequately protect the government from waste or abuse."

One of the most powerful findings that emerges from the documents is how fundamentally flawed the Bush administration's entire contracting approach has been. The cornerstone of the administration's approach has been to award large umbrella contracts to major prime contractors. These contractors do not collect the debris themselves and they do not patch the roofs themselves. Instead they hire subcontractors to do the work and then the subcontractors hire other subcontractors. The theory behind this approach is that the prime contractors should have the resources and the expertise to oversee these layers of contractors effectively.

What the documents reveal is that this entire approach is bankrupt. The government auditors repeatedly report that prime contractors were exercising virtually no oversight over the subcontractors. They do not know where the subcontractors are, what they are doing or whether they have even completed their work. This approach builds overhead on top of overhead and dramatically in-

flates costs for taxpayers. Each contractor, subcontractor and sub-subcontractor wants a cut even if it is not doing any real work, and it is an ideal environment for fraud.

When GAO testifies this morning we will also learn that there was inadequate planning, that the agencies failed to communicate with each other about who was in charge and that there was ineffective contractor oversight because there were not enough people on the ground. GAO will also tell us about other examples in which millions of dollars were simply thrown away because of incompetence and lax oversight.

What is clear is that contractor looting in Katrina is not an isolated incident. Contract mismanagement, deficient oversight and exorbitant overcharges have occurred again and again since 2001.

The Bush administration has gone on three spending binges in the last 5 years. The first one was the frenzied award of huge homeland security contracts after the September 11th attacks. The second was the $20 billion spent on Iraq reconstruction, and the third is responding to Katrina. All three are marked by unprecedented contractor abuse. We are not talking about hundreds of thousands of dollars lost to fraud or wasteful spending. We are not talking about millions. We are talking about billions of dollars, billions squandered or looted.

Scattered through Iraq right now are over 100 partially built public health hospitals paid for by U.S. Taxpayers which are likely never to be completed. They cost over $180 million. The contractor Parsons got paid, but it did not finish its work. Last month the New York Times reported on a $70 million ditch Halliburton built in Iraq. It appears company officials knew their plan for repairing an oil pipeline could not possibly work. It didn't. But they still got $70 million and American taxpayers bought a ditch.

Yet, despite the litany of extraordinary abuses, no one in this administration seems to care and no senior officials are ever held accountable.

Congress is no better. Given all the billions of taxpayers dollars that have been wasted, Americans might think that Congress would dig into this problem but in almost every case with the exception of hearings in this committee Congress has looked the other way. I am feeling particularly frustrated by the Katrina looting because we knew it was going to happen. That is why I joined with Minority Leader Pelosi last September in introducing the Hurricane Katrina Accountability and Clean Contracting Act. This legislation would have enacted fundamental reforms in time to prevent the Katrina abuses, but the bill never received a hearing.

Administration officials claim we are exaggerating the problem, and the day after Leader Pelosi and I introduced our Katrina legislation, the President said reforms were not necessary and he promised, "We'll make sure your money is being spent wisely and we are going to make sure that the money is being spent honestly."

Well, I said at the outset we should all be ashamed and I mean that, but at the same time I do want to thank Chairman Davis for holding this hearing. He is one of the lone figures on the Republican side who will ask questions and request documents. He does not always go as far as I think he should, but he does much more

than many of his colleagues. In particular, I want to thank him for requesting with us the documents from the Army Corps of Engineers, the Department of Homeland Security that detail the abuses in Katrina-related contracts. These 3,000 pages of documents are the reason we are here today, and I look forward to working with the chairman and all the committee members in getting to the bottom of this and finally holding someone accountable for the unconscionable looting and incompetence. We owe that to the American taxpayers and we owe it to all those who lost so much in Katrina.

Chairman TOM DAVIS. Thank you, Mr. Waxman. Members will have 7 days to submit opening statements for the record.

We will recognize our first panel. We have Major General Don Riley, the Director of Civil Works, the U.S. Army Corps of Engineers. Welcome. We have Ms. Elaine Duke, the Chief Procurement Officer at the U.S. Department of Homeland Security. We have Deidre Lee, the Deputy Director of Operations, Federal Emergency Management Agency, U.S. Department of Homeland Security. No stranger to this committee. Thank you for being here. Ms. Emily Murphy, the Chief Acquisition Office, U.S. General Services Administration. Thank you. We have Mr. William Woods, the Director of Acquisition and Sourcing Management, U.S. Government Accountability Office. Again, no stranger to this panel. And Mr. Matt Jadacki, who is the Special Inspector General, Gulf Coast Hurricane Recovery, U.S. Department of Homeland Security.

It is our policy to swear all witnesses in before you testify. Please rise and raise your right hands.

[Witnesses sworn.]

Chairman TOM DAVIS. I think you have heard some of the brickbats that have been thrown. I think all of you are capable of defending yourselves if you feel it needs it. If you want to depart from your written statement, you can say anything you would like. We look forward to a rigorous oversight hearing.

General Riley, we will start with you. Thank you for being with us.

STATEMENTS OF MAJOR GENERAL DON RILEY, DIRECTOR OF CIVIL WORKS, U.S. ARMY CORPS OF ENGINEERS; WILLIAM WOODS, DIRECTOR, ACQUISITION AND SOURCING MANAGEMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE; MATT JADACKI, SPECIAL INSPECTOR GENERAL, GULF COAST HURRICANE RECOVERY, U.S. DEPARTMENT OF HOMELAND SECURITY; EMILY MURPHY, CHIEF ACQUISITION OFFICE, U.S. GENERAL SERVICES ADMINISTRATION; ELAINE DUKE, CHIEF PROCUREMENT OFFICER, U.S. DEPARTMENT OF HOMELAND SECURITY; AND DEIDRE LEE, DEPUTY DIRECTOR OF OPERATIONS, FEDERAL EMERGENCY MANAGEMENT AGENCY, U.S. DEPARTMENT OF HOMELAND SECURITY

STATEMENT OF MAJOR GENERAL DON RILEY

General RILEY. Mr. Chairman, thank you. As Director of Civil Works, I also command emergency operations for the Corps. Thank you for the opportunity to testify today.

Under the National Response Plan the Corps is assigned as the coordinator for Emergency Support Function No. 3, which is public

works and engineering. Under this function, the Corps has an advanced contract initiative program in which we competitively award contracts for future use in the provision of water, ice, temporary power, temporary roofing, and debris removal. Having these contracts in place allows the Corps to rapidly respond to emergency situations.

Due to the unprecedented and widespread devastation in last season's storms, the Corps awarded four additional debris removal contracts in Mississippi and Louisiana that were open to any company. We received 22 proposals and the contracts were awarded on the basis of the best value to the government. The Army audit award agency is currently reviewing the award and administration of these four contracts.

FEMA also tasked the Corps to provide temporary roofs to over 197,000 homes in Florida, Louisiana, Mississippi and Texas. We previously awarded several advance contracts for temporary roofs in the gulf region and given the magnitude of the damage in the 2005 hurricane season, four additional contracts were awarded under urgency procedures utilizing the ranked proposals from the original competition.

Additionally, the Corps makes extensive use of standard authorities granted to us under the various small business set-aside programs, especially for Small Business Administration registered 8(a) firms. We have instituted high goals for small business subcontracting and included a reporting requirement that keeps focus on achieving results in these areas.

Furthermore, we have been following an acquisition strategy for our continued mission from FEMA, which includes opportunities at the prime level for local disadvantaged companies and geographic set-asides for the unrestricted portion of the strategy. We work to strike a balance between expeditiously providing relief to those in need while doing so in the most efficient and effective manner. We immediately deployed Corps internal auditors teamed with the Defense Contract Audit Agency and the U.S. Army Criminal Investigation Command to oversee all emergency response efforts, to note actual or potential errors, help mission managers comply with their fiscal stewardship responsibilities, and detect instances of fraud, waste and abuse. We implement corrective actions immediately.

Finally, for each emergency event we prepare after action reports, which include lessons identified from all sources during our response efforts. And our intent is to immediately correct, strengthen and where necessary adjust supporting procedures.

Again thank you for the opportunity to appear before this committee, and I would be happy to answer any questions.

[The prepared statement of General Riley follows:]

DEPARTMENT OF THE ARMY

COMPLETE STATEMENT

OF

MAJOR GENERAL DON T. RILEY
DIRECTOR OF CIVIL WORKS

U.S. ARMY CORPS OF ENGINEERS

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

UNITED STATES HOUSE OF REPRESENTATIVES

Federal Contracting in Disaster Preparedness and Response

May 4, 2006

INTRODUCTION

Mr. Chairman and members of the Committee, I am Major General Don T. Riley, Director of Civil Works for the U.S. Army Corps of Engineers. Thank you for the opportunity to testify before you today concerning the Corps' disaster-relief contracting procedures. The Corps of Engineers practices the principle of openness. We strive to maintain transparency in our contracting activities and welcome oversight of our activities. From a contracting perspective, this visibility and transparency is best demonstrated by the publishing of our contract listing on our web site where we give specific contract information, to include the contractor, dollar value, and purpose of the contracts for all to see.

I would like to divide my statement into four parts, pre-disaster planning, contracting during the "emergency" situation, "a return to normalcy", and I will finish with comments on small and local business utilization.

PRE-DISASTER PLANNING

Under the National Response Plan, the Corps is assigned as the "Coordinator" for Emergency Support Function (ESF) #3, Public Works and Engineering. During disasters, the Corps is the primary agency for response activities such as ice, water and temporary power. The Federal Emergency Management Agency (FEMA) is the primary agency for ESF #3 recovery activities and assigns the Corps to assist in the execution of debris missions. The Corps is also a support agency to other ESFs, for example, the Corps supports ESF #6, Mass Care and Housing, by executing missions to provide temporary roofs. Having these responsibilities, the Corps has created a program called the Advanced Contracting Initiative, or ACI. Under the ACI program, we competitively award contracts for future use in the areas of water, ice, power, temporary roofing, and debris removal. Having these contracts in place allows the Corps to rapidly respond to emergency situations. We did in fact use our ACI contracts to not only support the Katrina recovery, but in those areas impacted by Hurricanes Rita and Wilma as well. We also used the contracts to support recovery efforts in the Southeast after several hurricanes during last year's hurricane season. The ACI program has been in place for about six years.

EMERGENCY

Turning to the emergency situation, the Federal procurement system is based upon the principle of full and open competition, as provided in the Competition in Contracting Act (CICA). However, Congress also realized in the CICA that emergency situations sometimes require emergency actions. The Federal Acquisition Regulation (FAR) is the government-wide procurement regulation implementing the CICA. In most cases, the FAR mandates a 15 day advertisement period and a 30 day proposal period. If we were to follow these usual rules for full and open competition, we would not have been able to award a contract to get the flood waters out of the city of New Orleans until the end of October. Clearly the people of New Orleans could not wait. In fact, the FAR allowed us to considerably shorten the time period of the award under the urgency exception in the CICA. The Corps' contracting officer contacted four companies on September 1, 2005. Of those four companies, only Shaw Environmental, Inc., of Baton Rouge, Louisiana, could respond in a timely manner to begin the unwatering effort. Contract award was made on September 2, 2005.

In our other efforts to support relief efforts in response to this emergency situation, the Corps considered and used the entire suite of available contracting options authorized under the FAR. Using these methods, the Corps procured such critical items as sand bags to be used to stop the flow of water into New Orleans. You probably saw pictures of helicopters dropping these huge sand bags into the various levee breaches. It was an urgent situation, which required expedited procurement. Additionally, we made use of a Naval Facilities contract to assist in the unwatering of the city.

Due to the magnitude of Katrina and the wide-spread devastation, the Corps needed to award debris contracts in excess of those contracts pre-placed under the ACI program. Based on the large scale of the work that needed to be performed, we awarded four more contracts following the emergency to remove debris in Mississippi and Louisiana. Each contract is valued at $500M with a $500M option. This requirement was open to any company, under a shortened advertisement and proposal period. The Corps received 22 proposals in response to the advertisement. The contracting officer awarded the contracts on a best value to the government basis. The Army Audit Agency is reviewing the award and administration of these four contracts.

Prior to Hurricane Katrina making landfall, the Corps had competitively awarded several contracts in the Gulf region for temporary roofs. A full and open competition was conducted during the Summer of 2005 for the anticipated roofing effort in Mississippi and Louisiana. The Corps received 23 proposals and made a best value selection in July resulting in a $10 million Indefinite Delivery, Indefinite Quantity contract. Given the magnitude of the damage during the 2005 hurricane season, four additional contracts were awarded by the Corps after FEMA tasked the Corps to install over 190,000 temporary roofs in Florida, Louisiana, Mississippi and Texas. The four additional contracts were awarded under Urgency procedures utilizing the ranked proposals from the original competition. Additional urgency increases brought the total of these five contracts to $330 million. The contractors furnish and install structural panels, joists and rafters, make small roof repairs and install government furnished plastic and furring strips. The temporary roofs allow disaster victims that are living in shelters or other temporary facilities to return to their homes to begin the recovery process.

RETURN TO NORMALCY

In the immediate aftermath of Hurricane Katrina, it was of course not prudent to follow the full waiting periods that apply in normal circumstances before awarding contracts. It was our goal, however, to return to standard procurement operations as soon as possible and the Corps has done that. We are currently advertising our requirements in accordance with standard synopsis periods prescribed in the Federal Acquisition Regulation, we are attempting to give prospective contractors as much time as possible to prepare their proposals, and we are using Federal Acquisition Regulations principles and competitive awards to the maximum extent possible. The situation still requires us to complete our work quickly. Our highest priority is to assure that citizens who have been impacted by this event can return to their normal lives as quickly as possible.

UTILIZATION OF SMALL AND LOCAL BUSINESSES

The Corps has made extensive use of standard authorities granted to us under the various small business set aside programs, especially in the area of Small Business Administration registered 8(a) firms. Section 8(a) is a Small Business Administration business development program for firms owned by socially and economically disadvantaged individuals. The 8(a) Business Development program seeks to foster the business growth and development of firms by providing business development (i.e. management, technical, financial and procurement) assistance. The overall objective of the program is to enable participants to develop the necessary infrastructure to compete in the market place upon completion of their nine-year tenure in the program. Most participants can receive non-competitive awards up to $5 million for manufacturing contracts and up to $3 million for all other contracts. Many of these small companies are local and therefore are already in the area and available quickly to participate in recovery efforts. We have also targeted work for firms located in economically distressed areas, known as Historically Underutilized Business Zone, or HUBZone companies and for Service-Disabled Veteran Owned companies. We will continue to hold competitions in which only 8(a) firms from designated areas can compete. In those areas where we have awarded contracts to large businesses, we encourage use of local business subcontractors. We have instituted high goals for small business subcontracting and a reporting requirement that keeps them focused on achieving results in these areas. These contractors report their sub-contracting efforts to us weekly for the first 90 days, and monthly thereafter instead of

every six months, the typical reporting requirement. We also include clauses citing the preference for use of local subcontractors.

During the three sequential major events of the 2005 hurricane season (Katrina, Rita, and Wilma), the Corps has processed to date 775 contract actions with small business firms for a total of just over $1 billion. This number represents approximately 46% of the total number of contract actions and represents just over 27% of the contract dollars awarded.

In reference to the on-going debris mission from FEMA, we have been following an acquisition strategy based on the concept of geographic set-asides under the Stafford Act. Our first attempt to use this concept was in Mississippi. Our goal was to use the Act to generate contracting opportunities at the prime level for Mississippi disadvantaged, small and large businesses. Competition was limited to Mississippi companies only. Although the subject of a GAO protest, we eventually succeeded as the GAO held that our concept of using geography was valid. I'd also like to take this opportunity to thank the GAO for reviewing the protest using their expedited procedures. As a result we were able to get their ruling in 65 days versus the more normal 100 days. We are disappointed that we were not able to implement the Act in Mississippi after receiving the favorable GAO ruling. Circumstances and time conspired against us as the Mississippi debris removal efforts are projected to be completed by the end of this month. In reference to the state of Louisiana, we are pursuing a similar geographic-based acquisition strategy in using the Stafford Act. We are aware however, that a similar set of events could transpire. Please know that our goal is to implement the Act in accordance with the GAO ruling.

The Corps of Engineers takes pride in being a Learning Organization. We have learned that every event is different. Our goal is to provide the required, immediate relief services to the impacted populations. In the course of doing so, mistakes can and do occur. There is also opportunity for unscrupulous individuals to take advantage of the system. We work to strike a balance between expeditiously providing relief to those in need and limiting the opportunities for malefactors. Our solution is to immediately deploy Corps' internal auditors, teamed with the Defense Contract Audit Agency and the U. S. Army Criminal Investigation Command, to oversee all emergency response efforts (both Corps and contractors' operations) to help detect – early in the process – actual or potential mistakes, help mission managers comply with their fiscal stewardship responsibilities, and detect instances of fraud, waste, or abuse. Corrective actions are implemented immediately to address problems or weaknesses identified by these teams. We have learned that by doing so, we not only improve our processes, but avoid unnecessary or wasteful expenditures, and become more efficient. I welcome the reviews conducted by external audit and investigative activities as they are also a valuable tool to help us identify potential vulnerabilities and weaknesses in processes and procedures.

Part of being a Learning Organization is implementing actions to correct our mistakes and strengthen our weaknesses. Several years ago the Corps instituted a formal procedure, our Remedial Action Program, to capture lessons learned and adjust our processes for future events. Simply put (although this is not a simple process) for each emergency event we prepare After Action Reports, which include issues and weaknesses identified from all sources during our response efforts. We attempt to correct or strengthen our procedures and adjust supporting Standard Operating Procedures (SOPs). Personnel are trained on the new procedures and then we conduct exercises, which help us determine whether the corrective actions were effective. Where necessary, the procedures and SOPs are adjusted and placed in readiness for the event. We then start this process all over again.

SUMMARY

To close, I would like to thank you once again, Mr. Chairman, for allowing the Corps of Engineers the opportunity to appear before this Committee to discuss contracting procedures during times of emergencies. Many Corps personnel have served our Nation by helping in the response to natural disasters in Texas, Louisiana, Mississippi, Alabama, Florida, or elsewhere in the nation or the world. We are proud to do so. I would be happy to answer any questions Members of the Committee may have. Thank you.

Chairman TOM DAVIS. Thank you very much. Ms. Duke, welcome.

STATEMENT OF ELAINE DUKE

Ms. DUKE. Thank you. Mr. Chairman, Congressman Waxman and members of the committee, thank you for the opportunity to discuss the Department of Homeland Security acquisition program and our role in providing support to FEMA and its response to Hurricane Katrina.

I am a career executive and have spent most of my 23 years of Federal service in the procurement profession. On January 31, 2006, I was selected as the Department's Chief Procurement Officer.

Accompanying me today is Ms. Deidre Lee. Ms. Lee joined the new FEMA leadership team in April. She brings a wealth of acquisition experience that will greatly contribute to FEMA's success in improving its disaster response and recovery operations. She can answer any questions that the committee may have concerning FEMA's plans on moving forward.

As the Chief Procurement Officer for the Department of Homeland Security, I provide oversight and support to the eight procurement offices within the Department. In addition to the Federal Emergency Management Agency, the seven other procurement officers are the U.S. Customs and Border Protection, Transportation Security Administration, Immigration and Customs Enforcement, the Federal Law Enforcement Training Center, U.S. Coast Guard, U.S. Secret Service, and the Office of Procurement Operations.

Collectively these eight procurement offices obligated over $7 billion for supplies and services in support of the DHS mission in fiscal year 2005. Because eight of the seven contracting offices report to the heads of their components, I strive to achieve functional excellence among the offices primarily through collaboration. I use the DHS Chief Acquisition Officers Council, comprised of the head of each contracting office, to integrate the contracting function while maintaining the components' ability to meet the customers' unique needs.

My top three goals for the DHS acquisition program are, first, to establish an acquisition system whereby each requirement has a well-defined mission and a management team that includes professionals with the skills to achieve the correct mission results.

My second goal is to build a DHS acquisition work force. One initiative under this goal is improving and broadening the DHS fellows program. Under the fellows program we recruit recent college graduates to ensure DHS has a qualified cadre of acquisition professionals to support its mission now and in the future.

My third goal is to assure more effective buying across the eight contracting offices for the use of strategic sourcing and supplier management.

On a Federal level as a member of the Federal Chief Acquisition Officers Council, I will continue co-leading Ms. Emily Murphy, my colleague at General Services Administration, the Federalwide effort of developing a contingency contracting program so that the procurement community has the tools to provide an integrated Federal response to an incident of national significance.

Our response to Hurricane Katrina revealed the need for improvements in how we respond to such devastating events. For the acquisition community we recognize the need for increased staffing and we are hiring additional personnel. We also recognize the need for additional longer term contracts to improve FEMA's ability to respond to emergencies.

I will continue to work closely with FEMA's senior leadership to ensure it successfully obtains the resources authorized to build their acquisition core and to fulfill the commitment to recompete contracts as appropriate. We are addressing that area with the award of many disaster-related contracts, including the competitive award of the planned individual assistance, technical assistance contracts. We have developed an overall contingency contracting strategy that provides immediate response to disasters while taking full advantage of the Stafford Act's preference for local contractors.

I thank the committee for your aid in this effort, and I am happy to answer any questions you may have and look forward to working with you in the future.

[The prepared statement of Ms. Duke follows:]

TESTIMONY OF
ELAINE C. DUKE
DHS CHIEF PROCUREMENT OFFICER
BEFORE THE HOUSE COMMITTEE ON REFORM
MAY 4, 2006

Mr. Chairman, Congressman Waxman and Members of the Committee, thank you for the opportunity to discuss the Department of Homeland Security (DHS) acquisition program and our role in providing support to FEMA in its response to Hurricane Katrina. Accompanying me today is Ms. Deidre Lee who is the Deputy Director of Operations and the Chief Acquisition Officer for FEMA. Ms. Lee joined the FEMA leadership team in April. She brings a wealth of acquisition experience that will greatly contribute to FEMA's success in improving their disaster response and recovery operations. She joins me today to answer any questions that this Committee may have concerning FEMA's plans on moving forward. I ask that the Committee include my full statement in the record and I will summarize my remarks.

I am the Chief Procurement Officer for the Department of Homeland Security (DHS). I am a career executive and have spent most of my 23 years of federal service in the procurement profession. In October 2004, I was selected as the Deputy, Chief Procurement Officer for DHS. Because

of my experience with establishing a new acquisition program in a start-up organization, in May 2005, I was detailed to serve as the Acting Director for the Office of Procurement Operations. In November 2005, I returned to the Deputy CPO position and on January 31, 2006, I was selected as the Department's Chief Procurement Officer.

As the Chief Procurement Officer (CPO), I provide oversight and support to the eight procurement offices within DHS. In addition to the Federal Emergency Management Agency (FEMA), the seven other procurement offices include the U.S. Customs and Border Protection (CBP), Transportation Security Administration (TSA); Immigration and Customs Enforcement (ICE); the Federal Law Enforcement Training Center (FLETC); United States Coast Guard (USCG); United States Secret Service (USSS), and the Office of Procurement Operations. Collectively, these eight procurement offices obligated over $17 billion for supplies and services in support of the DHS mission in fiscal year 2005. Given the mission that each of these contracting offices supports, the supplies and services purchased by these offices are most often sophisticated and complex. For example, to support its mission of air passenger security TSA has purchased increasingly sophisticated screening equipment for

both personnel and carry-on and stowed baggage. We are also working with CBP, in support of its mission to secure the nations land borders, to acquire the technologies to implement the Secure Border Initiative. The United States Coast Guard is in the midst of upgrading the entire offshore fleet of surface and air assets in the very large and complex Deepwater program. This program is a critical multiyear, multibillion dollar program to integrate, modernize and replace the Coast Guard's aging ships and aircraft and improve systems for logistics and command and control. The Department is currently in the process of evaluating offers under our Eagle and First Source programs which will become one of the Government's largest programs for Information Technology equipment and services.

Given the sophistication and complexity of our procurements, my top two goals for the DHS acquisition program are:

- First, to establish an acquisition system whereby each requirement has a well defined mission and a team that includes a program manager, a contracting officer, a financial manager, and other needed professionals to achieve mission results.

- My second goal is to build the DHS acquisition workforce. I am focusing on developing the DHS Fellows Program that recruits recent college graduates and allows DHS to train and mentor them to ensure for now and in the future that DHS has a qualified cadre of acquisition professionals to support its mission.

As the CPO, my primary responsibility is to manage and oversee the DHS acquisition program. I provide the acquisition infrastructure by providing acquisition policies and procedures that allow DHS contracting offices to operate in a uniform and consistent manner. I ensure more effective buying across the eight contracting offices through the use of strategic sourcing commodity councils that allow DHS to secure volume discounts whenever possible. Commodity councils are cross departmental teams of subject matter experts that focus on developing the best strategy for acquiring groups of products and services. While I provide the infrastructure, the responsibility for properly planning and executing procurements rests with the components since, with the exception of the DHS's Office of Procurement Operations, each contracting office reports directly to the heads of the component it supports.

Because seven of eight contracting offices report to the heads of their components, I strive to achieve functional excellence among the offices primarily through collaboration. I use the DHS Chief Acquisition Officers Council, comprised of the heads of each contracting office, to integrate the contracting function while maintaining the components' ability to meet their customers' unique needs.

Supporting FEMA

Hurricane Katrina caused unprecedented damage and given the enormity and scope of this damage it became apparent that FEMA's acquisition staff would need additional support from our office. Therefore, shortly after August 29, 2005, an entire division in my office was redirected and dedicated themselves for 30 days to assist FEMA's procurement operations. They successfully awarded some 62 contract actions totaling over $100 million. In addition, my office provided the following support:

- Dedicated five staff members to support FEMA contracting, standing up the Hurricane Katrina Disaster Relief Team from October 2005 through mid December 2005. This team assisted

with managing administrative issues associated with the response to Hurricane Katrina such as responding to inquiries from Congress, the press, the White House, and assisting with the recruitment of volunteers from other Federal agencies.

- Provided an on-site senior acquisition professional to the Katrina Recovery Office headed by Vice Admiral Thad Allen.
- Authorized the use of special emergency procurement authorities increasing the thresholds for micro-purchases, simplified acquisitions, and the test program for commercial items.
- Secured 60 additional positions to handle post Katrina work including both contracting and program management personnel. Provided two staff members to the Hurricane Contracting Information Center (HCIC) from October through early March. This center, managed by the Department of Commerce, provides a central point of reference for businesses, especially minority owned small businesses, to register for and become aware of federal contracting opportunities in the Gulf Coast.
- Our Office of Small and Disadvantaged Business Utilization actively promoted small business and minority owned business participation in the Gulf region relief and recovery effort through its participation

in numerous conferences. In addition, this office provides on-going advice and counsel to FEMA on developing acquisition strategies that promote viable business opportunities for small and socially and economically disadvantaged businesses. For example, FEMA recently awarded 25 contracts with a value of up to $100 million each, and expects to award a total of 37 contracts with a potential value of $100 million each, for temporary housing maintenance and support for Gulf Coast hurricane recovery. These competitive five-year contracts are being awarded to small and small disadvantaged businesses certified by the Small Business Administration (SBA) under its 8(a) program.

- We manage the collection, analysis and reporting of Department of Homeland Security (DHS) Hurricane Katrina acquisition data. This information provides Senior DHS management as well as other U.S. Government agencies with timely information and analysis on our contracting efforts in delivering hurricane relief and recovery.
- We are assisting FEMA in obtaining contract administrative services from the Defense Contract Management Agency (DCMA). DCMA is widely recognized throughout the procurement community as the center of excellence for contract administration.

- We work with the Government Accountability Office (GAO) and Inspector General (IG) during audits of Katrina acquisitions and associated issues. By providing the interface between auditors and FEMA procurement staff, we ensure auditors receive accurate and complete information without unduly disrupting the ongoing Katrina recovery efforts.
- As part of the lessons learned, I am also actively involved in FEMA re-tooling. The objective of this effort is to ensure the proper contract vehicles and contracting workforce and infrastructure are in place to deliver FEMA's mission requirements.
- To support the re-tooling effort, my office assembled a dedicated team, including a staff member from my office, to assist FEMA in identifying its requirements and writing the specifications for the supplies and services needed for responding to future hurricanes. This work is on-going.

Katrina Acquisition Oversight

Within the Department, we have formed the "Hurricane Internal Control/Procurement Oversight Board." This board was established to

assure financial and procurement control and integrity over hurricane funding that the Department receives. This board coordinates internal control policy and management oversight issues in the appropriate use of hurricane related funding. The five people who compose the board are the Under Secretary for Management, the Chief Financial Officer, the General Counsel, the Chief of Operations at FEMA, and me as the Chief Procurement Officer. In addition, a sixth person, the DHS Inspector General, Mr. Rick Skinner is an advisory member of the board.

Within my office, we have a "procurement review board." This board is reviewing high-risk Katrina contract actions to verify what was purchased, the reasonableness of the price, and the extent of competition. Special attention is being paid to the Fluor, Shaw, CH2MHill, and Bechtel contracts because of the large dollar values and the fact that they were awarded without full and open competition.

Since the disaster, the Oversight Division within my office has reviewed purchase card transactions made in excess of the standard threshold for micro-purchases of $2,500 and is in the process of reviewing more than 250 purchase orders. All contract actions over $25 million and all contract

actions over $5 million that were awarded without full and open competition will be individually reviewed. For smaller contracting actions below the standard simplified acquisition threshold, a sample of actions will be reviewed.

My office has obtained Defense Contract Audit Agency (DCAA) support to review contract proposals. Their expertise is providing assistance in support of hurricane relief efforts for FEMA contracting officers by reviewing, auditing, evaluating, and analyzing costs to ensure they are properly allowable and allocable to task orders.

As we continue to move forward with the recovery effort and prepare for the hurricane season, as the CPO, I will work closely with FEMA's senior leadership, in particular Ms. Lee, the Deputy Director of Operations and the Chief Acquisition Officer for FEMA, to ensure FEMA successfully obtains the resources authorized to build their acquisition corps and fulfill their commitment to re-compete contracts as appropriate. I will also continue to actively participate in the FEMA retooling effort and continue with the oversight activities. On a Federal level, as a member on the Federal Chief Acquisition Officers Council, I will continue leading the effort of developing

a contingency contracting program within the Federal Government so the procurement community has the tools to provide an integrated Federal response to an incident of national significance.

Summary

Hurricane Katrina was a disaster of historical proportion and the acquisition professionals at FEMA and in other agencies responded quickly to meet the immediate needs to protect life and property and to provide support to the victims. Upon reflection, our response to Hurricane Katrina revealed the need for improvements in how we respond to such devastating events. For the acquisition community, we recognized the need for increased staffing and we are hiring additional personnel. We also recognize the need for additional, long term contracts to improve FEMA's ability to respond to emergencies. We are addressing that area with the award of many disaster related contracts, including the competitive award of the planned National Individual Assistance Technical Assistance Contracts (IA-TAC)– that will provide support primarily for housing disaster victims. As our oversight continues on the contracting activities related to Hurricane

Katrina, we will have the opportunity to use the results of those reviews to improve contracting operations for the future.

I thank the Committee for your aid in this effort and look forward to working with you. This completes my prepared statement and I am happy to answer any questions you may have.

Chairman TOM DAVIS. Thank you. Ms. Murphy, thanks for being with us.

STATEMENT OF EMILY MURPHY

Ms. MURPHY. Good morning, Chairman Davis, Ranking Member Waxman, and other distinguished members of the committee. Thank you for inviting me here this morning to testify on GSA's actions in the aftermath of Hurricane Katrina and how we serve the taxpayers' interests in the procurement process in times of urgent need. These are timely topics as we are roughly 1 month away from the beginning of the next hurricane season.

In the past 8 months the men and women of GSA have worked diligently to help respond to the call for assistance and even now we are working to be more proactive. We must apply the lessons from Katrina to every disaster that strikes in the future. Immediately after Katrina GSA activated our contingency contracting plan, supplementing with contracting officers from all 11 regions and GSA's headquarters, 7 days a week, 24 hours a day. Every member of my staff that we could warrant, we warranted immediately to provide additional assistance to those in the field. In our Office of Commercial Acquisition alone, GSA associates worked nearly 9,500 collective hours on over 1,100 requisitions for items such as diapers, bottled water, portable restroom facilities, computers, pumps, generators and tents. Additionally we transferred nearly $2 million worth of property from excess inventory to State and local governments, including $332,000 in Federal property donated to the Furniture for Schools Program in the affected areas.

Of the total 203 GSA managed office space locations within the FEMA declared disaster area, 14 buildings were closed due to sustained damage. That includes 189 lease locations and 14 GSA-owned locations, comprising in excess of 3.4 million rentable square feet of lease space and 1.8 million square feet of owned space.

On October 10, 2005 just 40 days after Katrina's landfall on the gulf coast the entire Federal work force affected by Katrina was returned to full operational status with replacements and temporary space.

In response to fleet operational requirements GSA assigned over 700 vehicles including vans, pickup trucks and buses for immediate need, team short term basis to Federal agencies in support of their aid and relief work in the affected storm area.

As of April 18, 2006, GSA had procured over $630 million in products and services in support of Hurricane Katrina. We made every effort to comply with the Stafford Act and $483 million, or 77 percent, of those procurements were awarded to small businesses, with 53 percent to local small businesses. This work occurred amid pressure to execute contracts quickly, challenging working conditions and widespread logistical and communications disruptions.

One example: On September 1, GSA was asked to quickly establish a 500-operator call center in Chicago. At the time FEMA was unable to meet the demand of the approximately 50,000 calls a day. As you will recall, this unprecedented urgent need received national media attention and the President promised to do whatever was necessary to ensure that people got answers. By Septem-

ber 2 GSA leasing specialists had signed a letter of intent for 60,000 square feet allowing for $405,000 of electrical work and $280,000 of cabling work to begin. Within 1 week we had the center up and operational and ready for contractors to go in and begin work.

Nothing is to suggest that everything went perfectly in Katrina and we are working right now to ensure that we are better prepared in the future. That includes stressing training so that we give acquisition professionals the tools that they need to be successful as they respond to disasters, a partnership with the Federal Acquisition Institute and the Defense Acquisition University to make sure that additional courses are available on a real-time basis, and making sure that go kits, including things like satellite phones and just basic supplies, are available to our acquisition professionals as we deploy them to the field.

As Elaine mentioned, we are co-chairing the CAO Council's Working Group on Incidents of National Emergency, and we have also gone back through the OMB response plan, gone and reviewed all of our significant acquisitions that we did in response to Hurricane Katrina to make sure that we bid not just the appropriate contracts at the time of the initial acquisition, but that continued to be the appropriate response going forward.

In sum, we take seriously the trust placed in us by our Federal customers and by the taxpayers. We have learned lessons from Katrina and we will continue to apply those in the future. And we very much look forward to working with this committee, OMB and the other agencies to continue to support their missions.

Thank you.

[The prepared statement of Ms. Murphy follows:]

STATEMENT OF

EMILY W. MURPHY
CHIEF ACQUISITION OFFICER

U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

MAY 4, 2006

Good afternoon Chairman Davis, Ranking Member Waxman and other distinguished members of the committee. I am Emily Murphy, Chief Acquisition Officer of the General Services Administration (GSA). Thank you for inviting me here today to testify on GSA's support of Katrina response and how we at GSA are doing our best to protect the taxpayer's interest in the procurement process in times of urgent need.

GSA's mission is to help Federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services, and management policies. Each year, Federal agencies spend approximately $300 billion on goods and services in order to meet their missions of service for the American people. GSA, the largest civilian buyer for these agencies, must operate at an optimal level, continually improving internal efficiency, effectiveness and accountability. Over the years, our agency has grown from a product supply organization to one that helps agencies buy sophisticated services, including those that integrate information technology products and services.

As you are aware, Mr. Chairman, GSA supplies a wide range of products and services, including: construction equipment, tools, telephone and information technology to furniture and office supplies. It is through the dedication, effort and expertise of GSA associates in every GSA Region, every GSA Service and every GSA Office that GSA continues to make good progress in meeting the challenge of providing our customer agencies with the excellent acquisition services they need. GSA aggressively responded to the emergency situations created by Katrina.

Let me underscore some of GSA's input and commitment to the relief effort, ranging from contracting personnel to the issuance of fast-track procurement guidance. GSA immediately activated its contingency contracting corps plan supplying contracting officer support from three GSA regions and headquarters, seven days a week, twenty-four hours a day. GSA contracting officers worked alongside FEMA employees to facilitate buying. GSA contracting officers worked long hours under poor working conditions. Acquisition management personnel from my policy office here in Washington set up temporary operations closer to field staff in order to provide needed support. Further, we issued supplemental guidance to our contracting officers to allow them to use procurement flexibilities as necessary. Generally, there were very few cases where GSA associates needed to tap these flexibilities outside of the normal procurement regulations.

In our Office of Commercial Acquisition alone, GSA associates worked nearly 9,500 collective hours in response to Katrina. These associates processed over 1,100 requisitions for items such as: diapers, bottled water, ice, bed sheets, pillows/pillow cases, assorted towels, mass care supplies, blankets, portable restroom facilities, computers, pumps, generators, and tents. GSA associates transferred approximately $2 million worth of property from excess inventory. Further, GSA provided on-site contracting support which processed 1,000 action requests resulting in 338 contract actions at a value of $342 million.

As of April 18, 2006, GSA has procured over $630 million worth of products and services in support of Katrina relief. Of that, over $483 million or 77% were directly awarded to small businesses. GSA contracting professionals performed

admirably despite difficulties encountered including pressure to execute contracts quickly, poor working conditions, and logistical and communication disruptions left by the Hurricane's destructive path.

As with any emergency response, GSA immediately partners with FEMA. In response to Hurricane Katrina, FEMA activated the National Response Plan by contacting the primary and appropriate agencies associated with Emergency Support Function(s) (ESF). GSA acts as the primary agency for ESF Resource Support (ESF-7), and also plays a major role in providing contracting assistance on behalf of FEMA. GSA employees are the contracting officers working along side of FEMA to acquire needed goods and services and procure workspace. FEMA employees are responsible for defining the requirements, ensuring that requirements are within the FEMA Mission, and certifying the appropriate funds.

Let me briefly share with you a story which highlights GSA's partnership with FEMA and effort to support the Katrina relief.

An example of GSA's cooperation and prompt emergency procurement response occurred on September 1st when GSA received a request to establish as quickly as possible, a 500 operator Call Center in Chicago to support Hurricane Katrina response and recovery efforts. At the time of the Chicago Call Center's creation, FEMA call centers were unable to meet the demand of approximately 50,000 calls a day from Americans in hurricane affected areas. This unprecedented unmet need was receiving national attention in the media and promises from the President of the United States to do whatever was needed to alleviate the problem of unmet telephone response.

On September 2nd GSA leasing specialists signed a letter of intent for 60,000 square feet of space in Chicago. This allowed for $405,000 of electrical work and an estimated $280,000 of cabling work to begin over the weekend establishing the call center. Mission assignments were also given to GSA for $400,000 of equipment and supplies to get the center up and running. GSA associates provided best value contracting support needed for the lease of furniture and equipment, and purchasing of items needed to get the Call Center operational. GSA offices arranged for cabling through SBC that was expedited in short order. The T1 line and other cabling for the Chicago Call Center was installed at the earliest possible date on September 8th and the center was ready to operate the next day.

Team members worked more than 12 hours a day including the weekends to ensure that the call center was operational as quickly as possible. Normal contracting and operational hurdles had to be diligently worked through in an extremely compressed time frame to ensure that Americans affected by the hurricane disasters were receiving timely assistance. The Chicago Call Center ended up handling tens of thousands of calls and significantly contributed to alleviating some of the distress felt by Americans needing assistance from the Federal Government. The Team's efforts in a time of unprecedented demand on Federal resources truly had a positive impact on a national scale.

The expenditure of taxpayer dollars for an expedited relief effort challenged procurement personnel. However, the regulations that govern Federal acquisition allowed for most of the needed flexibility to accomplish the acquisition mission. In response to an Office of Management and Budget (OMB) request for all agencies participating in Hurricane Katrina relief efforts to develop and submit Stewardship Plans, the Office of the Chief Acquisition Officer developed the GSA

Acquisition Stewardship Plan (Plan). This Plan helped ensure prudent stewardship of taxpayer funds for current and future acquisitions in support of Hurricane Katrina rescue and relief operations.

GSA's Acquisition Stewardship Plan mandates procurement management review of all "significant acquisitions" awarded in support of the Hurricane Katrina response and relief efforts. The objective of the review was to ensure contracts were awarded in compliance with applicable procurement regulations, policies, and procedures and that quality and integrity were maintained throughout the acquisition process.

"Significant acquisitions" for the purpose of the Stewardship Plan were defined as:

(1) Any time and material/labor hour contracts or task orders exceeding $5M;
(2) Any sole source and/or urgent and compelling acquisitions exceeding $500K;
(3) Any acquisition made in support of the Katrina effort using the Justification for Other Than Full and Competition under FAR 6.302-7;
(4) Government-wide commercial purchase card transactions exceeding $15K where the card serves both as method of procurement and payment;
(5) Simplified Acquisition under the Test Program for Certain Commercial Items exceeding $5M;
(6) Letter contracts (undefinitized contract action) exceeding $500K: or any contract with an estimated value exceeding $50M;
(7) Terminations exceeding $500K; and

(8) Any acquisitions that agency executives or program managers consider risky for any reason, including unusual requirements, lack of information about vendor capability, inexperience with particular acquisition strategies, complexities in the technical requirements or marketplace solutions.

In order to ensure GSA is complying with the existing regulations, and meeting the needs of Federal Agencies in times of national disasters, it is essential to have a well trained acquisition workforce. GSA has conducted a thorough assessment of the skills of our acquisition workforce to determine our ability to achieve acquisition excellence and obtain the best value for the taxpayer and our customers. We have updated several of our course offerings, and are working with the Defense Acquisition University (DAU) on joint training opportunities and a standard curriculum for all Government contracting professionals.

Once the immediate needs were met, GSA next began to gather lessons learned from Katrina. GSA reviewed our operational response efforts that took place before, during and after the storm. Several action items came out of that review and were grouped and documented for future response to such major disasters.

The most comprehensive of these action items is to develop a Standard Operating Procedure (SOP) document or handbook that will include instructions for future responders to review and use. We found a need to know how the subsistence requirements should be met to take care of both evacuees and responders in various situations. In the case of personnel located in the disaster area, GSA personnel performed under the same living conditions as evacuees.

During the initial stages of the response, agency responders were not able to obtain some basic office supplies. In response GSA assembled several kits or "go packs" with some of the key items of supply, necessary forms, contact information and available information on goods and services that might be required. In future emergencies these packs will be placed in several key locations from which responders are likely to be initially deployed. Further we are working with our counterparts at DHS to put in place blanket purchase agreements (BPAs) for several key items, including ambulance services, ice, and water. Information such as this will be included in these "go packs."

Further, GSA is working with the Department of Defense and the National Aeronautics and Space Administration to update the Government wide procurement regulation to consolidate existing emergency procurement authorities in one area of the regulation. This should facilitate the use of these authorities by procurement professionals working under extreme time sensitive deadlines.

The acquisition officials at GSA take our roles and responsibilities in achieving excellence in the Federal acquisition process seriously. We take seriously the trust placed in us by the Federal agencies that rely on our acquisition expertise to obtain best value. We must fulfill our missions while complying with Federal acquisition policies and regulations that promote full and open competition. We must adhere to the high principles of ethics and integrity. We must take seriously our professionalism and our accountability to our customer agencies, OMB, Congress and, most importantly, to the American taxpayers.

Thank you very much for the opportunity to testify before you here today. I look forward to working with the committee as we continue in our efforts to get the best deal for the taxpayer. I will be happy to answer any questions you might have.

Chairman TOM DAVIS. Thank you.
Mr. Woods.

STATEMENT OF WILLIAM WOODS

Mr. WOODS. Thank you, Mr. Chairman, Ranking Member Waxman, other members of the committee. I appreciate the opportunity to be here today to talk about the work of the Government Accountability Office and looking at the Katrina-related contracts.

Let me first mention the approach that we took and make a couple of points there. We coordinated very closely as we began to look at Katrina-related contracts with the rest of the oversight community, particularly the inspectors general, Mr. Skinner at the Department of Homeland Security, Mr. Jadacki and the rest of their colleagues, to make sure that we could avoid duplication of effort whenever possible. Those consultations resulted in a couple of understandings among our representative organization. First, it was very clear that the inspector general community was devoting a significant amount of resources looking at the award of these contracts, the competition, the pricing issues, that sort of thing. And where we felt that we could make the greatest contribution at the Government Accountability Office is looking at the execution of those contracts. So we decided to devote a significant effort looking at the monitoring or surveillance of contractor efforts.

The other accommodation that we were able to reach is that we satisfied ourselves that certain contracts had quite adequate oversight by the inspector general community, particularly the debris removal contracts. So we decided that we did not need to devote any additional resources looking at the debris removal contracts.

I want to summarize very briefly our findings in looking at these contracts, but before I do I want to recognize the hard work and extraordinary effort of all of the responders at the Federal, State and local level and the contractors who devoted a significant amount of effort in responding. We can all have our differences about the outcomes and we will have our debates about the challenges that they face, but there can be no disagreement, it seems to me, about the effort that was put in. Many of these people were volunteers from agencies that are represented at the table and a number of other agencies, and I wanted to recognize that effort.

Let me summarize very briefly our findings. We found shortcomings in three primary areas: First was planning, second communications, and third was work force. And in each of these areas I will summarize very briefly the challenges that the agencies faced but then also talk about some of the experiences that we learned about from other organizations, private sector organizations, other companies, State and local governments that also responded to challenges and maybe there are some lessons learned for the Federal Government in these areas.

First in the area of planning, we found insufficient numbers of pre-awarded contracts. Some agencies had pre-awarded contracts. The Federal Emergency Management Agency had some but clearly not enough. They did not adequately anticipate the needs for temporary housing, for example, or the need for public buildings.

By contrast, the Corps of Engineers, you heard earlier about their Advanced Contracting Initiative that enabled them to have

the contract, the preawarded contract, in place in order to be able to respond.

Similarly, we found that in the State of Florida, they have a very comprehensive data base of the amount of supplies and services that are going to be needed. They prequalify their vendors so that they are able to very, very quickly enter into whatever contracts are needed after the onset of the event.

In the area of communication and responsibilities, we found a couple of instances where it was very clear that agencies—one agency did not have a good understanding of what another agency was doing. Let me give you one specific example. In the area of ice, the Corps of Engineers was responsible for the contracts for ice. FEMA placed the requirements for ice, but FEMA did not understand how the Corps of Engineers went about contracting for ice, and, as a result, ordered twice as much ice as was needed. This resulted in a very difficult situation when the ice arrived to the region and there were insufficient distribution and storage facilities in order to be able to handle the quantities that arrived.

By contrast, when we looked at other organizations, for example, CSX Transportation, one of the approaches that they take is they conduct joint training exercises with all organizations that are going to be responsible for responding, including the contractors. And that enables them to anticipate some of the difficulties that might arise after the event occurs.

And then, third, in the area of work force, we found that there were insufficient numbers of contract monitors, specifically in the blue roof program and also in the temporary housing area for the trailers. The lack of onsite contract monitors delayed both of those programs.

Again, by contrast, when we looked at some other organization, Land Star Transportation and Wal-Mart, for example, they place a premium on being able to redeploy employees in a very, very fast turnaround response time to be able to respond to the needs of their customers.

With that summary, I will be happy to take whatever questions the committee may have.

Chairman TOM DAVIS. Thank you.

[The prepared statement of Mr. Woods follows:]

United States Government Accountability Office

GAO

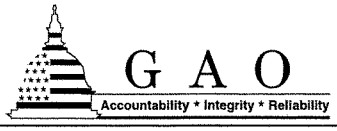
Testimony
Before the Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 10:00 a.m. EDT
Thursday, May 4, 2006

HURRICANE KATRINA

Improving Federal Contracting Practices in Disaster Recovery Operations

Statement of William T. Woods, Director
Acquisition and Sourcing Management



GAO-06-714T

May 4, 2006

GAO
Accountability · Integrity · Reliability

Highlights

Highlights of GAO-06-714T, a testimony before the Committee on Government Reform, House of Representatives

HURRICANE KATRINA

Improving Federal Contracting Practices in Disaster Recovery Operations

Why GAO Did This Study

The devastation experienced throughout the Gulf Coast region 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.

This testimony discusses how three agencies—the General Services Administration, the Federal Emergency Management Agency (FEMA), and the U.S. Army Corps of Engineers (the Corps)—conducted oversight of 13 key contracts awarded to 12 contractors for hurricane response, as well as public and private sector practices GAO identified that provide examples of how the federal government could better manage its disaster-related procurements.

What GAO Recommends

While GAO is not making any new recommendations in this testimony, GAO highlights previous recommendations for improving federal procurement in contingency operations.

www.gao.gov/cgi-bin/getrpt?GAO-06-714T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact William T. Woods at (202) 512-4841 or woodsw@gao.gov.

What GAO Found

Agency acquisition and contractor personnel have been recognized for their hard work in providing the goods and services required to be responsive. The response efforts nonetheless suffered from three primary deficiencies:

First, there was inadequate planning and preparation in anticipating requirements for needed goods and services. Some key agencies did not always have adequate plans for contracting in a major contingency situation. For example, FEMA did not adequately anticipate needs for temporary housing and public buildings. Tensions also existed between selecting national contractors and the Stafford Act requirement for a preference for contractors from the affected area.

Second, there was a lack of clearly communicated responsibilities for contracting activities across agencies and jurisdictions. When disasters occur, local or state officials sometimes determine contract requirements and send them to FEMA, which writes and awards the contract or passes that responsibility on to another agency. FEMA or another agency may then oversee contract performance. Although this process requires clear alignment of responsibilities and good communications, our fieldwork found examples that did not meet that standard. Although the process for ordering and delivering ice depends on good communications between FEMA and the Corps, for example, Corps officials said FEMA did not fully understand the contracting approach they used and ordered at least double the amount of ice required, resulting in an oversupply of ice and a lack of distribution sites to handle the volume ordered.

Third, there were insufficient numbers and inadequate deployment of personnel to provide for effective contractor oversight. For example, FEMA's contracts to install temporary housing in four states had only 17 of the 27 technical monitors that were needed for oversight.

GAO has identified practices in the public and private sectors that provide insight into how federal agencies can better manage their disaster-related procurements, including:

- developing knowledge of contractor capabilities and prices by identifying commodities and services and establishing vendor relationships before they are needed;
- establishing a scalable operations plan to adjust the level of capacity required to effectively respond to needs;
- formally assigning and communicating disaster-related responsibilities, with joint training for government and contractor personnel; and
- providing sufficient numbers of field-level contracting staff with the authority needed to meet mission requirements.

Mr. Chairman and Members of the Committee:

Thank you for inviting me here today to discuss the practices for managing federal disaster recovery contracts related to Hurricanes Katrina and Rita and how these practices can be improved. The size and strength of Hurricane Katrina resulted in one of the largest natural disasters in our nation's history, and in its aftermath major questions have been raised about our nation's readiness and ability to respond to catastrophic disasters. Hurricane Rita increased demands on an already stressed response and recovery effort at all levels of government.

GAO has a large body of ongoing work on a range of issues relating to all phases of the preparation, response, recovery, and rebuilding efforts related to Hurricanes Katrina and Rita. GAO's work has been 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, including contracting, are addressed while avoiding unnecessary duplication of efforts.

Comptroller General Walker recently testified on GAO's preliminary observations on the challenges encountered in the response to Hurricane Katrina, and he identified four themes that are similar to lessons learned from past catastrophic disasters.[1] These include the central importance of (1) clearly defining and communicating leadership roles, responsibilities, and lines of authority for response in advance of a catastrophic disaster; (2) clarifying the procedures for activating the National Response Plan and applying them to emerging catastrophic disasters; (3) conducting strong advance planning and robust training and exercise programs; and (4) strengthening response and recovery capabilities for a catastrophic disaster.

These themes directly relate to what I will discuss today, namely how three agencies planned for and conducted oversight of several key contracts in support of Katrina and Rita response and recovery efforts: the General Services Administration (GSA), the Federal Emergency Management Agency (FEMA), and the U.S. Army Corps of Engineers (the Corps).[2] For those areas where we identified deficiencies, I will also

[1] GAO, *Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery,* GAO-06-442T, (Washington D.C.: Mar. 8, 2006).

[2] See GAO, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita,* GAO-06-461R (Washington, D.C.: March 2006).

discuss public and private sector practices that provide examples of how the federal government could better manage its disaster-related procurements. In doing our review, we selected 13 mission-critical contracts, each with a dollar value in excess of $5 million, that were awarded to 12 contractors performing work for the three agencies. We analyzed how monitoring policies and processes were put into practice. We also reviewed the practices of selected federal agencies, state emergency management agencies, commercial businesses, and a major utility that responded to Hurricane Katrina, analyzing their policies and procedures to identify successful practices and alternative approaches for managing disaster-related procurements. We conducted our work from October 2005 through March 2006 in accordance with generally accepted government auditing standards.

Summary

Given the environment in which they were operating, agency acquisition and contractor personnel have been recognized for their hard work in providing the goods and services required to be responsive. The response efforts nonetheless suffered from three primary deficiencies:

- inadequate planning and preparation in anticipating requirements for needed goods and services,
- lack of clearly communicated responsibilities across agencies and jurisdictions to ensure effective acquisition outcomes, and
- insufficient numbers and inadequate deployment of personnel to provide for effective contractor oversight.

A number of efforts are under way by these agencies to address the issues we and others have identified.

In reviewing contracts awarded in —another contingency situation— rebuilding Iraq, GAO found that without effective acquisition planning, management processes, and sufficient numbers of capable people, poor acquisition outcomes resulted. GAO made recommendations for improving procurements in contingency operations, including the need for sufficient numbers of trained staff who have clear responsibilities and guidance for overseeing contractor performance. In more recent work, we identified a number of practices in the public and private sectors that provide insight into how the federal government can better manage its disaster-related procurements. These practices include

- developing knowledge of contractor capabilities and prices by identifying available commodities and services and establishing vendor relationships before they are needed,
- establishing a scalable operations plan to adjust the level of capacity required to effectively respond to the need,
- formally assigning and communicating disaster-related responsibilities, with joint training for government and contractor personnel, and
- providing sufficient numbers of field-level contracting staff with the authority needed to meet mission requirements.

Contractor Roles in Emergency Response Operations Are Increasing

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 recently noted,[3] such partnerships increasingly underlie critical government operations. 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.

Over $87 billion of federal funding has been appropriated in response to the recent hurricanes. In responding to Hurricanes Katrina and Rita, the government depended heavily on contractors to deliver ice, water, and food supplies; patch rooftops; and provide housing to displaced residents and temporary facilities to local government agencies. Overall, the circumstances caused by the hurricanes created a difficult environment in which agencies had to balance the need to deliver goods and services quickly with the need for appropriate controls. Although achieving that balance is sometimes hard to accomplish, that fact must not be allowed to serve as an excuse for poor contracting practices.

[3]GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2005).

There Was Inadequate Planning and Preparation in Anticipating Requirements for Needed Goods and Services

The need for strong planning is one of the themes identified by the Comptroller General in regard to the government's overall response to the hurricanes. Planning also must explicitly address the need for and management of the contractor community. In previous work we said that for federal agencies to be effective they need to develop the knowledge necessary to identify, select, and manage contractors, including having competitively awarded contracts in place prior to a disaster. We found that some key agencies did not always have adequate plans for contracting in a major contingency situation. We also noted the competing tensions between the selection of national contractors and the requirement under the Stafford Act for a preference for contractors from the affected area. Better planning could have alleviated those tensions.

For example:

- While contracts for some items were in place prior to the storm, FEMA did not adequately anticipate needs for such services as providing temporary housing and public buildings.

- The practice of the Corps is to establish Planning and Response Teams for various missions assigned to it by FEMA prior to an event, with specific responsibilities assigned to team members. However, the Corps indicated it did not know prior to the hurricane that it would be tasked by FEMA with some of the mission assignments it received. In one case, faced with a compressed time frame for acquiring portable classrooms and with no prior knowledge about the classroom mission they were assigned, Corps contracting officials placed an order, under an existing agreement, with a subsidiary of an Alaska Native Corporation under the Small Business Administration's section 8(a) Business Development Program. The Corps accepted the contractor's proposed price of $39.5 million even though it had information that the cost for the classrooms was significantly less than that. Based on our analysis of a quote obtained by the contractor from a local Mississippi business, the price the contractor actually paid for the classrooms, and prices for similar units from GSA schedule contracts, our conclusion[4] is that the Corps could have, but failed to, negotiate a lower price.

[4] GAO, Hurricane *Katrina: Army Corps of Engineers Contract for Mississippi Classrooms*,
GAO- 06-454 (Washington, D.C.: May 2006).

- Similarly, better management of requirements development could have avoided costs to house workers and victims. Based on information provided by local officials, FEMA spent $3 million for 4,000 base camp beds that were never used.

- Preparation was also lacking in implementation of the Stafford Act preference for contractors residing or doing business in the affected area.[5] The Corps staff expressed uncertainty regarding how to apply preferences or determine if a company was in an affected area.[6] Several GSA and FEMA officials indicated they were aware of the Stafford Act, but stated it is difficult to immediately factor in local businesses in such a catastrophic event. GSA officials stated they plan to review the Federal Acquisition Regulation (FAR) to see if additional Stafford Act guidance is necessary.[7]

In discussing our findings and observations with FEMA officials, they said they are taking steps to improve in areas such as staffing and premobilization capabilities. However, they also stated that such pre-planning and preparedness has a cost. The Corps commented that contracting staff need to have defined requirements in order to get the right type of contracts put in place, and the contracting staff did not always get defined requirements in a timely manner. Additionally, a Corps official commented that until funding for a particular mission is secured, preparation for it cannot go forward and this also delayed contracting efforts. Finally, both GSA and the Corps noted that they tried to reach out to local and small businesses through forums and other means to make them aware of opportunities to contract with the federal government.

[5]42 U.S.C. § 5150.

[6]GAO recently issued a decision on a protest of the terms of a solicitation issued by the Corps for demolition and debris removal in the State of Mississippi. The protester asserted, in part, that the Corps decision to limit the competition for this work to Mississippi firms improperly exceeded the authority granted under a provision of the Stafford Act to provide a preference to firms residing, or primarily doing business, in the area affected by a major disaster. GAO's decision did not view the Corps decision to implement the Stafford Act preference with a set-aside as an abuse of the agency's discretion, and the Corps did not act improperly by limiting this competition to Mississippi firms. *AshBritt, Inc.* B-297889, March 20, 2006.

[7]See FAR, Subpart 26.2-Disaster or Emergency Assistance Activities.

Examples of Federal, State, and Private Sector Practices for Improving Planning and Preparation

Officials that we talked to in the public and private sectors considered pre-identification of commodities, scalable operations, and pre-established vendor relationships to be essential for ensuring adequate planning and preparation for providing needed goods and services following a disaster. For example:

- Florida's Division of Emergency Management developed a database that pre-identifies over 200 supplies and services that may be needed to respond to a disaster. Florida also pre-qualifies vendors, recording quantities and locations of vendor supplies, and establishes rates before each hurricane season, giving it the knowledge it needs to quickly procure supplies and services at a reasonable price. Similarly, Wal-Mart uses a database to review historical buying trends to identify what goods will be in demand both before and after a hurricane, and to stock the merchandise in its stores accordingly.
- The Corps awards Advanced Contracting Initiative (ACI) contracts to fulfill its anticipated disaster response missions. ACI contracts are used to jump start the missions following a disaster, with the Corps bringing in other contracts as necessary to complete the work.
- Part of Mississippi Power's operations plan is to identify multiple potential staging areas, and multiple housing and food supply options for its own and outside workers, which enables the company to expand or reduce its operations depending on the size of the disaster. After Hurricane Katrina, Mississippi Power's scalable operations plan enabled it to shelter and manage more than twice the number of outside personnel it had planned for, but that were needed to restore service as quickly as possible to all customers able to receive power.

There Was a Lack of Clearly Communicated Responsibilities across Agencies and Jurisdictions

We also found that processes for executing contracts were hindered by poor communication of responsibilities. As envisioned under the National Response Plan (NRP), federal agencies responding to a disaster carry out their acquisition functions through a network of federal, state, and local agencies. In some instances, the local or state officials determine the requirements and communicate them to FEMA; FEMA may write and award the contract or communicate the requirements to another agency that writes and awards the contract; and then FEMA or another agency oversees contract performance. This approach puts a premium on aligning roles and responsibilities clearly and maintaining good communications to ensure effective execution of the contract.

Our fieldwork identified examples where unclear responsibilities and poor communications resulted in poor acquisition outcomes. For example:

- FEMA officials stated that a contractor spent approximately $10 million to renovate 160 rooms and furnish another 80 rooms in military barracks in Alabama that a FEMA survey team identified for use as temporary housing. To renovate the facility, FEMA headquarters awarded a contract without consulting local FEMA officials in Alabama. According to FEMA officials in Alabama, however, the facility was not needed and they tried to stop the renovation. These same FEMA officials stated that few evacuees agreed to live at the facility, and when officials decided to close the facility, it had only six occupants.

- The process for ordering and delivering ice heavily depends on effective communications between FEMA and the Corps. However, according to Corps officials, FEMA did not fully understand the contracting approach used by the Corps and ordered at least double the amount of ice required, resulting in an oversupply of ice and a lack of distribution sites available to handle the volume ordered. Additionally, the local Corps personnel were not always aware of where ice might be delivered and did not have the authority to redirect ice as shipments arrived, resulting in inefficient distribution and receipt at the state level.

- FEMA tasked GSA to write three contracts in Louisiana for base camps, hotel rooms, and ambulances, with a total value of over $120 million. GSA contracting officers awarded the contracts, but could not tell us which FEMA officials would be responsible for overseeing contractor performance. The FEMA official identified as the main point of contact by GSA did not have any knowledge of these contracts or who was responsible for oversight. Only after contacting multiple FEMA officials over a 3-week period were we able to determine the agency officials responsible for contract oversight.

In commenting on our findings, GSA officials stated that their role is to provide resource support in the response phase of a disaster, meaning they are responsible for executing contracts under the NRP, and FEMA is responsible for monitoring the contracts. FEMA officials commented that there needs to be more clarity regarding procurement roles and indicated one of their goals is to work with GSA to clarify procurement responsibilities for the future. GSA officials indicated that the current memorandum of understanding between GSA and FEMA is being updated to reflect the standards of the new NRP as well.

Examples of State and Private Sector Practices for Establishing and Communicating Responsibilities

To clearly establish and communicate disaster-related responsibilities, public and private sector officials told us they use such practices as conducting joint disaster response training for agency employees and contractors and formally assigning their employees specific disaster-related responsibilities. For example:

- The employees at CSX Transportation Railroad and their suppliers participate jointly in both disaster planning and training exercises. This allows each supplier to know its responsibilities and the railroad's expectations in the event of a natural disaster. As a part of its preparation for disaster response, the Florida Division of Emergency Management holds joint state-wide training exercises every year with suppliers.

- Management-level personnel at Mississippi Power are assigned disaster director roles aligned to their day-to-day functions, which they assume during the company's storm preparation phase. Each disaster director has a designated backup and directs all disaster-related activities within his or her functional areas. Each functional area has a specific disaster plan that is integral to the overall corporate disaster recovery plan. Each Mississippi Power employee also has a storm assignment and receives annual training on that assignment.

There Were Insufficient Numbers and Inadequate Deployment of Personnel to Provide for Effective Contractor Oversight

The purpose of agencies' monitoring processes is to ensure that contracted goods and services are delivered in accordance with the agreed-upon schedule, cost, quality, and quantity provisions stated in the contract. Without sufficient numbers of trained people properly deployed, however, effective monitoring is hampered and agencies may not be able to identify and correct poor contractor performance in a timely manner. Furthermore, agencies can be at risk of paying contractors more than the value of the services performed.

Our work indicated that while monitoring was occurring on the contracts we reviewed, the number of monitoring staff available was not always sufficient, and staff were not always effectively deployed. For example:

- FEMA's contracts for installing temporary housing in four states had only 17 of the 27 technical monitors that had been determined necessary to oversee contractor performance.[8]

[8]Data provided by FEMA official were dated November 18, 2005.

- Corps officials responsible for overseeing the "blue roof" program's field operations told us it was slowed down due to the lack of sufficient monitors.[9]

Deployment practices did not always provide for appropriate notification of responsibilities or overlap of rotating contracting officers and oversight personnel, thus making knowledge transfer and continuity of contract management operations difficult. For example:

- For four of the contracts we reviewed, officials were either unaware or not notified by FEMA of their oversight responsibilities.
- The lack of overlap between oversight personnel for a large temporary housing contract left the most recent contract administrator with no knowledge or documentation of who had authorized the contractor to perform certain activities or why the activities were being performed.

While discussing our findings and observations with FEMA officials, they emphasized that they lacked adequate staffing, but said they have made efforts to fill staffing gaps. Additionally, FEMA officials stated they recognize the need for continuity in contract oversight and indicated they are implementing a process to ensure workload and knowledge sharing among rotating personnel. However, they also believe that fewer transition difficulties exist now as a result of hiring more people and having more oversight officials staying in the affected areas. GSA officials indicated there may also be other alternatives for ensuring adequate contract oversight, such as designating GSA employees to conduct oversight on some contracts. Corps officials stated their policy is to rotate certain personnel every 29 days to keep personnel costs to a minimum because of regulations under the Fair Labor Standards Act.[10]

Examples of Federal and Private Sector Practices for Improving the Deployment of the Contracting Workforce

Practices we identified to better ensure sufficient numbers and adequate deployment of personnel in a disaster situation include establishing response structures that employees can be "plugged" into and moving employees from routine service into disaster response. For example:

[9] The Corps manages the Operation Blue Roof mission for FEMA. Operation Blue Roof provides assistance to storm victims in disaster areas through the installation of rolled plastic sheeting on damaged roofs, helping to protect property and allowing residents to remain in their homes.

[10] 5 CFR § 551.208.

- The Corps and the Forest Service deploy pre-established trained teams to disaster locations to manage specific missions, such as debris removal and base camp support. These teams include specialists with the authority needed to provide on the ground procurement support to meet mission needs.

- In response to Katrina, Landstar, a transportation services company under contract to the U.S. Department of Transportation, diverted agents from routine customer service activities to emergency response activities, including staffing logistics staging areas, while continuing to meet the basic needs of commercial clients. Similarly, Wal-Mart reassigned employees from their regular duties in the corporate office to serve as operators in the company's call center for associates affected by the hurricane.

In closing, in any acquisition agencies must have in place sound acquisition plans, processes to make and communicate good business decisions, and a capable acquisition workforce to monitor contractor performance so that the government receives good value for the money spent. These components are critical to successfully managing contracts in any environment—even in contingency situations such as those presented by Hurricanes Katrina and Rita.

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 William T. Woods at (202) 512-4841 or woodsw@gao.gov. Individuals making key contributions to this testimony included Penny Augustine, James Kim, John Needham, Kenneth Patton, Matthew Saradjian, David Schilling, Shannon Simpson, and Katherine Trimble.

Appendix I: Recent GAO Products on Hurricanes Katrina and Rita

Hurricane Katrina: Planning for and Management of Federal Disaster Recovery Contracts. GAO-06-622T. (Washington, D.C.: April 10, 2006).

Hurricane Katrina: Comprehensive Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance. GAO-06-460. (Washington, D.C.: April 6, 2006)

Hurricane Katrina: Policies and Procedures Are Needed to Ensure Appropriate Use of and Accountability for International Assistance. GAO-06-600T. (Washington, D.C.: April 6, 2006).

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. GAO-06-576R. (Washington, D.C.: March 28, 2006).

Agency Management of Contractors Responding to Hurricanes Katrina and Rita. GAO-06-461R. (Washington, D.C.: March 16, 2006).

Hurricane Katrina: GAO's Preliminary Observations Regarding Preparedness, Response, and Recovery. GAO-06-442T. (Washington D.C.: March 8, 2006).

Emergency Preparedness and Response: Some Issues and Challenges Associated with Major Emergency Incidents. GAO-06-467T. (Washington: D.C.: February 23, 2006).

Disaster Preparedness: Preliminary Observations on the Evacuation of Hospitals and Nursing Homes Due to Hurricanes. GAO-06-443R. (Washington: D.C.: February 16, 2006).

Investigation: Military Meals, Ready-To-Eat Sold on eBay. GAO-06-410R. (Washington: D.C.: February 13, 2006).

Expedited Assistance for Victims of Hurricanes Katrina and Rita: FEMA's Control Weaknesses Exposed the Government to Significant Fraud and Abuse. GAO-06-403T. (Washington: D.C.: February 13, 2006).

Statement by Comptroller General David M. Walker on GAO's Preliminary Observations Regarding Preparedness and Response to Hurricanes Katrina and Rita. GAO-06-365R. (Washington, D.C.: February 1, 2006).

Federal Emergency Management Agency: Challenges for the National Flood Insurance Program. GAO-06-335T. (Washington, D.C.: January 25, 2006).

Hurricane Protection: Statutory and Regulatory Framework for Levee Maintenance and Emergency Response for the Lake Pontchartrain Project. GAO-06-322T. (Washington, D.C.: December 15, 2005).

Hurricanes Katrina and Rita: Provision of Charitable Assistance. GAO-06-297T. (Washington, D.C.: December 13, 2005).

Army Corps of Engineers: History of the Lake Pontchartrain and Vicinity Hurricane Protection Project. GAO-06-244T. (Washington, D.C.: November 9, 2005).

Hurricanes Katrina and Rita: Preliminary Observations on Contracting for Response and Recovery Efforts. GAO-06-246T. (Washington, D.C.: November 8, 2005).

Hurricanes Katrina and Rita: Contracting for Response and Recovery Efforts. GAO-06-235T. (Washington, D.C.: November 2, 2005).

Federal Emergency Management Agency: Oversight and Management of the National Flood Insurance Program. GAO-06-183T. (Washington, D.C.: October 20, 2005).

Federal Emergency Management Agency: Challenges Facing the National Flood Insurance Program. GAO-06-174T. (Washington, D.C.: October 18, 2005).

Federal Emergency Management Agency: Improvements Needed to Enhance Oversight and Management of the National Flood Insurance Program. GAO-06-119. (Washington, D.C.: October 18, 2005).

Army Corps of Engineers: Lake Pontchartrain and Vicinity Hurricane Projection Project. GAO-05-1050T. (Washington, D.C.: September 28, 2005).

Hurricane Katrina: Providing Oversight of the Nation's Preparedness, Response, and Recovery Activities. GAO-05-1053T. (Washington, D.C.: September 28, 2005).

(120556)

GAO's Mission

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

Obtaining Copies of GAO Reports and Testimony

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

Web site: www.gao.gov/fraudnet/fraudnet.htm
E-mail: fraudnet@gao.gov
Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

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

PRINTED ON RECYCLED PAPER

Chairman TOM DAVIS. Mr. Jadacki.

STATEMENT OF MATT JADACKI

Mr. JADACKI. Good morning, Mr. Chairman, members of the committee, and guests. Many of the comments that I am going to make, my opening statement kind of echoes what my colleague here, Bill Woods, said regarding some of the cooperation and coordination findings. So I will try to be brief.

In the aftermath of a major disaster such Hurricane Katrina, the Federal Government is obligated to ensure a number of important safety and security measures for its citizens. The government is responsible, among other things, to take immediate steps to mitigate damage or harm to its citizens; ensure that roads are clear of debris, to allow emergency workers access to affected areas; provide temporary shelters for disaster victims; and provide minimum repair to buildings to enable victims to return to their homes, to prevent further damage.

As we review the Federal Government's response to Hurricane Katrina, we asked the question: Did the Federal Government meet its obligations? Unfortunately, as my testimony indicates and our findings of some of our reviews, there are still many weaknesses in the Federal Government's response and recovery efforts. We are still in the process of fully evaluating the overall contracting efforts in predisaster planning related to Katrina. Again, we are working closely with the Government Accountability Office and with the other Federal Inspector General's Office.

To date, my office has published over 40 reports, many of these dealing with contracting issues. Many of these reports pertain to FEMA's procurement activity, including contracts for technical assistance, cruise ships, mobile homes, base camps, guard services, to name a few.

We are also undertaking several major reviews of FEMA contracts and we plan to vigorously review contracts led by FEMA and other DHS components regarding disaster-related activities.

FEMA's core mission is to respond to emergencies and procure emergency supplies and equipment. For example, ice, food, water, travel-trailer mobile homes base camps on a recurring basis. Therefore, planning for these procurements would represent sound business practice. Because of the unpredictable nature of emergency operations, such planning cannot always be used to select specific sources in advance. However, for each type of procurement such as ice, water, food, predisaster planning can identify prospective sources of supplies and services, delineate how competition will be sought, promoted, and sustained during emergency operation, describe how Stafford Act requirements for preferences of firms affected by the disasters will be met; lay out source-selection procedures for each type of procurement; and establish communication systems and processes and publicize them in order to have prospective sources know how to contact FEMA procurement personnel.

Because this disaster planning did not take place, FEMA, and many other components of the Federal Government, found itself hastily entering into contracts, with little competition, for disaster commodities. Understandably, in the aftermath of a disaster, government agencies award contracts under expedited contracting

methods, as authorized by the Federal Acquisition Regulation in order to quickly respond to victims' needs. DHS alone ordered 3,400 contracts worth $5.3 billion in the immediate aftermath of Hurricane Katrina. We understand that the immediate response is needed to provide victims essential aid; however, we suggest that many of these response requirements are the same for every disaster.

A degree of predisaster planning can and should take place. Predisaster planning should include establishing standby or call contracts with vendors to provide essential goods and services required to facilitate immediate response operations or to meet the needs of disaster victims.

For example, call contracts, ice, water, food, tarps, transportation, travel-trailers, and other items commonly procured shortly after disaster strikes should be in place and ready in short notice. A call contract allows for cost specifications, terms, and conditions to be negotiated in advance, negating the need for intensive contract negotiations during a crisis. This is a common business practice in the private sector and in other Federal agencies.

I submit to you why we are here today: to learn lessons learned in the past—in this case the Federal Government's response to devastation caused by Hurricane Katrina—in order to not repeat the same mistakes.

Because of the nature of disaster operations, we understand that predisaster planning has to be flexible. However, predisaster planning should balance the Federal Government's capabilities with those of the private industry, including distributors, wholesalers, retailers, manufacturers, and service providers. We suggest use of caller standby contracts with prenegotiated prices, quantities, terms and conditions, and specifications to facilitate procurement operations in the immediate aftermath of a disaster.

We understand that FEMA is aggressively pursuing and recruiting contracting officers and COTRs to augment its contract staff. In addition, it established a separate contract office to handle the procurement activity for the gulf region. These are important first steps to provide additional oversight controls and support for recovery operations throughout the gulf region.

More importantly, it positions FEMA to better meet the procurement demands of the future.

Our hope is that the lessons learned from our findings will help address these weaknesses and not allow us to repeat historical mistakes but, rather, take these lessons learned and turn them into solutions solved.

Mr. Chairman this concludes my prepared remarks. I would be happy to answer any questions.

[The prepared statement of Mr. Jadacki follows:]

STATEMENT OF MATT JADACKI

SPECIAL INSPECTOR GENERAL

GULF COAST HURRICANE RECOVERY

OFFICE OF INSPECTOR GENERAL

U.S. DEPARTMENT OF HOMELAND SECURITY

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

MAY 4, 2006

Good morning Mr. Chairman and Members of the Committee.

Thank you for the opportunity to be here to discuss our oversight of the federal government's response and recovery efforts after Hurricane Katrina. Today, I will take a slightly different approach to responding to your request. Let me begin with quoting the philosopher George Santayana.

Santayana, once wrote, "those who cannot remember the past, are condemned to repeat it."

All of us know the quote. Most of us probably agree with it. But, very few of us can recall the specific lessons of the past we're supposed to remember. That is why, I submit to you that we are here today, to learn the specific lessons of the past, in this case the federal government's response to the devastation caused by Hurricane Katrina, in order to not repeat the same mistakes.

In the aftermath of a major disaster such as Hurricane Katrina, the federal government is obligated to ensure a number of important safety and security measures for its citizens. The government is responsible for:

- Taking immediate steps to mitigate damage or harm to its citizens;
- Ensuring that roads are cleared of debris to allow emergency workers access to affected areas;
- Providing temporary shelter to disaster victims that lose their homes; and
- Providing minimum repairs to buildings to enable victims to return to their homes and prevent further damage.

As we review the responsibilities of the government, it then begs the question, "Did the federal government meet its obligations?"

Unfortunately, as my testimony indicates, there were many weaknesses in the federal government's response and recovery efforts in the aftermath of Hurricane Katrina. We are still in the process of fully evaluating the overall contracting efforts and pre-disaster planning related to Hurricane Katrina. However, our work thus far has disclosed that:

1. FEMA either purchased supplies, commodities, equipment and other resources to support emergency and disaster response efforts in insufficient quantities or over-purchased commodities, because disaster requirement planning was inadequate;
2. The government, in many instances, did not pay reasonable prices for goods and services because competition was limited or non-existent; and
3. Costs and prices were not always controlled, because the government's contract oversight and monitoring was inadequate.

HURRICANE KATRINA OVERSIGHT: THE ROLE AND RESPONSIBILITIES OF THE OFFICE OF INSPECTORS GENERAL

Hurricane Katrina left damage in catastrophic proportions along the Gulf Coast in Louisiana, Mississippi, and Alabama. Hurricane Katrina caused 1,326 deaths – 1,096 in Louisiana, 228 in Mississippi, and 2 in Alabama.[1] More than 700,000 people were displaced from the Gulf Coast region and over 273,000 were evacuated to shelters. While the Federal Emergency Management Agency (FEMA) and other federal, state, and local entities pre-staged commodities and personnel in and around the region, the magnitude of the storm and its catastrophic effects completely overwhelmed all disaster response systems and resources. The damage to the Gulf Coast region remains uncalculated.

In the wake of Katrina, Congress responded quickly with funds for immediate relief efforts, and the long process of recovery began. To date, emergency appropriations totaling approximately $85 billion have been made available for the recovery effort, of which $36.6 billion went to FEMA.

In the first 90 days after Katrina swept the Gulf Coast area, more than 4,700 contracts were awarded, valued at more than $8.1 billion, mostly for emergency response and the initial stages of recovery. Usually, disaster response periods last roughly 72 hours. In this case, the initial response to help the millions affected by the hurricanes lasted approximately three months. Also unique to this disaster is the breadth of states to which victims were evacuated. FEMA reports that every state in the Union plus the District of Columbia housed victims of Katrina. This phenomenon, in itself, increased the opportunity for fraud, waste, and abuse.

As the emergency response phase diminishes, individual and household assistance is growing. Likewise, public assistance grants have increased dramatically over the past several months as the arduous task of rebuilding the Gulf Coast's infrastructure begins in earnest.

Although FEMA is responsible for coordinating response and recovery efforts, the enormous effort required to restore the Gulf Coast necessitated the combined and collaborative efforts of many federal, state, and local government entities. Estimates of the cost to recover from the storm and rebuild the affected areas are as high as $100 billion. With this much damage, money, and number of agencies involved, the necessity for oversight is unprecedented.

To understand the oversight work that's being conducted and how it is managed, it's necessary to grasp the collaborative efforts of the federal Inspector General (IG) community. The federal IG community, through the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE), offered the capacity needed for consistent reporting and the preventive interaction to oversee the

[1] Data from www.firstgov.gov, Frequently Asked Questions – Hurricane Katrina's effects, accessed April 14, 2006.

billions in recovery dollars. The federal IG community was a natural fit for oversight and stewardship of the recovery funding effort.

Just prior to Hurricane Katrina, the PCIE/ECIE had established a Homeland Security Roundtable to deal with government-wide homeland security related issues. After Hurricane Katrina, the Homeland Security Roundtable served as the forum for the IG community to plan and discuss hurricane recovery oversight. The Roundtable members meet regularly to share information and collaborate. Each participating IG provides oversight of federal dollars for their respective agencies whether the funding was from a direct appropriation or through a mission assignment from FEMA.

The result being that no one agency is responsible for all oversight and stewardship activities. The benefit of this organizational structure is that each agency is best able to monitor and investigate its own recovery responsibilities. As a result, greater oversight is taking place and oversight efforts are not being duplicated. In addition, the PCIE/ECIE established a central hotline to handle reports of fraud, waste, and abuse throughout the Gulf Coast.

The Hurricane Relief Fraud Hotline supports all federal agencies involved in the recovery. The Department of Defense Office of Inspector General served as the operator of the Hotline on behalf of all OIGs. In April 2006, operation of the hotline was turned over to the Department of Justice Joint Command Center in Baton Rouge. The Hotline, which has reported 14,385 calls through the end of March 2006, functions as a channel for tracking incoming complaints and allegations of wrongdoing.

Additionally, on September 8, 2005, in the immediate aftermath of Hurricane Katrina, United States Attorney General Alberto R. Gonzales established the Hurricane Katrina Fraud Task Force. The Task Force is charged with deterring, detecting, and prosecuting dishonest individuals and contractors trying to take advantage of the Hurricane Katrina and Hurricane Rita disasters. The overall goal is to stop people who seek to illegally take the money that is intended for the victims of the hurricanes and the rebuilding of the Gulf Coast region.

In addition, within the Department of Homeland Security Office of Inspector General, Inspector General Skinner created a separate Special Inspector General for Gulf Coast Recovery. The Special IG provides:

- Independent audits and investigations of disaster relief operations;
- Independent and objective leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of disaster programs and operations, and prevent and detect fraud, waste, and abuse;
- An independent and objective means of keeping the Congress, the Secretary of Homeland Security, and all other federal departments and agencies involved in disaster relief fully and currently informed about problems and deficiencies

relating to the administration of disaster relief programs and operations, and the necessity for and progress of corrective action.

This allows us to stay current on all disaster relief operations, and provide on-the-spot advice on internal controls and precedent setting decisions.

Although FEMA has cooperated with our efforts and is in the process of implementing procedures to identify and reduce waste, fraud, and abuse, it has yet to implement a number of DHS/OIG recommendations, which, in our opinion, could have mitigated many of the problems they are experiencing today.

In May 2005, we provided FEMA with a report entitled, "FEMA's Individuals and Households Program in Miami-Dade County, Florida, for Hurricane Frances." In the report, we identified the need for better development and implementation of policies, procedures, and guidelines in the granting of awards to individuals and households for hurricane relief. Unfortunately, FEMA had not implemented those controls when Katrina struck. The lack of basic internal controls is contributing to the fraud, abuse, and waste we are currently seeing.

PRE-DISASTER PLANNING AND CONTRACT MANAGEMENT

FEMA's core mission is to respond to emergencies and procure emergency supplies and equipment, e.g., travel trailers, mobile homes, base camps, food, ice, etc., on a recurring basis. Therefore, planning for these procurements would represent sound business practice. Because of the unpredictable nature of emergency operations, such planning cannot always be used to select specific sources in advance of a disaster. However, for each major type of procurement, i.e., travel trailers, mobile homes, base camps, etc., pre-disaster planning can address the following:

- Identify prospective sources of supplies and/or services, including sources identifiable through government-wide and industry association databases using market survey approaches;
- Delineate how competition will be sought, promoted, and sustained during emergency operations;
- Describe how Stafford Act requirements for preferences of firms affected by the disaster will be met;
- Layout source-selection procedures for each type of procurement; and
- Establish communications systems and processes and publicize them in order that prospective sources know how to contact FEMA procurement personnel.

The above pre-disaster planning did not take place; therefore, FEMA found itself in an untenable position and hastily entered into contracts with little to no competition for disaster commodities.

Although the Federal Acquisition Regulation (FAR) requires agencies to perform acquisition planning and conduct market research for all acquisitions in order to obtain competition to the maximum extent practicable, this did not take place in response to Hurricane Katrina. According to the Homeland Security Acquisition Manual and the FAR, formal acquisition plans are not required for emergency acquisitions, i.e., when the need for the supplies/services is of such an unusual and compelling urgency that the government would be seriously injured if the supplies/services were not immediately acquired.

However, because many of the response requirements are the same for every disaster, a modicum of pre-disaster planning can and should take place. Pre-disaster planning should include establishing standby or call contracts with vendors to provide essential goods and services required to facilitate immediate response operations or to meet the needs of disaster victims. Call contracts for ice, water, food, tarps, transportation, travel trailers, and other items commonly procured shortly after disasters strike should be in place and ready to execute on short notice. A call contract allows for costs, specifications, terms and conditions to be negotiated in advance negating the need for intensive contract negotiations during a crisis. This is a common business practice in other federal agencies, including the Corps of Engineers and the Forest Service.

Understandably, in the aftermath of a disaster, government agencies award contracts under expedited contracting methods, as authorized by FAR, in order to provide a timely response to victims' needs. In response to Katrina, DHS alone awarded approximately 3,400 contracts worth approximately $5.3 billion. More than 1,000 of the contracts were valued in excess of $500,000, but less than half were awarded under full and open competition. We are currently reviewing the terms and conditions of all contracts over $500,000 and other Office of Inspectors General (OIG) are doing the same. In addition, we are conducting reviews of invoices, focusing on high-risk contracts.

Shortly after Hurricane Katrina struck, FEMA awarded four major contracts for technical assistance in the gulf region. Technical assistance primarily involves the installation, operations, maintenance and deactivation of housing facilities such as travel trailers and mobile homes. We reviewed the source selection process for each of the major Technical Assistance Contracts (TAC), but could not find complete written records of the source selection process to determine how these firms were selected.

FEMA awarded contracts to the TAC contractors under a sole source basis. The four major TAC contractors are among the top 50 construction contractors in the country according to the Engineering News Record (ENR) magazine, therefore are technically qualified to perform the work. However, FEMA did not provide sufficient documentation regarding the process used to select these firms over other firms listed in ENR's Top 50 Engineering Firms. Of the companies selected by FEMA, one ranked first and a second ranked fourth, while another ranked 15th and the fourth ranked 50th. The lack of source selection documentation created the appearance of bias or favoritism.

We understand that FEMA is in the process of re-competing each of these contracts. And, recently, FEMA awarded more than 30 contracts to local and small businesses in the Gulf Region to perform some of the work (maintenance and de-activation of travel trailers) previously performed by the large TAC contractors.

To be effective in fostering competition to the maximum extent possible, acquisition plans should use public information strategies to identify FEMA procurement points of contacts and proposal evaluation criteria for major products. Therefore, well-connected vendors would not have a significant advantage in contacting FEMA procurement personnel following a disaster and receiving the lion's share of the contract awards. State economic development offices, chambers of commerce, and industry associations could be used by FEMA in developing appropriate public information strategies. Here again, this approach could have helped prevent charges of favoritism and more equitably distributed contract awards as well as address the issues of fair and reasonable pricing and Stafford Act requirements for local preferences.

Limited competition also results in limited assurance that the price the government pays is reasonable. The media has already reported many cases in which procurement personnel authorized contractors to begin work without a definitive statement of work, often on a sole-source basis with no attempt to independently estimate costs. While many contractors performed their work efficiently and in good faith, there were instances where there were problems. In some cases, the government will have little legal recourse to recoup payments from contractors awarded questionable contracts.

Also, FEMA maintained little or no documentation regarding price reasonableness in many contract files. The FAR requires contracting officers to document the determination of fair and reasonable pricing. It also requires that the company size standard be specified in the solicitation so that companies can appropriately represent themselves as small or large businesses. Further, according to the FAR, "All factors and significant subfactors that will affect contract award and their relative importance shall be stated clearly in the solicitation."

In many of the files that we reviewed, there were no contract files checklist or record of supervisory review and approval. With the high volume of procurement activity within such a short period of time, documentation providing an explanation of the source selection process and the determinations of cost reasonableness was not prepared for many contracts. While we recognize that Hurricane Katrina was a disaster of major proportions, use of streamlined documentation procedures to meet the FAR requirements would not have appreciably impeded FEMA's contracting efforts to provide expedited assistance to the disaster victims.

ADDRESSING LESSONS LEARNED:
CREATING SOLUTIONS NOT RE-VISITING LESSONS LEARNED

The federal government, in particular FEMA, received widespread criticism for a slow and ineffective response to Hurricane Katrina. As I have discussed thus far, much of the criticism is warranted. Although FEMA and other agencies deployed emergency responders and resources in advance of the storm, most were overwhelmed the first week after landfall.

In March 2006, we issued a report entitled, *A Performance Review of FEMA's Disaster Management Activities in Response to Hurricane Katrina* (OIG-06-32, March 2006). This report details FEMA's responsibility for three major phases of disaster management, i.e., preparedness, response, and recovery, during the first five weeks of the federal response. We evaluated FEMA's preparedness and readiness efforts over the past ten years to determine its organizational capability and position prior to Hurricane Katrina. We reviewed whether FEMA's authorities, plans and procedures, organizational structure, and resources were adequate and effective.

FEMA's initial response was significantly impeded by the adjustments it was making in implementing its responsibilities under the National Response Plan (NRP). Moreover, within the past two years, the Department of Homeland Security (DHS) published two watershed planning documents, the National Incident Management System (NIMS) and the NRP, which restructure how federal, state, and local government agencies and emergency responders conduct disaster preparation, response, and recovery activities. Changes needed to implement both documents, however, were still underway when Hurricane Katrina made landfall.

The response demonstrated some positive features of the incident command structure under NIMS, which FEMA and state staff led in Mississippi and Alabama. It also highlighted severe deficiencies and multiple areas where FEMA and DHS headquarters must make adjustments to the NRP, such as the use of incident designations, the role of the Principal Federal Official (PFO), and the responsibilities of emergency support function coordinators. It also should not be overlooked that when compared to other disasters, FEMA provided record levels of support to Hurricane Katrina victims, states, and emergency responders.

However, FEMA's shortcomings traverse a number of areas. For example, a lack of visibility in the resource ordering process, difficulty deploying sufficient numbers of trained personnel, unreliable communication systems, and insufficient management controls for some assistance programs all demonstrate a need for improved response support capabilities and more effective delivery mechanisms for assistance.

FEMA's efforts to support state emergency management and to prepare for federal response and recovery in natural disasters were insufficient for an event of Hurricane Katrina's magnitude. Difficulties experienced during the response directly correlate with

weaknesses in FEMA's grant programs, staffing, training, catastrophic planning, and remediation of issues identified during previous disasters and exercises.

Finally, the integration of FEMA, all hazards preparedness, and disaster response and recovery capabilities within DHS requires additional attention. After the terrorist attacks of September 11, 2001, DHS' prevention and preparedness for terrorism have overshadowed that for natural hazards, both in perception and in application. Although an "all-hazards" approach can address preparedness needs common to both man-made and natural events, DHS must ensure that all four phases of emergency management – preparedness, response, recovery, and mitigation – are managed throughout the department on an all-hazards basis. Coordination and consultation among DHS components and with the states is essential to guide, advise, develop, and monitor all-hazards capability and responder effectiveness.

In our report, we made 38 recommendations to the Director of FEMA, Under Secretary for Preparedness, Assistant Secretary of Public Affairs, and Director of the Office of Operations Coordination to improve emergency management capabilities, which include:

- Establishing measurable expectations of FEMA's response;
- Providing the necessary financial, technical, and staff support to meet them;
- Assessing FEMA's readiness;
- Clarifying how DHS headquarters, FEMA, and other DHS components will implement aspects of the NRP;
- Addressing improvements to FEMA's infrastructure for resource ordering and tracking, personnel deployment, disaster communications, and handling disaster applications;
- Completing catastrophic, surge, and workforce plans;
- Adding training;
- Strengthening the remedial action program;
- Building relationships with the states in concert with DHS' Preparedness Directorate and Public Affairs; and
- Modifying how FEMA manages disaster assistance.

Our recommendations aimed at clarifying how DHS headquarters, FEMA, and other DHS components can implement aspects of the NRP, and address improvements to FEMA's infrastructure for resource ordering and tracking; personnel deployment; disaster communications; and disaster application handling. The nature of some of these recommendations suggests that they should be able to be addressed prior to this upcoming hurricane season and within existing resources and funding levels. However, many recommendations may require additional time, beyond the start of hurricane

season, to be fully addressed and many will require an initial and sustained funding commitment by DHS and Congress to be fully implemented.

In closing, through our oversight efforts we have learned:

- FEMA scrambled to purchase supplies, commodities, equipment and other resources to support emergency and disaster response efforts from numerous vendors, because requirement planning prior to Katrina was inadequate;

- Call or standby contracts with pre-negotiated prices, quantities, terms and conditions, and specifications could have greatly facilitated post disaster procurement operations, but were not implemented;

- In many instances, the government did not pay a reasonable price for its purchases, because competition was limited; and

- The government's contract oversight and monitoring was inadequate, resulting in cost and price variations.

Because of the nature of disaster operations, we understand that pre-disaster planning has to be flexible to address the impact of the disaster. However, pre-disaster acquisition planning can balance the capabilities of distributors, wholesalers, retailers and manufacturers, and maximize the use of licensed manufacturers and dealers. And, call or standby contracts with pre-negotiated prices, quantities, terms and conditions, and specifications could have greatly facilitated procurement operations.

As I have pointed out there were many weaknesses in the federal government's pre-disaster planning and contact management efforts. However, we hope that the lessons learned from our findings will help address weaknesses and be better prepared for future disasters.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions.

Chairman TOM DAVIS. I thank all of you very much.

Let me start the questions, Mr. Woods. Let me start with you. We have heard Mr. Waxman's assessment, and I didn't ask him for a grade, but I don't think it is a passing grade in terms of how this worked out.

We know the administration said, basically, mistakes were made. But they have been very defensive about what happened.

What is your overall assessment of the performance of the acquisition agencies and the contractors, and how would you grade the performance of our acquisition system in response?

And I am going to ask you the same thing, Mr. Jadacki. Let me ask you. You have been through this before. You have seen it is an emergency, you discount a little bit for that, but how would you grade it?

Mr. WOODS. Well, I think you can't underestimate it and fail to give full appreciation to the circumstances. Clearly, the agencies did the best that they could under the circumstances. But those circumstances just greatly overwhelmed the planning that was in place, the work force that was dedicated to the effort and to the systems.

Chairman TOM DAVIS. Let me ask you—you are GAO, so you don't have to answer to anybody but Congress, and we rely on you to call the balls and strikes here.

This storm was not only predicted, it was predictable. I mean, everyone knew sooner or later you could get a storm of this magnitude. You started off with three deficiencies in your report. And the first one was planning.

Now, everybody here tried to do the best they could. I don't think Mr. Waxman or myself are going to question anybody there on the ground. But at the end of the day, how would you rate the planning for this?

Mr. WOODS. The planning was not where it needed to be for the level of the storm that hit, clearly.

Chairman TOM DAVIS. Anywhere close?

Mr. WOODS. I don't believe so. They were overwhelmed by what actually occurred.

Chairman TOM DAVIS. And, in fact, we had gone through an exercise, Hurricane Pam, just a few months before, that predicted a storm of large magnitude as this in the New Orleans area, didn't hit the Mississippi coast. So in the planning, could you give them a passing grade?

Mr. WOODS. That's correct. There were lessons learned from that exercise Pam, but, clearly, the results of that learning were not translated into adequate planning for Katrina.

Chairman TOM DAVIS. So on the planning side, is it fair to say we get an F on that? It was not anywhere near where it needed to be.

Mr. WOODS. I am not sure I would want to give them a grade, but it is clearly not where it needed to be, sir.

Chairman TOM DAVIS. You can't give them an incomplete. I mean, in this case it came.

Mr. WOODS. We can certainly go that far, to give them an incomplete.

Chairman TOM DAVIS. On communications, the other—let me ask you, Mr. Jadacki, taking a look at the planning and everything else on this, planning wasn't anywhere near where it needed to be for a storm of this magnitude, and yet for years this has been predicted and we drilled on this, and this was a worst fear.

What do you have to say about that?

Mr. JADACKI. I mentioned in my opening remarks the predisaster planning had to be there. I had an opportunity—I did have the opportunity when I was working for FEMA to attend the Hurricane Pam exercise. And, quite frankly, I was kind of shocked at some of the scenarios that were being predicted a year before the disaster, and actually watched the events unfold on TV. It was eerie. But, again, they were predicting during that exercise that hundreds of thousands of people would be displaced from their homes, that the levees would break, the waters would rise. So it is not a surprise on anybody's part about the predisaster planning.

I know that FEMA, for a number of years, had discussed the notion of a catastrophic housing program; what to do when a number of people were displaced in those homes and had to be moved.

Normal disasters, if there is a normal disaster, people would evacuate 50 miles inland, the disaster would be over, and they would eventually go back.

In this case, people were evacuating to almost every single State and some territories, staying in hotels, staying in travel-trailers and apartments and those types of things. That type of planning would really help to go a long way.

Chairman TOM DAVIS. So the planning here was nowhere near where it needed to be?

Mr. JADACKI. No.

Chairman TOM DAVIS. And everything else flows off that, because once you don't have the planning in place and the assets prepositioned and it is in your face, you do the best you can at that point. But more mistakes are likely to ensue under that circumstance than if you had those things in place.

Mr. JADACKI. I agree. I think we were overwhelmed. The fact we had hundreds of thousands of citizens that had to leave their homes for extended periods. What to do in that case? It didn't include procurement.

Chairman TOM DAVIS. Let me just go to the panel and ask on the other side, now we have a new hurricane season coming up. What is different this year than last year? How are we assured that if this happens—you still drive through and there is still debris on the ground months afterwards.

In fact, the thing that caught me the most on my third visit down there was how much debris is still on the ground, although I recognize that there was a lot of debris to start with, and you have to put it somewhere. We will get to that in this panel and the next panel.

What is different this year on the planning that makes us—should make everybody feel safer?

I will start with General Riley.

General RILEY. Sir, if I may, in particular in the planning for the Advanced Contract Initiative, once again we will have in place ad-

vanced contracts for procurement of ice and water; also construction of temporary roofs and removal of debris.

In addition to that, we have our contracting community; we are strengthening our procedures for hiring of local contractors.

Chairman TOM DAVIS. Can I make—I hear you. But, you know, Home Depot or Wal-Mart, any of these groups, could have gotten assets there a lot quicker if you had just given it to them, than some of these other companies. They have a supply train and a way to get things moved around. They have—in some cases they are closer to the points where these things hit than some of these governments sites that are prepositioned there.

I had the president of Home Depot say they wanted to give stuff away at cost. We didn't have a mechanism to accept that. We didn't have a mechanism to accept millions of dollars donated to us from around the world.

Do we have that in place this year?

General RILEY. Sir, as far as the delivery——

Chairman TOM DAVIS. It is not just to you; I am going to ask Ms. Duke, and Ms. Murphy; and, Dee, if you want to climb in, you are new to this on this side this year.

General RILEY. As far as the delivery of commodities, in particular you mentioned ice and water and logistics that the Corps procures. We have those contractors in place and they are ready. They have many of them already, of course, a great deal stored for this year, and we had some stored for last year as well that we used in the initial days.

So those types of things I think is an initial good preparation for this season for the procurement of commodities.

For debris removal in the case of our advanced contract, last year we saw the storm was coming into Louisiana and Mississippi, so I spoke to the contractor the day prior, on Sunday—Saturday, excuse me—2 days prior to landfall. He had his equipment and personnel staged in Florida and in Texas, ready to move into the storm from both sides.

So those are the kinds of things we had in days before. And then long-term preparation, we have many actions going on to prepare ourselves better for this season.

Chairman TOM DAVIS. But, again, the last time—for example, shelters. We were very inadequate on the shelters for Katrina.

Thank goodness that the Convention Center didn't get flooded; that it was—it happened to be on higher ground. That was almost—I mean we were lucky in that case. That wasn't something that was picked because it was predicted. It was set for 1,000 people and 30,000 people showed up, and the next day another 30,000 people showed up, and they ended up in the Convention Center instead of the stadium.

I think we just didn't imagine something that—the planners never imagined something of that magnitude hitting; is that fair to say?

General RILEY. Sir, I guess I would characterize it—certainly in the Hurricane Pam exercise you noted, that planning did go through, that type of thought process. What was actually in place was similar to hurricanes that happened in the previous season in Florida. So that type of magnitude, clearly the magnitude of this

one clearly overwhelmed the people and the property and the emergency response force.

Chairman TOM DAVIS. I guess what I would just—one of my counsels is sitting back here, and, having gone through all the hearings is that for all the planning, for all of the contracts that you have in advance, you always need a plan B just in case it becomes something else. And in this case, it wasn't a plan B.

It was kind of, you know, we kind of invented it as we went along, and the result of that was not just additional cost to taxpayers but loss of life and property.

Let me just ask some of the other agency heads how you view that same question. How are we ready for this next year?

Ms. DUKE. I will start and then, Mr. Chairman, if Dee wants to add any additional specifics. I will begin for DHS.

Chairman TOM DAVIS. Let me say, Ms. Duke and Ms. Murphy, that a lot of the planning on this is above your pay grade when it comes to planning and prepositions. You are procurement officers. But some of the planning over this stuff is really not your job, so I'm not trying to single you out. But it was very inadequate in this case and I wanted you to give any assurance for next season that it gets better and that there is a plan.

Ms. DUKE. Yes, Mr. Chairman. We are working in two general areas in planning. One is the people side, and one is the contract side. When the last hurricane season hit, FEMA had in place less than a dozen contingency contracts to be prepared for the hurricane season. This year, with FEMA, there is over 70 contract actions that we are working to have in place and prepared before the hurricane season.

These include some renewal, some additional new actions, so we are expanding the number of contingency contracts we have in place. So we are not reacting after a disaster hits.

On the people side, that is an area that I am, from the Department, working with FEMA extensively on also. One of the things we did is hire Ms. Lee.

As you mentioned, Mr. Chairman, procurement does not have the total responsibility for delivering the mission activities. It is a tool by which we deliver. One of the things Ms. Lee brings is the acquisition and expertise.

Chairman TOM DAVIS. You don't have to convince the committee about Ms. Lee's expertise. We are happy to see her there.

Ms. DUKE. The other thing that her position brings, and her individually, is integration of the different functions of the acquisition process in the FEMA. And we think that is going to help a lot in the planning.

In terms of—we also have a director of the learning lab, a new senior executive, Ms. Tina Burnett, who is a new senior contracting person in FEMA that will lead the actions we have taken.

Chairman TOM DAVIS. I gotcha.

Dee, let me ask you. You are new. You are sitting here in the shop. You come over from GSA, and you were in DOD and were head of Office of Procurement Policy under President Clinton, and very highly regarded by both Mr. Waxman and myself. How do you see it? Are we better off than last year?

Ms. LEE. Yes, sir. In my vast 4 weeks' experience, we are doing the things Elaine talked about. One of the things that is really working with the technical community to understand the requirements, make sure we have the contracts ready to go and meet those requirements. We are looking at, as you mentioned, the learning lab.

The other thing we are looking at is real-time ability to order as needed. And we are actually looking at piloting the possibility of doing some on-line or reverse auction on the site, on time, which of course would require what people mentioned was free registration of the contractors, telling contractors how we are going to do that.

So we are going to do a little bit of that, a lot of contracts in place and also more long-term planning. We are already looking for 2007 and putting in place contracts that we think are needed.

Chairman TOM DAVIS. Thank you. Ms. Murphy do you want to say something?

Ms. MURPHY. One of the things we did was we went back and adapted the Federal procurement systems so we can identify all the procurements we made in conjunction with Katrina. We looked at reviewing the kinds of contracts we did against the contracts we already have in place, 18,000 contractors under the multiple award schedule, trying to identify where those contracts are so we place BPAs against them. So we have those available, going forward, to meet the additional needs. We worked with our global supply program to make sure we have the contracting resources in place there, in case FEMA or anyone else needs to access those.

And we have been working to make sure that those we deploy in the field, that don't have Internet access, can't reach the central contractor registration to find the 400,000 vendors the government has already registered doing business with us, they have a thumb drive, another way of accessing that.

Chairman TOM DAVIS. We didn't get into communications, but it wasn't interoperability; just plain operability went down. And there was no real contingency planning. We did find that some of the key decisionmakers were getting their news from CNN, not all of it accurate.

My time is up. Mr. Waxman.

Mr. WAXMAN. Thank you, very much, Mr. Chairman, and I want to thank all the panelists for their testimony. If there is not this advanced planning, then the government found itself, Mr. Woods, scrambling to try to deal with the problems. Isn't that the result of the inadequate planning?

Mr. WOODS. I think that is a fair statement, sir.

Mr. WAXMAN. And so, as I understand it, they needed four contracts to provide temporary housing. They had only one in place, so they had to move quickly.

I want to focus on the debris, the debris area, because after the hurricane struck, there was a lot of debris that had to be removed, and there were no contingency contracts in place for debris removal.

The government then rushed into four $500 million contracts for debris removal. And the government's own evaluation of these con-

tracts disclosed a host of problems. Seems everywhere the auditors looked, they found taxpayers were losing out.

Here is how the debris removal was supposed to work. Trucks were supposed to pick up the debris and take it to dumps. When the trucks arrived, officials from the Corps of Engineers were supposed to make sure that they were full. Since contractors are paid by the cubic yard, the more debris they collect, the more they are paid. Then when trucks leave the dump, the Corps is supposed to make sure they are empty so the government doesn't end up paying twice for the same debris.

Now, that is supposed to be how it is supposed to work. But I want to examine how it actually worked. I have an audit, dated September 25th from Mississippi. It states, "that auditors observed a self-loading truck exiting the dumpsite without completely unloading the debris from its truckbed." As a result, the audit found the contractor was, "fraudulently being paid twice for the same load." In other words, drove off with the truck, didn't unload at all, came back and then said, well, I have more debris and so, in effect, they are being paid twice.

This wasn't an isolated occurrence.

A month later, auditors observed four trucks leaving the dumpsite in Laurel with a considerable amount of debris remaining in the trucks.

General Riley, are you aware of these audit findings?

General RILEY. Yes, sir; I am. And I thank you for bringing that up. That is exactly why we deployed auditors. I arrived at the Louisiana State Emergency Operations Center the day prior to landfall. My experience from the previous year's storm was those emergency operations are very vulnerable to fraud and abuse. And so on the day following landfall, I issued an order to deploy all of our auditors and also called for the Army's Criminal Investigation Division. And then, within 3 days, they were arriving.

Mr. WAXMAN. Let me go through some of these audits with you because you are familiar with them. From the documents, if the Corps is not really making sure that what is being done is done right, and we are paying for what work was actually done, contractors can see an opportunity for abuse. And there are documents numbered 137, 156, 162, 213 and 16, and they say that across the gulf region the Corps failed to inspect the trucks as they left the dumpsites.

Let me read to you what one of those audits said about the Corps' failure to inspect the trucks. "This provides the opportunity for truck drivers to leave debris in the bed of the truck while receiving full credit for each load, resulting in government overpayments to the contractors and minimizing the amount of debris being cleared."

General Riley, how would you react to this lack of oversight?

General RILEY. Well, what I would react to is that is exactly what I told our auditors to go out and find. When they arrived, I told them to find out what is going wrong. Don't tell about me about what is going right, although they did and did that very well.

But what I wanted to know was, I knew that this type of situation—and we did have an advance contract in place, and they worked and they moved in immediately, the day following the

storm, and began to work. We found that we then needed to complete larger contracts, which we did, for Louisiana and Mississippi because of the enormity of the storm.

So those inspection reports that you are referring to, sir, were exactly what I was looking for. Those, then, were coordinated with the contracting officer, the safety officer, and then sent to the commanders on the ground to verify that corrective action has been taken.

My intent for those auditors was to go out immediately and find it, document it, and correct it where they could immediately, and then get the commanders to do their work as well.

Mr. WAXMAN. Mr. Woods, GAO examined contract oversight in the gulf coast. What did you find? Did the Corps have sufficient contract personnel on the ground to prevent abuses?

Mr. WOODS. We found that they did not have enough personnel in order to be able to adequately monitor contractor performance.

Mr. WAXMAN. Unfortunately, leaving the dumpsites with loaded trucks was by no means the only abuse. The documents describe a host of other schemes to enrich the contractors and gouge taxpayers.

They provide one subcontractor, or Halliburton, that repeatedly picked up debris from wooded lots on private property instead of public rights-of-way, as required by the contract, and other contractors overstated their mileage to earn an extra $2 per cubic yard because, I gather, if they traveled further they got paid more. But they didn't really travel further. Still others mixed different types of debris to inflate their billings.

Another report I want to read to you is a Mississippi report, dated October 11th, and according to the auditors, "they watched the driver climb the citizen dump pile and enter the excavator. He proceeded to load his trailer himself. When the load was complete, the driver exited the dumpsite. He then pulled around the entrance tower and unloaded his trailer with the debris he obtained from the citizen dumpsite."

In other words, this contractor picked up debris from a public dump and then drove it into the Federal dump to game the system and pump up its payments.

General Riley, were you aware of these kinds of abuses?

General RILEY. Absolutely, sir. And, again, I think that was why we had 3,000 audit reports. Those were our auditors going out and finding that stuff. And what we did then is we withheld payment from a contractor until we verify that it has been properly accomplished. And then at the end of the contract, before we close it out with our retainage of any contract award, we will retain funding until we verify the work has been accomplished.

Mr. WAXMAN. Were there criminal or civil enforcement actions initiated?

General RILEY. Yes, sir; there sure were.

Mr. WAXMAN. Can you tell us how many?

General RILEY. I would prefer to defer that—but we have, and there have been indictments, and that was my whole intent for the day after the storm calling the COD down.

Mr. WAXMAN. Well, the auditors found that the Corps routinely credited contractors with hauling more debris than they actually

carried. The auditor said that the assessment by the Corps were, "overly generous, unusually high, and consistently on the high side." And so Corps officials would just write down that the trucks were 100 percent full, even if they weren't.

Mr. Jadacki you are the lead IG for the gulf coast recovery effort. Do these Corps practices meet your standards?

Mr. JADACKI. No they don't. Traditionally—I have worked for FEMA about 15 years in the Inspector General's office and also the CFO's office—the debris removal contracts and debris removal activity has been the most problematic, rife for fraud, waste, and abuse. And the fact that we have seen in past reviews we have done of sites with no monitors, blank tickets, things like that, we try to keep a close eye on that.

In the case of the Corps of Engineers, we are relying on the DOD Inspector General to keep an eye on those things. However, FEMA also provides debris removal under the public assistance program, too, where we rely on the local jurisdictions to provide those types of things and provide the assurances and oversight and that makes it problematic, too; because we are not dealing with one or two entities, you are dealing with a number of them. So we are aware of things that have gone on in the past and we are establishing controls, because they are needed in that program.

Mr. WAXMAN. I understand from General Riley he had auditors, his auditors, out there to try to flag these problems. They did flag the problems, according to what I understand—he just told us—and that they were addressed immediately.

But when audits like these keep appearing over and over, for month after month after month, across different States, different sites, and different contracts, it seems like one could conclude that the officials who are in charge of the contracts aren't doing their jobs. Did you find them taking adequate action?

Mr. JADACKI. In the case of the debris removal, which we are looking at, we found some cases where there were no monitors and we took immediate action to get monitors into place. The problem I was seeing in this disaster is that it is spread out over—there are 63 million cubic yards of debris out there, over a land size about that of Great Britain. So having oversight of every single site at every single truck is problematic.

I am not saying it shouldn't be done, but just given the magnitude of the disaster, it is difficult and it spreads a lot of resources thin.

Mr. WAXMAN. Mr. Woods, did you have any review of the work the Corps did?

Mr. WOODS. We did not look at the debris removal contracts at all.

Mr. WAXMAN. I am trying to give General Riley an opportunity. It sounds like you are saying all these things were done properly and all the problems were caught and addressed, and the public was protected from their taxpayer dollars being wasted. Are you comfortable with a statement like that?

General RILEY. No, sir. I am not, because it wasn't all done properly, and that is why I called an army of auditors and training of quality assurance personnel down, because I knew there would be challenges like that when such an enormous storm spread out over

much territory. But we do have procedures in place then to go back and attempt to recoup the money from the contractors. And we are doing that to this day.

Mr. WAXMAN. Of course, if the Army Corps took the contractors' word and gave them credit for full load of debris, when they didn't have a full load of debris, there is no way to check that afterwards; they just got paid, and they are going to continue to hold that.

General RILEY. We will verify the load tickets and go back and all that. Now, all the reports you are referring to there are internal audit reports that is exactly what I wanted them to find.

And what we did then is take—as new quality assurance personnel continued and updated the training of those personnel, ethics training every single day, training of our quality assurance people, personnel, and then commanders on the ground working to correct these problems, because over such a long period of time, we had over 3,200 from the Corps. Ten percent of the Corps of Engineers was deployed on this hurricane. Half of those quality assurance personnel required training.

Mr. WAXMAN. I see the red light and my time is up. But I am pleased you are trying to go back and check these things. What I am afraid of is, from your own audit reports, the debris removal contracts have been a great deal for the contractors but not a good deal for the taxpayers and the victims who are still suffering in the gulf coast, and we are trying to catch up with money that has just fallen right through the cracks. And we are not talking about a small amount of money. We are talking about a huge amount of money. So we hope you will stay on it.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you, Mr. Waxman.

Mr. Shays.

Mr. SHAYS. Thank you, Mr. Chairman. I want to thank you again for the hearings you conducted, the Katrina hearings. And thanks to people like Mr. Taylor, who were there participating, we learned that this was a storm of biblical proportions. And one of the points that in my criticisms—and I have tremendous criticisms—I mean, the committee had tremendous criticisms, and we said basically the White House was in a fog, we said Homeland Security was missing in action, we said FEMA was, frankly, derelict. We said the Governor and the Mayor of New Orleans simply were a part of the problem.

Having said that, people point out to me that we—the loss of life, given the biblical proportions of the storm, was relatively small. I mean, in Mr. Taylor's district, 10 miles in, the water was 20 feet high. And I asked Gene Taylor to describe to me why that was so. And he said in Mississippi they have a culture of dealing with storms, and that the last great storm, I think Mr. Taylor told me was when he was younger, but his parents kept teaching him. And he passes it on to his kids and so on.

So I want to acknowledge that we must have learned something, but I think it was more the folks living down there than the Federal Government.

Mr. Riley—excuse me, General. What I am to gather from the dialog you have had continually with Mr. Waxman is a lot of the

criticisms, the abuses, were abuses that your own people discovered, correct?

General RILEY. Yes, sir. That's correct.

Mr. SHAYS. So this isn't a big surprise you were discovering and trying to deal with it. So I gather from this is when you are dealing with a storm of such huge proportions, you were trying to just get out there and deal with it; and oversight was important, and very important, but it simply was second to just helping people as quickly as you could.

That is acceptable to me in the initial stages. Are some of these criticisms, though, and findings happening now? Or did they happen then, but are no longer happening now?

General RILEY. Sir, my belief is that we have sufficient procedures in place, all the towers, the landfills that are constructed, quality assurance personnel.

Mr. SHAYS. Let me ask this question, though. The sightings that Mr. Waxman was pointing out, which were serious, were those reports that were done a year ago? Are they reports you found a month ago? This was still happening?

General RILEY. Sir, these were through the fall; October, November primarily—September, October, November.

Mr. SHAYS. Of what year?

General RILEY. Last year, during Katrina primarily.

Mr. SHAYS. You are still doing the cleanup; correct?

General RILEY. Yes, sir.

Mr. SHAYS. Are you still uncovering this same kind of corruption?

General RILEY. Sir, we uncover it in places where we have a new volunteer deployed to the storm that are quality assurance personnel. We train them as they come in.

Mr. SHAYS. But it is happening, but it——

General RILEY. Yes. Much less frequency, of course. And then we go back and verify, and the commanders on the ground assure us.

Mr. SHAYS. Ms. Lee, I know you are new to FEMA, but what blows me away about FEMA was the continuous stories of how they kept saying "no" to voluntary help, "no" to this effort, "no" to that effort. It was constant: No, no, no.

We had people willing to offer help and so on. But I have two major industries in my district, folks who are basically international suppliers of water. And they said when they wanted to provide water into the region, they had to negotiate with an individual who basically worked out of his kitchen, and that FEMA gives out contracts for water for housing and so on to very small individuals, sole source.

Is that accurate? Is that—or can you describe the part that I am missing that makes me feel a little more understanding of this?

Ms. LEE. Mr. Shays, I was not at FEMA last year so I can't tell you exactly how that was done. I will tell you that currently we are prepositioning. We kind of have a three-stage thing; we are actually pushing things out and prepositioning in the States in coordination with the——

Mr. SHAYS. That it not answering my question.

So you have a major international water company that is willing to provide water at below cost, for free. And they were having to negotiate with someone who basically worked out of their kitchen.

Ms. LEE. Sir, I will have to get the details for you because I am not familiar with that particular activity.

Mr. SHAYS. This was systematic. I then had the largest RV company, trailers and so on, and they had to work with someone who basically was working out of a small office, who knows where. They had no professional background, they just had the contract. And so I guess you're new and can't answer it.

Can you, Ms. Duke, respond to this question?

Ms. DUKE. I just started as the chief procurement officer in January. I do know what we are doing for this hurricane season, like Deidre, but we can get back to you on those specific situations.

Mr. SHAYS. Would anyone on the panel be able to respond to this question? Inspector General or whomever?

General RILEY. Sir, I can only respond in particular to the ice contract. FEMA asked us to procure the ice for them and deliver it to staging areas, where they would distribute it from there. But our—we used our advance contract for that. That was competed, full and open competition. So after that——

Mr. SHAYS. Who ended up getting the contract?

General RILEY. It was the Lipsky ice contract. They have had it for the 2 years that I have been——

Mr. SHAYS. How big a company?

General RILEY. Sir, I can't tell you that.

Mr. SHAYS. Where are they located? Do they get it for all FEMA or just part of FEMA?

General RILEY. Sir, we actually look to the States to procure ice first. And if they are not able to, States will request FEMA. FEMA will ask us.

Mr. SHAYS. Does one person in this country have the ice contract or is it done district by district?

General RILEY. No, sir. It goes up to FEMA headquarters and they will ask the Corps, then, to procure the ice. And we will do it through our single large contract.

Mr. SHAYS. I will tell you my suspicion. My suspicion is some people get these contracts. They have the ability to say no. They can tell the big company, don't even come in, you have to work through me. And I think it is a huge problem.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Mrs. Maloney, 5 minutes.

Mrs. MALONEY. Hi. I want to thank all of you for being here, and particularly my colleagues from the gulf States that have suffered so much. And it is very disturbing to see so much money that was wasted, that could have been used to rebuild homes.

[The prepared statement of Hon. Carolyn B. Maloney follows:]

Statement of Congresswoman Carolyn B. Maloney
Committee on Government Reform
"Sifting Through Katrina's Legal Debris: Contracting in the Eye of the Storm"
Rayburn 2154
May 4, 2006
10:00 am

Mr. Chairman thank you for holding this important hearing.

The American people are rightly spending a lot of money in the recovery efforts from Hurricane Katrina and we need to do everything we can to make sure these funds are spent wisely.

In the immediate aftermath of Hurricane Katrina I was proud to support our Ranking Member's legislation, H.R. 3838, the "Hurricane Katrina Accountability and Clean Contracting Act."

This legislation would have enacted common sense reforms and would have ensured that our taxpayer dollars were not squandered to greed, mismanagement and cronyism.

Unfortunately, these calls for reform were rejected by the majority. Now, eight months later, it is all to clear that the American people, especially the people of the Gulf Coast are paying a steep price for our government's inability to stop waste, fraud and abuse.

In my opinion some of the most egregious examples include:

- **The Contracts for Mobile Homes and Trailers.** FEMA purchased 26,722 manufactured and modular homes at a cost of $915 million, but only 100 of these homes have been used to house evacuees or relief workers. FEMA also purchased travel trailers at a cost of $1.7 billion, without negotiating either price or specifications for at least 27,000 trailers. At least 17,055 mobile homes and 5,707 trailers are sitting empty, including nearly 11,000 on the runways at an Arkansas airport.

- **The Contract with Carnival Cruise Lines.** FEMA leased three Carnival cruise ships to provide temporary housing for hurricane evacuees at a cost of $236 million — over $50,000 per person for just six months of shelter.

- **The Blue Roof Contracts.** The Corps of Engineers paid contractors an average price of $2,480 per roof to nail blue tarps to damaged roofs, a job that typically takes less than two hours and costs only $300.

- **The Debris Removal Contracts.** The Corps of Engineers paid contractors $28-$30 per cubic yard, at up to 47% more than the actual cost of hauling the debris.

- **The Contract for Base Camps.** FEMA awarded a private contractor $80 million to build and supply base camps for emergency workers, but suspended the contract after auditors reported a "complete lack of documentation supporting price reasonableness" and found that $5 million had been paid for work performed before the effective date of the contract.

- **The Contract for Portable Classrooms.** The Corps of Engineers entered into a $40 million no-bid contract with an Alaska Native Corporation for portable classrooms, paying twice what local Mississippi companies offered to bid for the contract.

One of the main reasons for these egregious examples is a failure to have full and open competition.

As of March 31st of this year, the Federal Government has awarded $9.7 billion to private contractors for Gulf Coast recovery and reconstruction. Fewer than 30% of these contracts were awarded with full and open competition. Over 50% were awarded on a sole source basis.

It may be argued that the emergency nature of Katrina dictated this, but in reality, the further from the hurricane we got, the larger percentage was given out noncompetitively – 57% the month after Katrina, 75% the next month and 80% three months out.

This track record is clearly unacceptable, but it is not too late to fix some of these problems.

We are still spending billions of dollars on the Gulf Coast's recovery and Congress is poised to pass billions more.

We are also only weeks away from another hurricane season.

I hope we finally learn our lesson that noncompetitive and sole source contracts are just not the best use of our taxpayer dollars and I hope the majority will work with us to enact common sense reforms to protect the American people from this waste fraud and abuse.

Mrs. MALONEY. I tell you, I want to applaud the work of Henry Waxman on his reform legislation for contracting. But when you hear of thousands and thousands of trailers that never even left Arkansas—because you didn't need them, but paid hundreds of millions of dollars for them. And it is really upsetting, particularly when you know how so many people are suffering. My colleague, Mr. Taylor, his entire home was destroyed, as was many people's in the gulf region.

And I can understand that right after Katrina you had to scramble quickly to do some contracts. You handed out these massive $500 million each to temporary housing missions, and these were not given full and open competition. FEMA pushed to put them through. And after the immediate crisis had passed, DHS and FEMA seemed to recognize that these huge contracts had been awarded in haste and should be open to competition.

On October 6th, acting FEMA Director Paulson testified before the Senate, promising that all four contracts would be rebid. Around the same time, Greg Rothwell, then the DHS Chief Procurement Officer, assured our staff that the contracts would be reopened to competition.

And so I would like to ask Mr. Woods, according to the Federal procurement law, there are exceptions to the normal rules of competitions in cases of emergencies; is that correct?

Mr. WOODS. That is correct, Mrs. Maloney.

Mrs. MALONEY. But after the emergency passes, would you agree it makes sense to open things up to competition to make sure that the taxpayer gets the best value for the dollar?

Mr. WOODS. Yes. After a certain period of time, whatever exigency might have existed at the time passes, and there is time for full and open competition procedures.

Mrs. MALONEY. When Director Paulson and Rothwell committed to doing just that, opening up these huge blanket contracts for bid for competition, that commitment was with the Federal acquisition rules; is that correct?

Mr. WOODS. Well, I think you would probably have to check with DHS on that. My understanding is some of the contracts for the installation have been awarded competitively.

I am not sure about the status of the large contracts that you referred to earlier.

Mrs. MALONEY. Well, I know that some were awarded, if I remember correctly. Reading the briefing materials, roughly 30 out of 70 were; but massive amounts, even after the tragedy, were no-bid sole source contracts. And after these two gentlemen committed to opening it up to competitive bidding, that never happened.

Instead, FEMA and DHS slowly backed away from their pledges to rebid these contracts. And then in November, FEMA officials said the contracts would not be rebid until February. But then in March, FEMA announced that the contracts would not be rebid at all and would, in fact, be extended.

Now, isn't that in contradiction to Federal law? You can have an exception for an emergency, but when the emergency is over—and the emergency was over—you can no longer hide behind a no bid contract.

Mr. WOODS. Well, your premise is absolutely correct. Certainly at the time of the event, Federal law and the Federal Acquisition Regulation permit contracts to be awarded in less than full and open competition procedures. And as time goes on, that reason dissipates, and at some point we would expect that agencies would comply with all of the full and open competition requirements.

The exact schedule and timing of these contracts that you are referring to, I am not familiar with the details on the DHS plans in that respect.

Mrs. MALONEY. And another thing I find so disturbing is the same trend we saw in Iraq, where you give huge contracts to Halliburton, and they build a ditch or whatever, and it doesn't employ the people there; and then you had these huge contracts, blue roof contracts, $2,480 per roof to nail blue roof-covers on them. The local workers told us it would only cost $300. I am sure Mr. Taylor and others from the Gulf region would have liked the local workers and the local businesses down in the gulf region to have the opportunity to bid on housing, on the roofing, on the removal of the debris and on all the other things that happened down there, so they are double hit.

No. 1, you hear from Mr. Waxman just a whole litany of the contracts not fulfilling their obligation, being 10, 20, 30 times more expensive than if you would bid it to the local communities. So would I like to ask Ms. Duke.

You have now, Ms. Duke, you have now succeeded Mr. Rothwell as the Chief Procurement Officer for DHS. And did you make the decision not to rebid these contracts?

Ms. DUKE. No, ma'am.

Mrs. MALONEY. Who made that decision?

Ms. DUKE. We are rebidding the contracts. Would you like me to review the strategy?

Mrs. MALONEY. We were told in March they were not going to do it. Who made that decision?

Chairman TOM DAVIS. Gentlelady's time has expired. But why don't you explain to her?

Ms. DUKE. We have a multipart strategy. One is that the existing four contracts are only being used to complete the installation of trailers in Louisiana. We have awarded some local small business and small disadvantaged business contracts that are going to continue to do the maintenance and then deactivation of the trailers that were installed in response to Katrina.

Additionally, we are competing—and that is out for bid now—the national individual assistance, technical assistance contracts that will be awarded on a national level. And we are working with GSA to award some contingency regional contracts.

Mrs. MALONEY. So you are taking all these no-bid contracts and rebidding them as a competitive contracts now?

Ms. DUKE. Yes.

Mrs. MALONEY. All of them are now going to be competitively bid?

Ms. DUKE. Yes.

Mrs. MALONEY. I think Mr. Taylor and others who live in the gulf region would like to know about your plans and how they can

advertise to local workers and local businesses how they can bid on these contracts.

Believe me, many people are capable of getting a job done besides Halliburton. And I am very pleased that you are going to let the American people compete for the work and the dollars of the American government.

Chairman TOM DAVIS. Thank you. Thank you. I don't think it is limited to just American companies either.

Mr. Pickering.

Mr. PICKERING. Thank you, Mr. Chairman, and thank you for allowing me to participate in the hearings today.

I have two principles, one objective. One, what is best for the taxpayer? Two, what is best for the disaster communities and the local community? And one objective: Find the facts and fix the problem.

There has been a lot of rhetoric. And I have been on the Senate Committee on Katrina; the Senate committee, we have had our investigations. And I am more concerned now not about assigning blame, but making sure that as we go into the next hurricane season that we have the right assumptions that will lead to us the right outcomes and the right model.

And so to achieve that, I want to very quickly go through and establish some quick facts.

Mr. Riley, in Mississippi, you have been tasked, mission-assigned to do debris cleanup. And as I understand it, you have been in charge of roughly 21 million cubic yards of cleanup and debris, is that correct.

General RILEY. Yes, sir; that's correct.

Mr. PICKERING. And what is the cost to the Corps of that cleanup, the debris cleanup?

General RILEY. Sir, there are different costs depending on what type of debris we pick up.

Mr. PICKERING. Just bottom line, what have you spent in Mississippi? And what will you spend by the time you complete your mission sometime in the end of May?

General RILEY. Sir, the major contract in Mississippi was for $500 million.

Mr. PICKERING. It's gone over that amount.

General RILEY. Yes, sir. Certainly we have gone over that now, but I don't have the exact figure for that.

Mr. PICKERING. Let me see if I can get some clarity. My understanding is that Ashbritt does the cleanup, that there is an average of $26 per cubic yard, and that is from taking the debris from the very beginning to its final destination, about $26 a cubic yard; is that correct?

General RILEY. Yes, sir. And it depends on if they need to take it to a temporary reductionsite; on average, $26.

Mr. PICKERING. After the $26, your overhead management is roughly $5 a cubic yard; is that correct?

General RILEY. Sir, our overhead management is about—it is about 16 percent of the cost.

Mr. PICKERING. If you multiply out $26 plus about 16 percent, that is about $5.

General RILEY. Yes, sir.

Mr. PICKERING. So your total cost is $31 a cubic yard; is that correct?

General RILEY. Correct, sir.

Mr. PICKERING. Now at the same time, we have had local companies, local entities that have done cleanup and debris removal. And based on our investigation, on average, you are at $31 a cubic yard, and local communities, local contracts, are at around $15 a cubic yard. Do you agree or disagree with that figure?

General RILEY. Sir, there is no way I can compare it because you really—we don't know what types of debris they are doing. Are they taking it to a temporary reductionsite? Is it hazardous material? Is it vegetative? Is it construction and demolition?

So I really can't make a comparison, nor do I have the knowledge what FEMA is paying local contracts.

Mr. PICKERING. Mr. Jadacki—am I pronouncing it correctly?

Mr. JADACKI. Jadacki.

Mr. PICKERING. Have you looked at cost; Corps cost, local.

Mr. JADACKI. We look at the local routinely when we do our reviews, when the locals decide to do it themselves under a public assistance program. Again, the price ranges depending on the type of debris, how far it has to be hauled.

Mr. PICKERING. On average.

Mr. JADACKI. I have seen it anywhere from about $13 to mid-$20 per cubic yard.

Mr. PICKERING. On average, about $15, $16. All of our research—all of our committees, House committee, Senate committee, local investigations—on average, $14, $15.

Mr. JADACKI. That is in the range we have seen.

Mr. PICKERING. So let's do the math. At 21 million cubic yards at Mississippi times $15, on average, that is $315 million. At 21 million cubic yards times the Corps cost, $31, that is $651; a differential of over $300 million. Local is half, Corps is twice as much.

Is that pretty close? That is pretty accurate, isn't it? So let's go back to my first principle: Best for taxpayer. Local, national or Corps, based on those figures what would you say?

Local, best; cheaper; faster; better for the local community? Would anybody disagree with that on the panel?

All right, let's go to some of the other things and, again, just trying to establish the facts.

Now, the Florida model is what I have just talked about. They preposition, precontract, and it is all local State. Is that correct? The Florida model.

Mr. WOODS. Yes, sir. When we looked, they don't necessarily always precontract, but they do know—they have a very good idea of the supplies and services that they need, and they have a very good idea of the vendors that are capable of supplying those.

Mr. PICKERING. Do they use national contracts or Federal Government contracting agencies to do that?

Mr. WOODS. They contract on their own.

Mr. PICKERING. And what is the result to the taxpayer and to the local communities?

Mr. WOODS. In what respect?

Mr. PICKERING. What costs more? What helps local communities recover faster, better?

Mr. WOODS. I don't have an answer to that. I don't have a basis for comparison on that.

Mr. PICKERING. As Inspector General your job is to be the advocate for the taxpayers; is that correct?

Mr. JADACKI. That is correct.

Mr. PICKERING. What would you say; Florida model or national model is best for the taxpayer?

Mr. JADACKI. Again, I don't have a basis.

Mr. PICKERING. It is pretty clear, isn't it? I mean the evidence is not close. The facts aren't even close here.

What is the intent of the Congress and the Stafford Act? It is to promote the recovery of local economies and to give preference to local contractors; is that correct?

Mr. JADACKI. [Nods in the affirmative.]

Mr. PICKERING. Mr. Chairman if I could just have 2 more minutes?

Chairman TOM DAVIS. Gentleman asked unanimous consent for 2 more minutes. Without objection.

Mr. PICKERING. Could you respond on the record, Mr. Jadacki? Is the local model better for the taxpayer, yes or no?

Mr. JADACKI. In some cases, I am going to count, in some cases I think the locals may be overwhelmed with debris removal, and you may need an element of a national organization coming in to do it.

Mr. PICKERING. Mr. Chairman, for the record, if there was a local community and debris removal that was incapacitated, they would not have been able to perform in Mississippi at half the cost and twice as fast.

There is a false assumption that leads to a bad outcome. And that is local companies and local economies are incapacitated. Therefore, we have to come in from the Federal agencies, and national contracts, and displace them and replace them. It hurts the local community and it hurts the taxpayer. That is a false assumption. And if we are going to fix this problem for the next storm, we have to remove that assumption from our model and from our thinking, Mr. Chairman——

Chairman TOM DAVIS. Thank you, it keeps them incapacitated when you have people who are able-bodied to do stuff and you bring outsiders to do it. I think the gentleman's point is well taken.

Mr. PICKERING. Thank you, Mr. Chairman.

Chairman TOM DAVIS. Gentleman from Maryland.

Mr. CUMMINGS. Thank you very much, Mr. Chairman, and thank you for holding this hearing. Thank you for your leadership.

Let me just say that I was looking at an article from back on December 13, 2005, and it says "Katrina victims living in barns." It doesn't say "some folks from overseas somewhere." They are not refugees, but U.S. citizens, living in barns.

And I want to just look at this whole issue of travel-trailers and modular homes. FEMA bought more than 26,000 manufactured and modular homes for nearly a billion dollars. But only 100 of these were used.

Not one has been sent to the most ravaged parts of Louisiana, Mississippi, because of FEMA's own regulation bans their use in floodplains. FEMA also spent $1.7 billion to buy 114,000 travel-

trailers. More than $1 billion of these funds was spent without full and open competition. But now, over 23,000 of these mobile homes and travel-trailers sit unused. Nearly 11,000 are rusting on runways at airports in Arkansas as we sit here today.

Again, maybe all of these rules were followed, but how in the world do we justify this to people sitting in homes, shaking their heads about the absolute incompetence of their own government?

And to Mr. Jadacki, tell us, other than Michael Brown, what higher-ups have been fired? Because I can tell you that there is not a person in this room—if we had the incompetence that we have here and the failure to communicate and all the things we have heard—there would have been a whole lot of heads rolling. They would not be sitting doing the job.

Other than Michael Brown, can you list the higher-ups who have been fired, so the American people can get some satisfaction?

Mr. JADACKI. I am not aware of anybody that was fired for this, sir.

Mr. CUMMINGS. I am sorry?

Mr. JADACKI. I am not aware of anyone that has been fired.

Mr. CUMMINGS. Nobody has been fired other than Michael Brown?

Mr. JADACKI. No, I am not aware of it.

Mr. CUMMINGS. Huh.

Now let's go back to why? What is the situation? There is a list of these questions, and the committee has been great. And I hear about the emergency, and the emergency is one thing; but as Mrs. Maloney said, we are past the emergency. This happened back around August; is that correct? Katrina? Am I right?

Mr. JADACKI. Correct.

Mr. CUMMINGS. All right. We have September, October, November, December, January, February, March, April, and now we are in May.

Are we still having trailers sit on lots? Somebody please answer. Mrs. Duke.

Ms. DUKE. We are continuing to install trailers in Louisiana, yes.

Mr. CUMMINGS. What does that mean? How many trailers are we installing?

Ms. DUKE. We have about 18,000 additional trailers to install in the next 60 days.

Mr. CUMMINGS. So what does that mean in total?

Ms. DUKE. In total, we have about 150,000 trailers and manufactured homes that would be installed for the victims.

Mr. CUMMINGS. They have already been installed?

Ms. DUKE. No. That includes the ones to be installed over the next 60 days.

Mr. CUMMINGS. No; this is what I am asking you: We are 9 months after Katrina; we are in the 9th month. I am asking you, there are people sitting here right now that basically do not have a home. They are trying to figure out what is going on with our government—one of the most powerful governments in the world; and they are trying to figure it out, why it is that we can't get it straight after 8 or 9 months.

What I'm asking you is, what is the demand and how far have we gone toward that demand for homes for Americans—not refugees, Americans.

Ms. DUKE. We have installed 130,000 of the 150,000 of known households that need trailers. We have been working closely—all the remaining trailers are in the New Orleans area; we have been working closely with the local government and have clearance now with all the remaining group sites, and are installing those, and we have a commitment that they will be installed within the next 60 days. We are working closely with the New Orleans area representatives on that.

Mr. CUMMINGS. Mr. Woods, you are from GAO; is that right?

Mr. WOODS. Right.

Mr. CUMMINGS. One of the things we are trying to do is have accountability. We, as elected officials, have to be accountable to our constituents. Government employees need to be accountable to the Americans citizens.

You have done the report. You have looked at all of this. What the complaint is that I hear from various people, one person blames another. One person says, you send them over here, and then they say, you send them over there; but in the meantime, a lot is not getting done.

How do we bring accountability to all of this so that it works for the American people? I am concerned about the next storm, but I am concerned about the aftermath of this one.

Mr. WOODS. Yes, sir, there is no question that accountability is extremely important here. I think this hearing is one good example of bringing light to bear on these issues and ensuring accountability.

I think focusing on the future is, of course, important. Where do we go from here? How do we fix what's wrong, not only identifying what's wrong, but assigning accountability? What are the solutions and how do we move forward?

Mr. CUMMINGS. Have you made recommendations for accountability?

Mr. WOODS. Yes, we have, sir.

Mr. CUMMINGS. Very well.

[The prepared statement of Hon. Elijah E. Cummings follows:]

Opening Statement of

Representative Elijah E. Cummings, D-Maryland

Hearing Entitled: "Sifting Through Katrina's Legal Debris: Contracting in the Eye of the Storm"

Committee on Government Reform
U.S. House of Representatives
109th Congress

May 4, 2006

Mr. Chairman,

Thank you for calling this critically important hearing to assess relief and recovery contracts related to Hurricane Katrina.

When done well, in the demanding times following a disaster, contracting is central to the federal government's ability to aid its citizens with everything from home repairs to debris removal. In Katrina's aftermath, federal agencies signed at a minimum 8 major contracts, totaling more than $5.6 billion.

Despite the President's assurances on September 21, 2005 that "we'll make sure your money is being spent wisely," we now have mounting evidence to believe otherwise. The scope and depth of waste, fraud, abuse, and mismanagement of Hurricane Katrina related contracting is all too reminiscent of the pervasive contracting deficiencies that plague reconstruction efforts in Iraq.

Unfortunately, as today's hearing will illustrate, Hurricane Katrina represented not only "a failure of leadership," but a failure to employ common sense. One need not be an expert to foresee how the extensive utilization of no-bid contracts, coupled with weak oversight is likely to result in billions of dollars being squandered due to excessive prices and waste.

Something is terribly wrong in federal contracting practices: (1) when FEMA purchases at a cost of $915 million roughly 27,000 modular and manufactured homes, but no more than 100 of those homes are used by displaced citizens and relief workers despite the great need for housing; (2) when FEMA purchases at a cost of $236 million temporary housing on three Carnival cruise ships; (3) when the Corps of Engineers pays contractors on average $2,180 more than it would typically cost to repair hurricane ravaged roofs with blue tarps; (4) and when the Corps of Engineers substantially overpays contractors to remove debris.

Mr. Chairman, this scandal undermines the federal government's most basic of obligations to govern with competence and fiscal discipline. The inadequate controls to prevent waste and abuse that were utilized in relation to Hurricane Katrina contracting have proven themselves to be as useful as changing the batteries in a

home's smoke detector when the home is already burning. These contracting problems demand more than Presidential assurances, they require meaningful reform that reflects the significance and urgency of the crisis that confronts us.

To address the aforementioned federal contracting failures, Congress should immediately pass the Hurricane Katrina Accountability and Contracting Reform Act (H.R. 3838), of which I am an original cosponsor. The establishment of an anti-fraud commission, increased transparency, and accountability would go far to create a more cost-effective and efficient contracting process.

We would also do well by the American people if federal agencies made more use of contingency contracts, and less use of no-bid contracts that often circumvent the American people getting the best product or service at the best price.

In closing, let us also not forget that governmental incompetence is not a victimless crime. Tax-payer dollars should never be wasted through contracting failures when so many truly needy citizens still go without sufficient housing, healthcare, childcare, nutrition, and education.

I yield back the balance of my time and look forward to the testimony of today's witnesses.

Chairman TOM DAVIS. I thank the gentleman.

Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman I will try to stay within the 5-minute time limit.

Ms. Lee, I understand that the Justice Department is moving forward on prosecuting a sheriff, Billy McGee, who bravely seized a pair of 18-wheelers full of ice from a military post and distributed it to people in need. He provided a vital assistance to the people of Forrest County. He should be applauded for his leadership.

Secretary Chertoff has been asked to look into this matter to determine the cause of the bureaucratic breakdown. Are you familiar with the case?

Ms. LEE. No, sir, I am not.

Mr. CLAY. Well, he was a sheriff in Forrest County, MS, who commandeered two trucks full of ice. And I am just wondering, why are we going after prosecuting him when he provided essential services to people?

Let me go to Mr. Jadacki and maybe you can tell me how many prosecutions have occurred for fraud and ripping off U.S. taxpayers. Do you have any count on that?

Mr. JADACKI. Yeah. There's literally been hundreds of prosecutions and indictments. I have statistics I can share with you after the hearing.

But we're working closely with the Department of Justice to establish a Katrina task force that is based at LSU in Baton Rouge. In my experience working with the inspector general for a number of years, it had to be multimillion dollars or high-profile cases before U.S. attorneys would even consider taking a case. In this case, they're prosecuting fraud at the $2,000 level in some cases, a lot of individual assistance fraud going on right now, and are shifting gears right now into a lot of contract fraud issues I know they're investigating right now.

But I know there's been about 14,000 complaints that have been received by the Katrina hotline that we set up collectively for the Federal Government; and I know there's been a number of indictments, arrests and prosecutions thus far, and the number keeps growing.

Mr. CLAY. Thank you for that response.

Ms. Lee, what repercussions did FEMA have for staff for approved contracts which overcharged taxpayers and charged twice what local firms bid? Have you had to fire any employees that made these—that made those horrible decisions?

Ms. LEE. Mr. Clay, I have been at FEMA for 4 weeks, and we are continuing to look at the contracts that are in place to make sure that they're proper and to make sure that we're forward looking and that our people are trained and ready to go for the next season.

Mr. CLAY. Ms. Lee, prior to your arrival, did anyone take any action against employees who made these terrible decisions?

Ms. LEE. Sir, I do not have that information.

Mr. CLAY. No one has briefed you on that?

Ms. LEE. No, sir.

Mr. CLAY. I mean, look, I am kind of disappointed in this entire panel, in the lack of responses. Mr. Pickering did not get many answers out of you. Let me see if I can get another one from you.

How about you, Mr. Woods? How did the Army Corps of Engineers justify paying double what local Mississippi businesses would have bid for classrooms, on the modular classrooms?

Mr. WOODS. I'm glad you raised that sir. We issued a report just this week that discussed the procedures that the Corps of Engineers went through to acquire classrooms. They were assigned the mission by FEMA to acquire portable classrooms. They went about that very quickly, and they awarded the contract under an existing agreement with an Alaskan Native firm.

That firm came in with an initial price; later it came in with a higher price. And our concern and our conclusion was that the Corps had information before it that really should have led the Corps to enter into negotiations with that firm rather than just accept the prices offered by the firm.

Mr. CLAY. Thank you for that.

Let me get my last question in. Ms. Lee back to you. GAO reported that FEMA spent $10 million to renovate a military barracks in Alabama, but according to GAO's report—and I find this astonishing, it had only six occupants, six. Now, I am sure everyone in the room is calculating that. It comes out to about $1.6 million per person.

But I do not want to make light of this; this is dead serious. Can you explain how FEMA threw away $10 million that Congress appropriated to help the victims of Hurricane Katrina?

And that will be my last question. I want to hear it.

Ms. LEE. Sir, I can tell you that FEMA is taking and has taken the many, many reports and studies that have been completed; and those that are continuing to be in work, we are taking all of those recommendations, taking all of those things. We have an action plan and are working through the numerous recommendations.

And, of course, the audits per se—as the general said, we work through in each contract. We go back and work with the contractors, we recover the funds when that is possible. We take action if there is criminal action. So we will be working through all those activities.

Mr. CLAY. Ms. Lee, what should happen to the FEMA employee who squandered millions of taxpayers' dollars? What should happen to them?

Ms. LEE. Sir, if we have an employee who took a criminal act, we need to take the appropriate action.

Mr. CLAY. This was stupid. Why don't you do something about stupidity over there.

Thank you, Mr. Chairman. I'm sorry.

[The prepared statement of Hon. Wm. Lacy Clay follows:]

STATEMENT OF WM. LACY CLAY

"SIFTING THROUGH KATRINA'S LEGAL DEBRIS: CONTRACTING IN THE EYE OF THE STORM"
May 4, 2006

Thank you Chairman Davis and Ranking Member Waxman, for holding this hearing today.

I welcome our witnesses and look forward to them providing this committee with insight into the steps that are being taken to help the Gulf Coast residents and correct the mismanagement of billions of taxpayer dollars.

It is hard to believe that we are rapidly approaching the one year anniversary of Hurricane Katrina. We still live with the images of families struggling to survive on roof tops, wading through waist deep water and searching to find food and shelter.

It is even more disturbing that relief and recovery efforts are still plagued by mismanagement, fraud and waste. There is much frustration on the part of citizens who are still forced to jump through hurdles and fight through red tape to get the basic services they need from FEMA.

Ignoring Democratic calls for accountability and policies to prevent squandering millions of taxpayer

dollars, President Bush promised wise and honest spending during the government's efforts to rebuild these devastated areas. However, the rebuilding efforts have been plagued by mismanagement, fraud, abuse and waste.

Instead of a transparent program to rebuild, using open bidding with local and disadvantaged businesses, there has been a closed door practice that rewards large out of state corporations with huge no-bid contracts and give-aways. It is clear that FEMA continues to miss the mark with the procurement process and the execution of these government contracts.

Most alarming is that FEMA spent $915 million dollars on manufactured homes that were not built to FEMA's own size specifications and are prohibited in flood plains. Not one of those homes were sent to the most ravaged parts of Louisiana and Mississippi! FEMA spent $3 million for 4,000 camp beds that were never used and $10 million to renovate a barracks that had only six occupants.

FEMA's blatant disrespect for citizens in dire need and disregard for taxpayer dollars is inexcusable. Yes, today's hearing is necessary.

FEMA's failure to adequately provide opportunities for local, small and minority businesses only adds to the frustrations. As Co-Chair of the Bi-Partisan working group on Katrina; I heard first hand from minority

contractors that they have been shut out of contracting opportunities due to a sea of bureaucratic red tape and the awarding of no-bid contracts.

It is my hope that today's hearing will not only shed light on the policies of the government agencies involved but also the business practices of contractors that were awarded billions of dollars in no-bid contracts. We must work bi-partisanly to help re-build the Gulf Coast with accountability, integrity and transparency. As elected officials, our first priority is to represent the people and the people of this nation expect nothing less.

I yield back, and ask that my written statement be included in the record.

Chairman TOM DAVIS. Thank you very much. Let me just add, was the Alaska Native contract—is that a competitive contract or was that sole-sourced on that?

Mr. WOODS. That was sole-sourced. There was an existing agreement with the firm, and they placed a noncompetitive order under that agreement with the Alaska Native firm.

General RILEY. Sir, of course, the initial agreement was competed by the Army. It was an existing agreement by the Army that we went to, that they had competed earlier, and we went to that.

Chairman TOM DAVIS. So this is like a task order?

General RILEY. Yes, sir.

Chairman TOM DAVIS. OK. Ms. Watson.

Ms. WATSON. I want to thank you, Mr. Chairman, for holding this hearing. We need more of them.

And I want to apologize to the panel for having your superiors send you here when you are brand-new and you do not have the background.

I just heard it said that there were 130,000 mobile homes that have been instituted. Our report from our staff who do the research—and this report is marked May 3rd says that FEMA purchased 26,722 manufactured and modular homes at a cost of $915 million, but only 100—100, not 130,000—of those homes have been used to house evacuees or the relief workers.

If that is not true, I would like you to submit it to me in writing, please.

And I would hope, Mr. Chairman, that next time we have people here who are onsite, not new people who have to carry the load for ridiculous mistakes that were made by FEMA during a time of crisis.

One of the cornerstones of sound contracting practices is full and open competition. And I heard that Halliburton—and we have $9 billion missing as it relates to Iraqi services—they get the contract firsthand.

But anyway, in the case of Hurricane Katrina, full and open competition has been the exception rather than the rule. So as you plan forward, take that into your consideration.

Mr. Jadacki, I would like to walk you through some numbers from the semiannual report to Congress released by the President's Council on Integrity and Efficiency on April 30th. According to this report the Federal Government has awarded $9.7 billion in private contracts for the recovery; is that right?

Mr. JADACKI. That's correct.

Ms. WATSON. According to this report, a huge majority of the contracted amount, $9.3 million, was awarded in 1,203 contracts worth more than $500,000. True?

Mr. JADACKI. That is correct.

Ms. WATSON. The gold standard for Federal contracting is full and open competition, OK?

Mr. Jadacki, of the 1,203 contracts worth more than $500,000, what percentage were issued with full and open competition?

Mr. JADACKI. I believe about 700 were awarded with limited competition, so that would leave about a quarter of those with full and open competition, about 25 percent possibly. I do not have the numbers in front of me, but roughly that much.

Ms. WATSON. OK. At the Department of Homeland Security, 54.6 percent of these large contracts were awarded on a sole-source basis without any competition at all.

Why is the administration so adverse to competition and why does it hand out over two-thirds of the contracts on a noncompetitive basis?

Mr. JADACKI. I cannot answer the question on the administration.

I know that during the crisis, immediately after the disaster, a lot of contracts for immediate needs and necessities were awarded on verbals or with limited competition.

Again, as Mr. Woods pointed out, after the crisis period is over, the agencies need to go back and take a look and see whether the services or goods are still needed and whether those contracts need to be renegotiated or terminated, if necessary.

Ms. WATSON. September 2005, September, FEMA awarded $3.1 billion in contracts which is—57 percent of which was noncompetitive.

October 2005, FEMA awarded $595 million in contracts, 75 percent which were not full and open competition.

November 2005, FEMA awarded $256 million, or 80 percent, without full and open competition.

And as of February 13th of this year, FEMA awarded approximately $4.8 billion of contracts for reconstruction; 62 percent of these were awarded without competition.

And we mentioned the rebidding of four large contracts, and as of March—this is May—as of March 2006, FEMA announced that these contracts would not be rebid, but would be extended.

I really don't understand why we are not protecting the taxpayers' dollars.

I have been down there to the lower Ninth in Louisiana. It is a shame to see the debris still in place and to look at that. Something is wrong and somebody has to be held accountable for it, and Ms. Duke and Ms. Lee and Ms. Murphy, you have that on your shoulders now to see that we do a better job for American citizens.

Ms. LEE. Yes, ma'am.

Ms. WATSON. Thank you, Mr. Chairman.

[The prepared statement of Hon. Diane E. Watson follows:]

Opening Statement
Congresswoman Diane E. Watson
Government Reform Full Committee –
"Sifting Through Katrina's Legal Debris: Contracting in the Eye of the Storm"
May 4, 2006

Thank you Mr. Chairman.

I look forward to the testimony that we will hear today. Public Service is sometimes a thankless job when it is done correctly. Had the levees in New Orleans held, or a few more projects been completed on time, the status quo may have remained. This hearing is about exposing the egregious waste, fraud, and abuse of Post Katrina contracts that has been documented by government auditors.

Good public policy requires us to assess our procedures and guidelines from time to time. This Committee is tasked to do just that. My words do not come from partisan politics or any other agenda.

Mr. Chairman, I would be ashamed of myself and this esteemed Committee if we turn a deaf ear on the American citizens in New Orleans that have relied on the protections that government strives to provide.

- **FEMA purchased 26, 722 manufactured and modular homes for $915 million. Only 100 have been used to house evacuees or relief workers!**
- **FEMA leased 3 Carnival cruise ships for $236 million. The breakdown per person amounts to $50,000/head for just 6 months!**
- **The Army Corps of Engineers has paid an average price of $2,500 per roof to nail blue tarps. The job typically cost $300!**
- **The Corps has given out contracts for $28-$30 per cubic yard of waste removal. There are reports of companies double counting loads and working in non-affected areas such as country clubs!**

No Bid Contracts, overpayment, expensive and irrelevant decisions, poor or no oversight.....Mr. Chairman Enough is Enough! We have the responsibility given to us by the people of this great land to investigate, expose wrongdoing, and

most of all to provide relief and services to those Americans that have paid taxes for events such as Katrina.

Mr. Chairman, to conclude, Congress can provide guidance for the Prioritizing of Projects, Reprogramming of Appropriated Funds, and Authorizations in regards to Katrina. It is not good enough to allow the administration to give hollow assurances that funds will be appropriately collected and distributed. We have heard the cry from New Orleans, we have heard the response from the administration, I cry for the avoidable mismanagement, waste, fraud, and abuse of over $5.6 billion dollars – of Taxpayers money mind you – that would go a long way in easing the suffering of our fellow Americans.

Mr. Chairman, I would hope our Committee will continue to pursue these issues aggressively as we go forward. I want to commend you again on holding this hearing. American citizens are demanding answers. Good oversight assistance will provide answers for constituents, and offer critical guidance for FEMA, and other government agencies.

I yield back.

Chairman TOM DAVIS. Let me just note that we have these folks here because they are the decisionmakers today and that's who we have to get at.

But during the Katrina hearings, we did get some of the people who had made the decisions earlier, and they were appropriately chastised.

Mr. Lynch.

Mr. LYNCH. Thank you, Mr. Chairman and ranking member. I also want to welcome and thank Mr. Taylor and Mr. Pickering for their participation.

The central mission of this committee is to provide oversight of government contracting practices, whether it be Halliburton or KBR in Iraq or major highway projects in which—in my district where Bechtel was involved.

But basically what we are trying to do is two things: One is to ascertain the costs of the work being done, and second, try to determine whether or not it is reasonable or not.

So when we figured out the costs of providing temporary housing after Katrina, we sought to do our job on this; and in particular, I want to look at the Carnival Cruise Lines contract, which caught my eye. I must admit I have never been on a cruise, but the numbers here are stunning I think. I actually live in a pretty high-cost-housing State, and I wanted to make sure that these numbers were right.

According to what we have from DHS, the Carnival cruise ship contract is now over, so we can take a good look at it—the cost—the total picture, it cost $236 million, $236 million. It ran for 6 months, and based on the occupancy figures that we got—now, when Ms. Watson and the chairman led us down on a codelright after the hurricane—and I know there were some problems with getting people onto the cruise ships, and I do not know why, but there was—but based on the occupancy figures from DHS, it cost over $53,000 to house each individual on board the ship. That comes out to about $300 a night for an individual and, obviously, $600 a night for two people.

Now, the way that GSA looks at this is, we try to do comps; that is shorthand for comparable properties or comparable accommodations. And so what I did was, I asked, we all asked minority staff to come up with some comps on what $600 a night for a couple might get us and what $300 a night might get us for an individual so we would know whether or not those are reasonable.

Now, this is a fairly boilerplate process, but I have to admit even though I come from, I represent the Ninth Congressional District in Massachusetts, which includes Boston, which is fairly high in terms of housing costs, I have to admit I was extremely surprised when I got the results.

Mr. Chairman, I don't know if we have the ability, I know we have some photographs of the properties we came up with to basically—I would like to put them up. Here is one property where we could have put people up at for $300 a night, or $600 a couple. It is the Bellagio Hotel and Casino in Las Vegas, which is pretty nice. I have never been there either, but it looks nice; and it is rather stunning that when we think we are trying to do temporary housing for these folks, this is what we are paying for them. And you

could stay in this hotel in a suite, not just a room, you could get a full suite for the money we paid to house these folks in the cruise line rooms.

Second, I asked them to do a broad assessment. The next property that they came up with was actually, it looks a little bit like the chairman's house down in Virginia, but it is not. It is actually a castle; it is a 12th century gothic castle. You could actually rent this for less money than we paid to put up these folks on the Carnival cruise ships.

If it was not the taxpayers paying for this, this would be humorous. And if it was not the fact that the folks that we were trying to help went without our help. That is the other side of this. It is not just of the shortfall on the taxpayers' side, but the fact that the goodwill of the American people was put forward; it just never reached the people we were trying to help. And they desperately needed our help.

This castle actually has a premier golf course, as well as an equestrian center for those who play polo. It is just a good indicator of what we could have done.

Last, there is also another comp here and this is actually the Trump Towers, this is the Trump World Tower in New York City. This is where Bill Gates and, I think, Derek Jeter live. This would have been cheaper. It would have been cheaper to put our folks up at Trump Towers than it was to have FEMA house the hurricane survivors on these Carnival cruise ships.

Now, the exasperating part of this is that Carnival Cruise Line followed the rules. That's what bothers me. They followed the rules. They did not commit fraud. They have actually stayed within the guidelines and were able to get away with this, within the rules, within the law, within the guidelines, and that's a disgrace. That's a disgrace.

I want to ask Ms. Lee what controls are in place to prevent the administration from awarding contracts like these, which are frankly absurd and shocking to the average sensibilities out there, not only those of the Members of Congress but also of the American taxpayer.

Ms. LEE. Mr. Lynch, as has been talked about here by the other members, we strive to have competitive activities and to plan ahead. As you well mentioned and have discussed, in times of emergency, things are done much more expeditiously; and sometimes, in hindsight, we say, well, we could have done things differently.

So what we're trying to do this year is plan ahead, make sure we're better prepared and have contractors ready and activity ready to respond to the emergencies that we face in the future.

Mr. LYNCH. I am going to let this go, Mr. Chairman, because I feel I have used up my time. We had advance notice of this. You think, people in the water, you automatically think boat, you think cruise ship, probably a good idea.

It was the administration of the contract and what we paid these folks that was decided afterward where we fell down.

And I am going to leave it at that, but I am going to ask an open question for anybody on this panel. Can anybody justify this contract and what the American taxpayer paid for what we got and

what the people in New Orleans and Louisiana and Mississippi got?

OK. Thank you.

I yield back.

Chairman TOM DAVIS. Thank you. Let me say, my understanding of the whole cruise ship issue is, the government got themselves in a situation. The cruise ships had to cancel passengers and everything to go there, and they basically said, if we can break even.

I do not think they are the culprits here. The culprit is the government was reduced to that was their best option, given the planning of it, I think is the gentleman's point.

Mr. LYNCH. That is not my understanding, Mr. Chairman.

Chairman TOM DAVIS. We held previous hearings on that in our Katrina committee, and the cruise ship had to cancel passengers that were already booked to make themselves available.

But the government got themselves—that was the best thing to do because they hadn't done the planning.

Mr. LYNCH. If you compare what they would have gotten?

Chairman TOM DAVIS. Correct, but they were already booked.

Mr. LYNCH. They weren't getting $600 a room.

Chairman TOM DAVIS. But cruise ships also have beverages and everything else that go with the rooms.

Mr. WAXMAN. Mr. Chairman, they would have expenses with these other passengers because they would be traveling and moving from port to port on a cruise. Here they were in one place, so they got compensated for what they would have had and then some.

Chairman TOM DAVIS. Well, that is the government's fault for negotiating that. My point is, at the end of the day, we had few options; and had proper planning been in place, we would have had other options for handling this and bringing cruise ships in. They advertised out and only a couple cruise ships responded. Everybody was booked.

Mr. Van Hollen.

Mr. VAN HOLLEN. I want to thank you, Mr. Chairman and Mr. Waxman, for your leadership on this issue. I want to thank all the witnesses that are here to testify.

I must say the American people, listening to the testimony today and the stories that have come out regarding waste, fraud and abuse, I think have to be disappointed that a number of unscrupulous contractors decided to take advantage of a situation, and that there were not mechanisms in place to better prevent that. Because as has been said, people throughout this country responded after Hurricane Katrina. People opened up their homes, their hearts and their wallets.

What we have learned more recently is, there were a lot of people who—while most Americans are opening their wallets, there were a few people heading down there to fill up their own wallets at the expense of the victims of a natural disaster. And I think it is incumbent upon all of us to learn the lessons and put in place better mechanisms to prevent that from happening in the future.

I just want to focus in on one of the particular cases and, General Riley, if I could ask you about the whole issue of the blue roofs. Obviously it is a good idea after a hurricane to try and cover up

the roofs of houses that have been blown off. If you have a roof that has disappeared and blown off, you want to prevent further damage and put a tarp or something over it. But you also want to make sure it is done in way that you don't gouge the taxpayer.

And so I want to ask you a couple questions about the blue roof contracts, because I believe a lot of work that has been done by the Army Corps of Engineers reveals that sort of gross waste, fraud and abuse in this area.

And I understand—and this is based on the documents that have been provided to the committee—that contractors could not locate their crews in the field and that they didn't ensure that the workers were being paid, that they failed to followup that the work was actually done before submitting the bills to the Federal Government.

So let me just ask you about what value you believe the prime contractors added to this process. My understanding is that what the Corps has found is, they hired subcontractors who, in turn, hired subcontractors who, in turn, hired subcontractors. There were at least three tiers of subcontractors, and the work was not done, and thousands of dollars, on average, were paid per roof in the end.

So if you could, explain what value, if any, you think the American taxpayer got out of paying those prime contractors.

General Riley. Sir, if I might, the beauty of the blue roof program vice debris program is, we can go back and verify every single roof and the size of that. Our quality assurance personnel were all issued cameras, so when they went around, they inspected the roofs. And then at the end, before we close out the contract, we make them go back and verify how much plastic was actually installed on the roof. We can in a much simpler fashion verify what the contractor has done or not done.

In some cases, we found that the contractors' quality control that they had in place—we are responsible for the quality assurance, to make sure that they have a quality control program in place, and that's where our auditors and our assurance people find out where it may be lacking and we need to strengthen the contractual controls.

But in the end we win when it comes to blue roofs because we go back and check every single one of them.

Mr. VAN HOLLEN. Have you made sure that the contractors didn't get paid for the work that was not done?

General RILEY. Yes, sir, before we close out the contracts, we inspect every one of those roofs. There are differences with different roofs, but we can verify it through witnesses, through neighbors, through camera views that we have to do our work in that fashion.

Mr. VAN HOLLEN. How about the prime contractor? My understanding is one of the prime contractors, the Shaw company, claimed themselves that the roofing has been completed, that was part of their job on your behalf was to go out and find out whether the work had been completed.

They said it had been completed, but when your folks went out, they found that there was no blue roofing installed despite the contractor's claims of completion. The auditors concluded that the

prime contract, "is failing to adequately monitor and inspect the roofing efforts of its subcontractors and crews, as required."

They went on to make other findings. Were you aware of these particular reviews with respect to that prime contractor?

General RILEY. Not those particular, but I certainly believe the auditor report when they tell us that a contractor isn't doing his job of quality control, because we're highly interested. We pay them to do that as part of the contractual agreement, so that's why we send our auditors out to find them out.

Mr. VAN HOLLEN. Has the prime been penalized for their failure? Have they stated it to you?

General RILEY. In this contractor, I believe there is a retainage that we withheld, and he won't get paid until we verify the roofs.

Mr. VAN HOLLEN. Let me just, if I may, Mr. Chairman, in closing—one of the criticisms that's been leveled, and I think a fair criticism, is a failure to hire more local contractors who are more familiar with the territory and cut out the four or five layers of middlemen involved in this. But this morning there was a report on National Public Radio with respect to some of the new contracts that had been let in this effort to get more local contractors. And as it turned out, despite I guess efforts to do so, a lot of contractors on that turned out to be from out of State.

In fact, one of the biggest winners was PRI-DJI, which were two joint-venture California firms; and it turned out that one of the partners in that joint venture was, in fact, a subsidiary of one of the large firms that received an initial no-bid contract.

This question, I guess, goes as well to representatives from FEMA, DHS. What precautions are being taken to make sure that people are not gaming the system and essentially trying to end-run the effort to go to local contractors by simply finding a local contractor, but really the main profits and benefits go to some big out-of-State entity?

Ms. LEE. I believe you are talking, if I understand the reference correctly, about the small business contracts that are being let before regional support to take over the maintenance of the temporary housing. One of the principles of that competition was, in fact, that we would compete with a preference for locals; and that preference happened to be a 30 percent price differential, so any local would be priced at what they proposed and any nonlocal would have a 30 percent price differential applied.

And because of the importance of getting it right for the taxpayer, there is a balance there. And so in some cases if a local's price was not within those parameters, a nonlocal could have won it. But it was a small business or an 8(a) company.

Mr. VAN HOLLEN. So under this case it could have been a situation where the bid from the out-of-State big one was that much——

Ms. LEE. Yes, sir. If those are the contracts we are talking about, yes, sir.

Ms. DUKE. And that preference under the Stafford Act is the way FEMA has done it traditionally. Recently, the Stafford Act was amended to allow set-asides for only local businesses, and we will be using that new authority given to us by Congress.

Mr. PICKERING [presiding]. Thank you.

Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman. I appreciate your letting me sit in on this hearing. I am going to take a little bit different tack than my colleague from Mississippi, and I think it is different from being actually in the storm and near the storm.

Colonel, I agree that in the immediate aftermath of the storm, things were so chaotic with the lack of fuel, lack of electricity, no flushed toilets, I mean, go down the list—no food—that you almost had to bring in help from outside. But within about 30 days things were starting to get halfway back to normal. Within 30 days, there were banks open. Within 30 days, there was some fuel available locally and an occasional grocery store.

What troubles me is that these contracts were let for a value of money—in the instance of debris removal, $500 million—that was not reached for several months. And what I am seeing in the case of both FEMA and the Corps—and I hope this is wrong, because this is in a publication prepared by staff—it says, you are not looking at shorter contracts, you are looking at 5-year contracts.

For the ladies from FEMA, geez and Pete, I have never seen more incompetence than in the delivery of FEMA trailers; and I would ask the staff to give you two letters that I sent to your Secretary, Mr. Chertoff, February 7th.

There is a lady in the room who reports for the hometown paper. She reported a couple of months ago that it cost $70,000 for a FEMA trailer, which got a number of phone calls to my office. In fairness to FEMA, I wrote to your boss and asked, what does one cost? What does it cost to deliver to Hope, Arkansas? What does it cost to bring it from Hope, AR to Purvis, MS, from Purvis, MS to Kiln, MS, from Kiln, MS, to a home site?

It is 90 days later; they have never answered that.

Now, if you are proud of the job you are doing, I would think you would want to get back to me in a hurry and say, no, it is nowhere near $70,000.

It has been 90 days, so the only number in the minds of the people of south Mississippi is what Ms. Grandinette published in the Sun Herald is $70,000.

So what I am saying is, I hope the staff report is wrong because if you are telling me the answer to contracts that are too big and too long is to make them bigger and longer, that is insane. The only people who have a longer contract than that are U.S. Senators.

And I am serious. Public school teachers get a 1-year contract. In Congress we get a 2-year contract; it keeps both of us on our toes. A shorter contract, in my mind, is a better contract. You can always put options in there for someone who is doing a good job to continue it.

On the flip side, if you give someone a 5-year noncompete contract, you can almost bet there is going to be feather-bedding. You can almost bet they are going to have every brother-in-law in the contract. You can almost bet that they will be paid for their mistakes.

In the case of the Bechtel contract at their site on Main Avenue, the day I went they had 30 trailers that they had cannibalized. Say let's say it is only $15,000 a trailer. By pulling out the air conditioning unit on that $15,000 trailer and leaving it open to the rain,

you have now got $200 worth of a scrap aluminum, which was a $15,000 trailer.

Next to it were approximately 200 trailers that had been removed for quality reasons. Ninety percent of them came from one manufacturer; the same name is on them. I am not going to say it publicly because I don't feel like paying for a libel suit, but you know the name.

I say, 90 percent of the rejects are coming from one manufacturer. You are buying from five manufacturers. Why do you keep buying from these guys? And your answer was, we've got a contract. We've got a long-term contract.

So long contracts create the kind of inflexibility that leads to the public being angry, leads to me being angry and leads to the feeling of the public that you are throwing away money as you are not meeting their needs.

And again, I'm sorry it's you two ladies here today. I wish your boss was here to take your place. But you are the only folks from FEMA here today.

Again, it boggles my mind.

And I will use the converse, OK? The general over there took a beating from Mr. Waxman, but apparently the information Mr. Waxman used was an internal study conducted by the general to see if his operation was being done right, and they found that people were cheating them. I saw nothing like that in the case of the FEMA trailers. The trailer would arrive at Purvis, MS. And because so many people were calling me, I took the time to walk through it myself.

It arrived at Purvis. They would check the gas. No one bothered to see if the microwave worked. No one hooked it up to a water hose to see if you had plumbing leaks. No one ran it through something as simple as a pressure washer to see if it leaked from the outside. So at that point, it is no longer the manufacturer's problem; it is the taxpayers' problem. So you have a second contractor paid a fortune to send people out to individual locations all over south Mississippi to fix the things that should have been fixed when we, as a Nation, accepted delivery.

Why are you paying one driver to take it from the factory to Hope, AR, and another to Purvis, MS, when we know we are buying 35,000 of these things. Why don't you put a whole bunch of them on a train? I mean, simple business decisions that anybody who has said, we need to get better—you never in the entire process of that contract got better. In fact, your best day for delivering trailers, if my memory is right, was in October. You delivered about 350 in 1 day. By November, you were going slower than that. December, you were going slower than that. January, you were going slower than that.

So everyone else on Earth has a learning curve and gets better. Y'all never got better because your contractor had no incentive to get better because he had a noncompete, no-bid contract, and so he got paid for every mistake he made. If a trailer was brought to a site and the site was not ready and it came back, the driver got paid. And he got paid the next day to bring it back to the same site.

Tell me that's a good idea. Tell me that's good for the taxpayers, because I can tell you about lots of citizens who are living on their mother-in-law's couch or in an Astro Van, waiting for that trailer, who were enraged to see it pulled up only to be taken away.

It is a travel trailer. Every weekend moms and dads across America go to travel parks, hook it up to a water hose, hook it up to a sewer tap, plug it into the electricity. It is not complicated. Why did it take six inspectors to go look at the site?

These are things that average Mississippians were seeing every day as their blood was boiling, as they were waiting for their trailer that, by the way, their fellow citizens were kind enough to provide; but everyone knows their fellow citizens had to pay way too much for it and it took too long to deliver.

So we are going into another hurricane season. If you look at the NOAA weather boards, the Gulf of Mexico is 10 degrees warmer today than a year ago today. The Navy oceanographic lab tests tells us we are in for 10 years of this. This is not Greenpeace; this is the U.S. military.

So what's the plan for the 39,000 travel trailers that are now in south Mississippi? Are you going to move them? Are you going to stage them in the event of a storm? Are you going to tell people to take them with them?

Because let me tell you—and I am so much luckier than most—when folks lost everything, suddenly that's all they have left in the world, and they waited 2, 3, 4, 5, 6 months to get this, you know what the tendency is going to be? I am not waiting 6 months for the next one. I am taking this with me. So they will hitch it behind a Toyota pickup truck or a Dodge Dart, and if we thought we had evacuation problems before, when an undersized vehicle is trying to pull that travel trailer out in high winds on clogged roads, think of the problems you will have.

The next thing is—I asked Secretary Chertoff this months ago when he was looking for suggestions—again, it has become their cocoon. It is just human nature. It is the one place I have left that's safe in the world. There is going to be a tendency not to leave that cocoon.

And I asked Secretary Chertoff for something as simple as taking that travel trailer, sticking it in a wind tunnel, stick a television camera in there and let people see what is going to happen to it, because it is going to fly apart. And the walls will become shrapnel and people are going to get killed.

Three months later, we are that much closer to hurricane season, and we have not heard a word.

Ladies, again, you just happen to be the representatives from FEMA who are here. I'm sorry you had to be the ones. I wish it was a couple of guys I could pick on. But these things are real concerns, real waste that your agencies have to address. And it is a shame that we did not do it the first time, but truly it would be shameful behavior on the part of our Nation if we do not address it before this summer.

I would like to hear your thoughts on that.

Ms. LEE. Mr. Taylor, I received this letter and we will get you an answer, and I apologize for any delay; we will certainly look into that. And we will be happy to bring over people if you want a spe-

cific briefing on the housing plan or the evacuation plan because there are plans. So I would be happy to have the expert program managers come over and give you and your staff or any other members those briefings if you would like more details.

Mr. TAYLOR. Let's just start and again I am going by a staff memo that might be incorrect so if it's incorrect you tell me. But if your answer and if the Corps's answer to contracts that are already too long is to make them 5 years, that is insane. And if that's what you plan on doing administratively, I think this committee needs to know, because we need the opportunity to try to prevent that legislatively, because that is the not the solution.

So that is the first question: Are you really looking at 5-year contracts?

Ms. LEE. We are looking at contracts with longer terms with options, as you mentioned, so we will continue to monitor the performance.

We have also put in place contracts that have an ordering period and so you can order against them for a certain period, but if the performance is not acceptable at any time we can run another competition and get additional support. Or if someone is really not performing, of course, there are normal remedies, which is either termination for default because they are not performing properly, or we can terminate for convenience.

So we do have those flexibilities.

Mr. TAYLOR. Because this is a real-life scenario; again, people are waiting for that trailer, it is not a big deal.

It is a big deal, trying to find a place for them to live; someone is not getting the job done.

What is your recourse and how quickly can you put someone else on that job? Because I can tell you your representatives that I dealt with, to a man or a woman, said, We are stuck with this contract with Bechtel. They are going to get the first 35,000 trailers. There is absolutely nothing we can do about it.

And believe me that is not a good thing for them as citizens. It is a horrible decision on our Nation's part. So how are we going to keep that from happening again?

Ms. LEE. We are putting in place a variety of contracts. In fact, as you mentioned, the individual assistance, technical assistance contracts, the proposals are in now. We are evaluating those. And what we do plan to do is to have not just one, but a number of contracts in place, which we will place orders against when the need arises.

And as we have talked through here——

Mr. TAYLOR. Walk me through that, for instance. How would you fix that for instance if it happens again this fall? How would you cancel that contract and bring somebody in who's going to do a better job of delivering those trailers on short notice?

Ms. LEE. Because we have awarded more than one contract, if one contractor is not performing, we will stop placing orders against them and place the orders against other contracts that are already competitive and in place—kind of the advanced contracting concept.

Mr. TAYLOR. And that's in place right now?

Ms. LEE. The proposals are in. We're getting ready to award those contracts.

Ms. DUKE. Additionally, there's two changes to the contracts that Ms. Lee is mentioning. They are 1-year contracts with two options; so they are a maximum of 3 years. Because we are constantly looking at our housing strategy, we didn't think a long-term contract was in place.

The second thing is, we share your concern with a single chain of custody. So there is a provision to have less changes of ownership, if you will, or custody during the installation-of-trailer process so it is easier to hold either us or the contractor, whoever is appropriate, accountable if there are damages or any incidents during the process.

Mr. TAYLOR. Again, I would welcome the opportunity to visit with you at length since I do have some, I think, very valid concerns.

Ms. DUKE. Yes, we would like to do that, Mr. Taylor.

Mr. TAYLOR. Thank you.

Chairman TOM DAVIS. Thank you very much. Mr. Pickering, you had one followup, I think.

Mr. PICKERING. Mr. Chairman, I want to take a second to say to General Riley, I know that you have been trying to make it better on the ground, and your people in Vicksburg have been very committed. You have tried to go out and give contracts to local companies. You started in December. So a lot of the issues that are raised in the last hearing, you have tried to address, and I commend you for doing so.

Unfortunately, the contracting process now allows an incumbent contractor to protest in such a way that you are not able to fulfill congressional intent and what is best for the local community because of the ability of incumbent contractors to protest and delay. So I do want to commend you, but that goes back to the question Mr. Taylor was raising on trailers.

Once you go down one path of contracting, you cannot get off of it. It takes you a year, year and a half, to take a contract away from an incumbent contractor if there is a protest process each step of the way.

So I hope, Mr. Chairman, that we can look at greater contract transparency and also ways to give you greater tools so that we can fix the problems so you can achieve your objectives in a more flexible way.

Mr. WAXMAN. Mr. Pickering, would you yield to me?

Mr. PICKERING. Yes.

Mr. WAXMAN. I think you are making an excellent point.

One of the frustrations that I am feeling is that we have auditors after the fact, and the auditors can pick up some of the problems and sometimes they cannot. But the problem that I have seen over and over again, Katrina and Iraq, some of the homeland security contracts, is, the government goes to a big contractor, gives them the contract. They end up with a monopoly over that contract and the work to be done, and then they hire subs.

The government ought to be negotiating with the people who can do the job directly. It would certainly make it easier to get the job

done. It will help the local people, and it would be at a fraction of the price.

And so I think we are making this mistake over and over again, and I hope one of the lessons we can learn is, we need to rethink how we are doing these big major contracts so that we can be more effective.

Chairman TOM DAVIS. Thank you.

Let me add also, particularly in some of these debris removal and things like that, it is not a high-skill level, so you have local workers that can get into this. It is one of the fastest ways to bring the local economies back. And from my observations being on the coast three times, the areas where you had the locals letting these contracts, it happened fastest, there and I think at lower cost, but certainly it got to work faster than having to go through the top.

But I think on those kinds of basic services, it is probably in the taxpayers' interest and everybody's interest to go local.

Mr. TAYLOR. Mr. Chairman, 20 seconds.

Ms. Murphy, shame on me if I do not mention the good work of the GSA. Within 3 or 4 days of the storm, realizing that my local offices had been washed away, I think two, three, three trailers were delivered by the GSA so you actually had a trailer there for my local offices, before phone service, before electricity.

So, again, not everything our Nation did went wrong. And for those people who really leaned forward, I want to commend you for that.

Ms. MURPHY. Thank you, sir.

Mr. PICKERING. Mr. Chairman, I just wanted to wrap up.

I know a lot of the things that happened in Katrina were based on the policies in place pre-Katrina and that everyone at these tables are the implementers of these policies and the implementers of false assumptions.

And so my message, really, to the policy and decisionmakers, Secretary Chertoff and President Bush, is that we hope to see the policy changes on contracting and any reforms necessary legislatively and administratively because, Mr. Chairman, we are planning to move major disaster reform legislation before the Memorial Day recess, before the hurricane season.

And I will be submitting questions on a number of different issues, as well as asking the Department of Homeland Security and FEMA to change assumptions and to change policies and to communicate back to us in a very timely way as we move major disaster reform through the House of Representatives.

Thank you, Mr. Chairman.

Chairman TOM DAVIS. Thank you very much. I will dismiss this panel, and we will move to our next panel. We are expecting votes some time in the next not too long, so I want to move as quickly as I can to get the testimony in.

We have Mr. Randall Perkins, the president of AshBritt, Inc.; Mr. George Schnug the CEO of AmeriCol Logistics; Mr. Neal Fox, a member of the Board of Advisors of FedBid, Inc.; and Mr. James Necaise, the president of Necaise Brothers Construction.

It is the policy of the committee that all witnesses be sworn before you testify, so when you get up here, if you would just remain

standing and raise your right hands, we will swear you in and begin the testimony.

Mr. Necaise, I understand you have somebody reading your testimony; is that correct, a Mr. Machado?

Mr. Machado, if you will raise your hand with everyone else.

[Witnesses sworn.]

Chairman TOM DAVIS. Thank you for your patience. We will just move ahead.

Mr. Perkins, we will start with you.

STATEMENTS OF RANDALL PERKINS, PRESIDENT AshBRITT, INC.; GEORGE SCHNUG, CEO, AmeriCOLD LOGISTICS, INC.; NEAL FOX, MEMBER, BOARD OF ADVISORS, FedBID, INC.; AND JAMES NECAISE, VICE PRESIDENT, NECAISE BROTHERS CONSTRUCTION, ACCOMPANIED BY DAVID MACHADO, STAFF ENGINEER

STATEMENT OF RANDALL PERKINS

Mr. PERKINS. Mr. Chairman, committee members, my name is Randy Perkins, and I'm president of AshBritt, Inc., an environmental services company with expertise in a range of disciplines that fall into one or more of these four divisions: disaster recovery services, solid waste services, engineering services and special environmental services.

Your committee's letter to me, dated April 20th, asked that I address three matters, the first of which was that I provide an overview of AshBritt and the goods and services that it provides; the second of which concerns AshBritt's role as the contractor to the Federal Government; and the third of which requests my own personal views regarding certain contracting vehicles, methods and policies.

In response to the first request regarding AshBritt's goods and services, I would observe my firm has, especially over the last decade, created a network of resources capable of dealing with a range of services from emergency needs such as road clearance, debris removal to demolition of unsafe structures, decontamination and fire suppression reports.

Regarding the committee's second area of interests in AshBritt's roles and responsibilities as a contractor with the Federal Government, it is first necessary to explain Hurricane Katrina's size and scope elevated the Federal response from the usual circumstances of FEMA oversight of the local and State governmental contracts for storm damage recovery to one in which FEMA tasked the U.S. Army Corps of Engineers with the, usually, locally initiated contract responsibilities.

Ordinarily, AshBritt deals with a city, county or local agency in assisting its efforts to recover from a natural disaster, while achieving compliance with the rules and regulations promulgated by FEMA for reimbursement to the local government entity. However, AshBritt in the year 2002 has been successful in a nationwide competitive selection process through which the U.S. Army Corps of Engineers pre-positioned contractors for separate geographic regions of America as a resource in the event of a major catastrophe such as that subsequently caused by Hurricane Katrina.

AshBritt was in the third year of its contracting involving the Louisiana/Mississippi region when FEMA made the decision to task the Katrina debris removal to the Corps. The specific role given AshBritt is detailed in its contract with the Corps of Engineers and consists of debris collection, temporary storage at reductionsites, debris reduction, and quality assurance that includes supervision to ensure compliance with governmental requirements and regulations. AshBritt's experience and expertise results from years of dealing with dozens of local government entities around the United States.

Finally, the committee expressed a third area of interest asking my personal views of contracting vehicles, methods and policies, generally concluding with my views of the set-aside and local contractor provisions under the Stafford Act. I do not feel qualified to suggest Federal policies for contracting. I do feel qualified to comment about one aspect of the U.S. Army Corps of Engineers prepositioned contractors process, and that is the geographic selection.

The Corps of Engineers specifically chose to select experienced contractors with ability to respond to emergency situations, but did not want the contractor to potentially be incapacitated by the same emergency. I concur with this assessment; consequently, I have no complaint that the Corps of Engineers did not select my firm or another firm in Florida as the pre-position contractor for the State of Florida. A Tennessee firm was selected.

Similarly, an Alabama firm was selected—excuse me. Similarly an Alabama firm with which AshBritt is familiar and who AshBritt works with was selected for the State of Alabama, but is working as a contractor for response to need resulting from the damage caused by Hurricane Rita in Texas. This kind of geographic pre-positioning is good planning for an event of the magnitude of Hurricane Katrina.

Regarding any other Federal contracting policy, I do not have the expertise in Federal contracting policy to make legislative or regulatory suggestions, but I can and am proud to outline what AshBritt has done in the furtherance of its own Federal contractual tasks and in compliance with existing laws and regulations. Thank you.

Chairman TOM DAVIS. Thank you very much.

[The prepared statement of Mr. Perkins follows:]

STATEMENT

Before the

UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON GOVERNMENT REFORM

Hearing

May 4, 2006

By

Mr. Randall R. Perkins

President
AshBritt, Inc.

480 South Andrews Avenue
Suite 103
Pompano Beach, Florida 33069

My name is Randy Perkins and I am the President of AshBritt, Inc. an environmental services company with expertise in a range of disciplines that fall into one or more of our four divisions: Disaster Recovery Services, Solid Waste Services, Engineering Services, an Special Environmental Services.

Your Committee's letter dated April 20, 2006 asked that I address three matters: (1) the first of which was that I provide an overview of AshBritt and the services that the firm provides; (2) the second of which concerned AshBritt's role as a contractor to the Federal government; and (3) the third of which requested my own personal views regarding federal contracting vehicles, methods and policies.

In response to the first request regarding AshBritt's services, I would observe that our firm has, particularly over the last decade, created a network of resources capable of dealing with a range of services from emergency needs such as road clearance and debris removal to demolition of unsafe structures, decontamination, and fire suppression support. A very detailed description of all of our services is available for viewing at our web site, www.ashbritt.com.

Regarding the Committee's second reference to AshBritt's roles and responsibilities as a contractor with the Federal Government, it is first necessary to point out that Hurricane Katrina's size and scope dramatically altered the Federal response from the usual circumstance wherein which FEMA would have had oversight over local and state governmental contracting for storm damage recovery to a massive undertaking in which FEMA tasked the U.S. Army Corps of Engineers with the usually locally initiated contract responsibilities.

Ordinarily, AshBritt (as well as its competitors nationwide) deals with a city, county (parish) or local entity in assisting its efforts to recover from a natural disaster while achieving compliance with the rules and regulations promulgated by FEMA upon which local reimbursement is dependent.

However, AshBritt, in the year 2002, had been successful in a competitive selection process through which the United States Army Corps of Engineers pre-positioned contractors throughout regions of the United States as a future resource in the event of a major catastrophe such as that subsequently cause by Hurricane Katrina. AshBritt was in the third year of its contract for the Louisiana and Mississippi region when FEMA made the decision to task the Katrina debris removal to the Corps of Engineers.

The impact of Katrina was so great that even the pre-positioning of AshBritt (or any other single contractor) was insufficient to respond to the needs of the entire region. AshBritt subsequently was assigned the State of Mississippi and given the specific role as detailed in its contract with the Corps of Engineers, which contract covers debris collection, temporary storage at reduction sites, debris reduction, and quality assurance that includes supervision to ensure compliance with governmental requirements and regulations.

AshBritt's experience and expertise results from years of dealing with dozens of local governmental entities from New Jersey to Florida to North Dakota and several other states, many of whom are listed under the heading "CLIENTS" on the web site referenced above.

Finally, the Committee expressed a third area on interest asking for my personal views of federal contracting vehicles, methods and policies generally, concluding with my views of the set aside and local contractor provisions under the Stafford Act.

While I do not feel qualified to assess federal policies for contracting, I do feel that I can comment on one aspect of the Corps of Engineers process for pre-positioning contractors throughout geographic regions. I concur with the Corps' determination that experienced contractors should be selected from among proposals received from firms capable of rapid response to an affected region, but not firms themselves located within that region, thus avoiding their potential incapacitation by the same disaster.

Consequently, I have no complaint that my own home state of Florida has a pre-positioned contractor based in Tennessee. Similarly, an Alabama firm with which I am familiar is not the pre-positioned Alabama contractor but is currently the contractor in Texas, where the firm was pre-positioned, and is working on the response to Hurricane Rita. The geographic pre-positioning is good planning for an event of the magnitude of Katrina/Rita.

Regarding any other matters of Federal contract policy, I do not feel that I have the expertise to make legislative or regulatory suggestions but I can and I am proud to outline what AshBritt has accomplished since Katrina in furtherance of the mission outlined in its own federal contract and in compliance with existing laws and regulations.

AshBritt Katrina By-The-Numbers:

Greater than 20,000,000 cubic yards of debris and wreckage removed;

Greater than 650,000 loads of debris hauled;

Greater than 12,400 hauling vehicles registered;

Greater than 1,230 subcontractors worked;

Greater than 19,000 tons of spoiled food removed;

More than 300 Government personnel provided emergency quarters;

More than 10,000 meals served to Government personnel;

Less than .01 percent lost time injuries v. total man hours of work.

As to the question of local contractor participation, AshBritt's most recent contract filing with the Corps of Engineers (4/28/06) reflects over eighty-seven (87.1%) percent affected area contractors in small business and eighty-seven and eight tenths (87.8%) percent affected area large business contractors.

AshBritt's record is one of which I am most proud in its performance under this contract, and I am further pleased from recognition given our team by others, such as the communication received by us from the Corps of Engineers Resident Engineer, James Aldrich, a copy of which I have furnished to the Committee.

This concludes my statement.

From: Aldrich, James R SPL [mailto:James.R.Aldrich@spl01.usace.army.mil]
Sent: Friday, March 31, 2006 11:43 AM
To: Fernando@doradosi.com; buddylofton@yahoo.com; brad freeman; Terry Jackson
Subject: Thanks for the help

Terry, As the Resident Engineer responsible for the counties of Jackson and George, Mississippi I feel it is necessary to express my appreciation for the exceptional service and support your organization has provided this office in accomplishing our mission. From my first visit to your field office it was apparent the your staff wanted to work together as a team. The partnering concept is not new to the Government and obviously not your Gautier team either. In my thirty eight years in this business I have not worked with a contractor team that worked as well as the AshBritt team did with the Government. Our accomplishments in working and completing in excess of eight thousand Right-of-Entries in 90 days are a testimonial to our team work. Under the direction of Bill Johnson we never encountered a situation that we could not resolve. This office has received hundreds of phone calls reference the home owners satisfaction and appreciation for the work that we have accomplished. Together we have touched the lives and hearts of thousands of the wonderful citizens of south east Mississippi. As with any mission there are those that had issues for us to deal with and with our team we dealt with each and every one. It was clear that your field staff was promoting AshBritt commitment to customer satisfaction. We worked with the cities to accomplish their agenda and priority that they had established.

Your team never faltered when requested to provide additional resources to work within the availability of Government staffing. Together we would reevaluate the work areas so that we could utilize the least amount of field supervision for the largest amount of area of work. Your Gautier staff was knowledgeable, skilled, and possessed the ability to work this debris mission like a science.

Safety was a major concern for both of our safety teams but we worked together as a team continually training, reminding and reinforcing our safety policy. Considering the fact we worked better than a thousand square miles with hundreds of workers and hundreds of thousands man-hours our safety lost time were kept to a minimum with the outcome being exceptional. Great job.

As with usual I am short on time but wanted to say a special thanks for the effort, support, and professionalism of those that I worked with directly. Mr. Bill Johnson, Fernando Neris, Brad Freeman, Buddy Lofton, and Jason Santiago.

Thanks AshBritt, I am leaving this mission satisfied that what I came to accomplish is accomplished and I could not have done this without you.

James R. Aldrich
Resident Engineer
EFO-E

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
1	3 BRUSH CONSTRUCTION	TX	56211-19		$1,897,262.14					
2	3 D Construction	MS	56211-19		$3,936.60					
3	3-Way farm Supply	MS	56211-19		$276,937.99					
4	4-H ENTERPRISES	TX	56211-19		$33,088.50					
5	5 K Farms, Inc	MS	56211-19		$1,604,931.00					
6	A & B Disaster Services	MS	56211-19		$4,183.20					
7	A & B Trucking	MS	56211-19		$885,795.40	$885,795.40		$885,795.40		
8	A & D Logging, LLC	MS	56211-19		$8,901.90			$8,901.90		
9	A & K Construction	MS	56211-19		$17,444.70					
10	A & M Tree Service	CA	56211-19		$233,956.90					
11	A & W Trucking & Equipment	MS	56211-19		$158,630.40					
12	A Arborist on Board	MS	56211-19		$409,789.80					
13	A H GODWIN LOGGING CO INC	MS	56211-19		$649,486.46					
14	A H GODWIN LOGGING CO INC	MS	56211-19		$40,363.20					
15	AAA General Contractors, Inc	MS	56211-19		$101,736.00					
16	AARON MOORE	MS	56211-19		$33,242.40					
17	Abby Road Development Co., LLC	MS	56211-19		$7,984.40					
18	ABC Bobcat	FL	56211-19		$7,932.00					
19	Acadian Concrete Co.	MS	56211-19		$226,118.70					
20	Ace Logging	WI	56211-19		$488,359.80					
21	Ace Tree Service	MS	56211-19		$23,988.96					
22	Adam J Schreier	MS	56211-19		$1,329.00					
23	Adam McClanahan	MS	56211-19		$21,384.00					
24	ADAMS EVC	MS	56211-19		$180,354.60					
25	Advance Contractors	SC	56211-19		$756,024.85					
26	Advanced Disposal Services	MS	56211-19		$634,507.50					
27	Affordable Lawn	TX	56211-19		$18,101.85					
28	Akard Enterprises	AK	56211-19		$745,660.73					
29	Albright Transportation LLC	MS	56211-19		$32,655.43					
30	ALCS Inc	TX	56211-19		$650,000.00	$650,000.00	$650,000.00			
31	ALEX CASPOLICH	MS	56211-19		$23,499.00					
32	ALFRED VERNON BROOKS	MS	56211-19		$1,736.10					
33	Alfredo Marcia	MS	56211-19		$5,064.20					
34	ALFREDS SUPERIOR TREE SERVICI	MS	56211-19		$131,083.56					
35	ALISA KILLINGSWORTH	MS	56211-19		$12,644.10					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
36	ALLBRIGHT TANSPORTATION	MS	56211-19		$19,035.00					
37	Allen Graham	MS	56211-19		$1,200.00					
38	ALPHA II TRUCKING & EXCAVATING	MS	56211-19		$487,602.76					
39	ALTON HARVEY	MS	56211-19		$259,403.39					
40	Alvis Fortenberry	MS	56211-19		$234,387.70					
41	AM Morales Harvesting	MS	56211-19		$37,782.50					
42	American Mat & Timber Co	MS	56211-19		$105,930.00					
43	American Rental & Sales, Inc.	MS	56211-19		$4,456.55					
44	American Tree Tech	MS	56211-19		$68,569.94					
45	AMERIHAUL	MS	56211-19		$1,223.10					
46	Amos Hicks	VA	56211-19		$11,572.20					
47	Andres Gonzalez	AR	56211-19		$100,314.96	$100,314.96				
48	Andrew Bryant	OH	56211-19		$57,963.50					
49	ANGELA HICKOK	MS	56211-19		$4,325.40					
50	Annie Mitchell	MS	56211-19		$4,397.54	$4,397.54		$4,397.54		
51	APEX Equipment Catahoula, Inc.	MS	56211-19		$144,740.70					
52	APPLEWHITE REYCLING SYSTEMS	MS	56211-19		$3,945,190.43					
53	Ard's Tree Service, LLC	MS	56211-19		$68,926.50					
54	Artuo Ruiz	MS	56211-19		$14,145.00	$14,145.00				
55	ASHEM	MS	56211-19		$5,319.00					
56	Asphalt Speciaties, Inc.	MS	56211-19		$65,563.20					
57	Austin Forestry, LLC	TX	56211-19		$8,329.50					
58	Ayala Harvesting, Inc	FL	56211-19		$110,788.20	$110,788.20	$110,788.20	$110,788.20	$110,788.20	$110,788.20
59	B & B Construction	MS	56211-19		$324,257.18	$324,257.18		$324,257.18		
60	B & B LAWN SERVICE	MS	56211-19		$74,988.00					
61	B & B Turf	MS	56211-19		$117,882.80					
62	B & D CONTRACTING	MS	56211-19		$55,039.50					
63	B & D Tree Service	MS	56211-19		$49,644.90				$49,644.90	
64	B & W Construction	MS	56211-19		$699,434.25					
65	B CLEAN PORTABLES	MS	56211-19		$139,885.10					
66	BAILEY INTERPRISES INC	MS	56211-19		$2,898.00					
67	BAKERS CONSTRUCTION	MS	56211-19		$366,358.70					
68	Bar C LLC	MS	56211-19		$489,860.81					
69	BARNES TRUCKING	MS	56211-19		$423,637.82					
70	Barnhart Debris Removal	AR	56211-19		$1,261,535.76					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
71	Baseline Equipment Company	MS	56211-19		$27,000.00					
72	Bay Disaster Services	MS	56211-19		$1,362,505.15					
73	BAYOU CADDY TRUCKING	MS	56211-19		$2,120,798.49					
74	BDT ENTERPRISES	MS	56211-19		$4,795.20					
75	Bean Excavating	SC	56211-19		$163,182.52					
76	Bell Construction	MS	56211-19		$50,111.37					
77	Ben Crowe	MS	56211-19		$2,163.00					
78	Benjamin L Thayer	TX	56211-19		$2,295.50					
79	Bennett Construction Srv	MS	56211-19		$43,865.10					
80	Berger Enterprises	ND	56211-19		$491,991.25					
81	Berghman Service LLC	MS	56211-19		$907,846.47					
82	Better Lawns & Gardens	MS	56211-19		$386,371.46					
83	BFM Corp.. LLC	MS	56211-19		$6,568.75					
84	Bielling Enterprises LLC	FL	56211-19		$47,307.20					
85	Big A Enterprises	MS	56211-19		$620,131.76				$620,131.76	
86	BILL KELLY	MS	56211-19		$2,750.00					
87	Billy C Porter	GA	56211-19		$7,407.00					
88	BILLY KEEN d/b/a Creekside Const.	WV	56211-19		$313,016.40					
89	Billy W Ladner	MS	56211-19		$17,884.50					
90	Bio-Mass Tech. Inc.	MS	56211-19		$11,517.12					
91	Black Bear Trucking	MI	56211-19		$161,590.70					
92	BLACKMERE	MS	56211-19		$439,416.90					
93	Blue Ridge Environmental	MS	56211-19		$74,784.00					
94	Blue-Water Tree and Lawn	ME	56211-19		$227,073.33					
95	BMI	MS	56211-19		$161,209.15					
96	Bob Alexander Landscaping	MS	56211-19		$3,859.00					
97	Bobby Clingan	MS	56211-19		$1,200.00					
98	Bobby Cox	MS	56211-19		$63,033.71					
99	BOBBY J JOHNSON	MS	56211-19		$34,947.91					
100	BOGGAN CONCRETE SERVICE	MS	56211-19		$168,368.28	$168,368.28				
101	Bonds Backhoe & Dozer	MS	56211-19		$2,519.85					
102	BOOKER TREE SERVICE	MS	56211-19		$94,763.61					
103	Boutwell Construction	MS	56211-19		$500.00					
104	Brad Stewart	MS	56211-19		$801.90					
105	Bradford Oyster and Seafood Co Inc	MS	56211-19		$563,115.98					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
106	Branco	WV	56211-19		$38,939.40					
107	BRANNAN VERDIA	MS	56211-19		$11,202.30					
108	BRD	MS	56211-19		$27,319.50					
109	Brenda Jordan	MS	56211-19		$30,645.00		$30,645.00			
110	Brights Construction	MS	56211-19		$1,026.00					
111	Brinton Lumber Co.	MS	56211-19		$6,190.42					
112	BRM, Inc	MS	56211-19		$9,315.00					
113	Broome & Sons Wood Chipping	MS	56211-19		$1,171,677.77					
114	Brother-In-Law Contracting Inc	MS	56211-19		$2,097.90					
115	Brown & Son Trucking Inc	KY	56211-19		$120,253.50					
116	Bubba Smith	MS	56211-19		$2,225.25					
117	BULL DITT HAULING & LANDSCAPIN	MS	56211-19		$368,454.87					
118	Burgess Trucking	NY	56211-19		$1,109.70					
119	Butler & Company, LLC	MS	56211-19		$13,356.00					
120	Byrd Brothers	MS	56211-19		$12,323,697.65					
121	C & B Enterprises, LLC	MS	56211-19		$193,214.28					
122	C & C CONSTRUCTION	MS	56211-19		$86,069.70	$86,069.70				
123	C & C Contracting	OH	56211-19		$315,819.00					
124	C & J Bark Hauler LLC	MS	56211-19		$57,718.35					
125	C & K construction	MS	56211-19		$16,275.33					
126	C & S Construction	MS	56211-19		$108,754.90					
127	C DWIGHT ANDERSON	MS	56211-19		$10,662.33					
128	C E WILSON	MS	56211-19		$11,218.50					
129	C L TRUCKING	MS	56211-19		$11,178.90					
130	C. Beatty, LLC	MS	56211-19		$206,506.92					
131	C.E. Wilson	MS	56211-19		$15,288.75					
132	C.L. Trucking	MS	56211-19		$5,522.40					
133	Cahaba	AL	56211-19	$2,000,000.00						
134	Call Woods Construction Co.	MS	56211-19		$184,061.80					
135	Callen, Carter	MS	56211-19		$18,978.30					
136	Calvin Reeves Webb, Inc.	MS	56211-19		$36,120.00					
137	Cambium Environmental Group	MS	56211-19		$603,043.15					
138	CAPITAL SECURITY SERVICES INC	MS	56211-19		$32,309.28					
139	CARA PARENTON	MS	56211-19		$1,039.31		$1,039.31			
140	CARL E RAYBURN JR	TX	56211-19		$9,536.40					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
141	CAROLINA CLEARING & CONSTR.	SC	56211-19		$34,825.14					
142	Carrie Onderko	MS	56211-19		$63,208.15					
143	CARSEL INC	MS	56211-19		$4,827.60					
144	Carson, Kevin	MS	56211-19		$990.00					
145	Carter C. Callan	TX	56211-19		$214,489.44					
146	CASCAIS, Inc.	MS	56211-19		$695,287.89	$695,287.89	$695,287.89			
147	Cat 4	MS	56211-19		$8,229.60					
148	CDC Plumbline Service	FL	56211-19		$237,909.24					
149	CDP Corporation Inc	MS	56211-19		$8,898,144.04	$8,898,144.04	$8,898,144.04			
150	CE Wilson II	NC	56211-19		$11,550.60					
151	Cedar's LLC	OK	56211-19		$835,236.00					
152	CEIBA	MS	56211-19		$278,393.58					
153	Center State Recovery LLC	MS	56211-19		$208,490.65					
154	Century Carriers	AL	56211-19		$162,183.00					
155	Chadwells Landscape	MS	56211-19		$166,630.10					
156	Chance II Trucking Inc	FL	56211-19		$32,683.50					
157	Charles Gordon	MS	56211-19		$3,279.60					
158	CHARLES PIERCE	MS	56211-19		$6,058.80					
159	Charlie's Lawn & Sweeper Service Inc	FL	56211-19		$19,830.15					
160	Child Mechanical Construction	MS	56211-19		$87,847.11					
161	CHRIS BLUM	MS	56211-19		$1,200.00					
162	Chris Smith	MS	56211-19		$111,339.15					
163	Christopher Contracting	MS	56211-19		$2,660,511.26					
164	CHRISTOPHER GUY	MS	56211-19		$1,755.90					
165	Chrystal Seas Seafood Co LLC	MS	56211-19		$33,509.70					
166	Circle Bar A Inc	TX	56211-19		$336,933.74					
167	CK Construction Inc	MS	56211-19		$64,239.34					
168	CL Trucking of Central FL, Inc	FL	56211-19		$50,097.60	$50,097.60				
169	Claude Hartley	MS	56211-19		$7,105.50					
170	Clean Up Services	MS	56211-19		$7,009.20					
171	Clear Creek Enterprises	MS	56211-19		$1,154,837.45					
172	Clear Creek Woodyard	MS	56211-19		$94,456.20					
173	Clear River Construction Company Inc	MS	56211-19		$845,770.33					
174	Clear Ways Inc	SC	56211-19		$266,307.10					
175	CLEO SHOWS	MS	56211-19		$8,577.90					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
176	COAST TRASH	MS	56211-19		$31,401.00					
177	Coastal Clean-Up	MS	56211-19		$52,023.72					
178	COASTAL LANDSCAPE	MS	56211-19		$1,863.00					
179	Commercial Maint. Group	MS	56211-19		$581,286.39					
180	Complete Property Mngt of Mid	MS	56211-19		$62,400.47					
181	Compton Engineering, Inc.	MS	56211-19		$4,940.00					
182	Congers Construction	TX	56211-19		$1,101.60					
183	Conrad Enterprises, Inc.	FL	56211-19		$299,711.07					
184	Construction Maintenance, Inc	MS	56211-19		$8,100.00					
185	Cook Trucking	VA	56211-19		$46,391.40					
186	County Waste, Inc.	FL	56211-19		$2,220,299.56					
187	Coyote Land Co. of MS, Inc.	MS	56211-19		$1,481,248.80					
188	CR PATE LOGGING INC	MS	56211-19		$1,722,016.29					
189	Craig Kirby	MS	56211-19		$32,891.85					
190	Creekside Construction	VA	56211-19		$26,924.40					
191	Creel Trucking	MS	56211-19		$110,783.70					
192	CRONIN CONSTRUCTION INC	MS	56211-19		$304,515.35					
193	Crosby Enterprises	MS	56211-19		$199,478.80					
194	Cross Country Recycling	MS	56211-19		$3,734.10					
195	Crow Brothers	MS	56211-19		$3,889.62					
196	Crowder/Gulf	AL	56211-19	$4,000,000.00						
197	CRPM CAT RESPONSE	MS	56211-19		$333,554.87					
198	Crystall Sea's Seafood	MS	56211-19		$155,976.24					
199	CT Barazil, LLC	OK	56211-19		$113,564.80		$113,564.80			
200	Cumbest Trucking	MS	56211-19		$71,660.70		$71,660.70			
201	Cyclone Property Management	FL	56211-19		$9,193.50					
202	D & D Asphalt	MS	56211-19		$39,422.70					
203	D & D CONSTRUCTION	MS	56211-19		$107,838.90					
204	D & H Construction	FL	56211-19		$49,461.62					
205	D & R Bobcat	MS	56211-19		$11,000.00					
206	D & S Landscaping	NY	56211-19		$169,654.71					
207	DALE INC	MS	56211-19		$1,759.73					
208	Dale Mccormick Trucking	MN	56211-19		$42,236.60					
209	Dale McDaniel	AR	56211-19		$1,651.50					
210	DALE STRINGER	MS	56211-19		$3,474.00					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
211	Dalton Enterprise Inc	VA	56211-19		$48,888.36					
212	Dane Maingot	MS	56211-19		$4,500.00					
213	Daniel Bethea	MS	56211-19		$8,356.50					
214	Daniel Jason Kasinger	MS	56211-19		$9,747.00					
215	Daniel McGill	SC	56211-19		$643.14					
216	Daniel W Bethia Transport	FL	56211-19		$10,642.50					
217	DanielSkl	MS	56211-19		$4,787.10					
218	Darta	MS	56211-19		$65,090.00					
219	Dave & John's Painting	FL	56211-19		$15,939.00					
220	David Duty	VA	56211-19		$34,975.80					
221	David Edwards Trucking Inc	AR	56211-19		$159,950.70					
222	DAVID FINCH	MS	56211-19		$83,613.20					
223	David Pirk	FL	56211-19		$21,660.10					
224	DAVID ROBERTS	MS	56211-19		$5,362.20					
225	Davidson Excavation & Hauling Inc	AR	56211-19		$26,229.00					
226	Dayon Tree Service Inc	MS	56211-19		$14,417.50					
227	DC SMITH	MS	56211-19		$38,493.00					
228	DDSK Inc.	MS	56211-19		$9,624.15					
229	Debris, Inc	FL	56211-19		$26,689.50					
230	DELTA TRUCKING	MS	56211-19		$82,481.61					
231	Dennis Eller	MS	56211-19		$13,225.50					
232	Dennis Hall	MS	56211-19		$9,234.00	$9,234.00		$9,234.00		
233	Deno & Sons Trucking	MI	56211-19		$13,284.00					
234	Denver Clevinger	VA	56211-19		$33,080.39					
235	Dependable Paving Co Inc	NY	56211-19		$142,940.52					
236	Derek Peterson	MS	56211-19		$38,679.30					
237	DESOTO SAND & SHELL TRUCKING	MS	56211-19		$27,193.50					
238	DEWEY DUGGAN	MS	56211-19		$27,199.80					
239	DGS Inc.	FL	56211-19		$32,167.44					
240	Dick Jordan	MS	56211-19		$921,369.60					
241	Dirtworks, Inc, of Vicksburg	MS	56211-19	$3,182,424.76						
242	DIRTY SOUTH	AL	56211-19		$18,714.69					
243	Disaster Cleanup Services	FL	56211-19		$269,757.00					
244	Disaster Recovery Services LLC	FL	56211-19		$14,575.95					
245	Dixie Steel	AR	56211-19		$1,324.35					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 25 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
246	Dixieland Trucking	MS	56211-19		$1,603.35					
247	DJ RAIL & STORM SERVICES INC	MS	56211-19		$243,197.10					
248	Don Allen Logging	AR	56211-19		$71,146.00					
249	Don McGuire Trucking	AR	56211-19		$31,940.73					
250	Donald Mashburn	MS	56211-19		$4,549.36					
251	Donnie Briggs	KY	56211-19		$128,712.16					
252	Dorado Services, Inc	FL	56211-19		$8,192,263.28	$8,192,263.28		$8,192,263.28		
253	DOTSON HEMBRY	MS	56211-19		$61,438.50					
254	Double G Trucking	AR	56211-19		$111,423.60					
255	Double S Dozer Service	MS	56211-19		$190,448.74					
256	Double T Trucking	WV	56211-19		$225,066.60					
257	DOUG GARRETT	MS	56211-19		$589.50					
258	Douglas Payne	GA	56211-19		$90,742.10	$90,742.10				
259	DRS Construction	MS	56211-19		$1,374.80					
260	Dufeco Trucking Co	LA	56211-19		$23,287.50					
261	Dun Rite Debris Removal, Inc	FL	56211-19		$94,276.40		$94,276.40			
262	DUSTIN HOFFPAUIR	MS	56211-19		$567.00					
263	Dwight Anderson	MS	56211-19		$2,676.80					
264	Dwyers Tree Service	MS	56211-19		$3,942.00					
265	Earth Consulting Group, Inc.	MS	56211-19		$3,465.00					
266	Earth Solid Construction	MS	56211-19		$583,696.85		$583,696.85		$583,696.85	
267	East Coast Site Works	FL	56211-19		$107,929.10					
268	Eco-Tech of KY, LLC	KY	56211-19	$211,659.00						
269	EDSU, Inc.	AL	56211-19		$127,201.20					
270	EJ & Sons Trucking	MS	56211-19		$23,441.40					
271	Elgin Logging & Trucking	KY	56211-19		$220,745.70					
272	Elk Horn Forestry	WI	56211-19		$51,234.66					
273	ELKS SEPTIC TANK	MS	56211-19		$1,284.00					
274	Eller & Son	MS	56211-19		$99,645.66					
275	ELLET TRUCKING	MS	56211-19		$126,137.70					
276	Elliott, H B	MS	56211-19		$810.00					
277	Empire Construction Company	MS	56211-19		$208,283.50		$208,283.50			
278	Envirosmart of Mississippi	MS	56211-19		$1,421,019.86	$1,421,019.86	$1,421,019.86	$1,421,019.86		
279	ERIC BROWN	MS	56211-19		$1,879.20					
280	Ero-Con, LLC	MS	56211-19		$262,781.46					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
281	ERS	MS	56211-19		$1,915.20					
282	Estimbo Services, Inc.	MS	56211-19		$7,747.65					
283	Evans Land & Timber	MS	56211-19		$9,015.30					
284	Evans Truck	AL	56211-19		$69,183.90					
285	Everritt Harris	MS	56211-19		$5,092.20	$5,092.20	$5,092.20			
286	Express Forestry	MS	56211-19		$51,481.25					
287	Extreme Care Plus	MS	56211-19		$9,246.00					
288	F & G Forestry Services, Inc	MS	56211-19		$121,949.74					
289	F T & E SEED & STRAW	MS	56211-19		$10,554.30					
290	Fairview Lawn Pros	NC	56211-19		$174,441.60					
291	Father & Son Trucking	FL	56211-19		$12,000.96					
292	Fewell LLC	MS	56211-19		$459,958.71					
293	Finn Trucking, Inc	MS	56211-19	$255,825.60						
294	Firetower Lanfill	MS	56211-19		$687,288.75					
295	Fish & Fisher, Inc	MS	56211-19		$11,872,136.93	$11,872,136.93	$11,872,136.93			
296	Fisher Landscaping	MS	56211-19		$2,388.24					
297	Five Oak Builders, Inc.	MS	56211-19		$121,201.38					
298	Fleming Trucking	MS	56211-19		$171,642.24					
299	Flowers Trucking	MS	56211-19		$110,825.30					
300	Fogler Construction	MS	56211-19		$141,609.69					
301	FOOTHILLS ENVIRONM	MS	56211-19		$116,827.61					
302	Forestry Contractors	MS	56211-19		$29,233.20					
303	Four Season's Landscaping	IN	56211-19		$105,928.83					
304	Franks Trucking	MS	56211-19		$161,028.27					
305	Frazier Construction	MS	56211-19		$27,369.90					
306	Fred D. Graves	LA	56211-19		$257,221.45	$257,221.45				
307	FRED TUCKER LAWN SERVICE	MS	56211-19		$13,150.81					
308	French Trucking	MI	56211-19		$28,565.60					
309	Froggy's Tree & Debris	MS	56211-19		$10,111.50					
310	FT & E Seed & Straw	OH	56211-19		$175,899.35					
311	Furr & Associates, Inc	MS	56211-19		$200,755.55					
312	FURR AND ASSOC	MS	56211-19		$931.50					
313	G & T Trucking	WV	56211-19	$39,252.60						
314	G R Construction	MS	56211-19		$15,817.50					
315	Garrett Construction	MS	56211-19		$18,208.80					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
316	Gary Hayes	MS	56211-19		$57,936.80					
317	Gary Hinton	MS	56211-19		$9,115.20					
318	Gary M. Boykin	MS	56211-19		$510.30					
319	Gary McGrew	MS	56211-19		$4,112.55					
320	Gary O'Quinn	WV	56211-19		$51,278.40					
321	GARY RAYBURN	MS	56211-19		$9,339.30					
322	Gene A Porter	GA	56211-19		$5,719.50					
323	Global Disaster	MS	56211-19		$188,824.50					
324	Global Employment Services Inc	MS	56211-19		$63,267.36					
325	Global Environmental Solutions	MS	56211-19		$95,655.60					
326	Glory to God	MS	56211-19		$112,703.40					
327	GLOVER	MS	56211-19		$37,195.20					
328	GLYNN MALLETTE	MS	56211-19		$86,336.83					
329	Goal Post	MS	56211-19		$381,141.59					
330	Goff Farms	MS	56211-19		$28,115.10					
331	Golden Meadow	MS	56211-19		$33,162.97					
332	Good Hope, Inc.	MS	56211-19		$309,724.65					
333	GP Engineering & Surveying	MS	56211-19		$79,452.00					
334	GPUC	MS	56211-19		$21,425.50					
335	Graham Construction	MS	56211-19		$75,968.58					
336	Grainger	MS	56211-19	$2,125.24						
337	Green Leaf Tree Service	MS	56211-19		$80,929.62					
338	Greenscape of Brevard	FL	56211-19		$132,463.26					
339	Greenville Forest Products	GA	56211-19	$141,517.50						
340	Greg Matthys	IL	56211-19		$457,767.24					
341	Greg Phillips	MS	56211-19		$55,501.20					
342	GREG RIDLING	MS	56211-19		$1,061.10					
343	Greystone Builders, LLC	MS	56211-19		$88,145.55					
344	GSW Enterprise, Inc.	MS	56211-19		$24,325.20					
345	GTM Construction	MS	56211-19		$249,710.31					
346	Gulf Demolition LLC	MS	56211-19		$475,374.41					
347	Gulf Supply Co., Inc.	MS	56211-19		$21,383.63					
348	H & C Construction	MS	56211-19		$163,009.71					
349	H & H Construction	AR	56211-19		$8,229.60					
350	H & H Paving	MS	56211-19		$63,768.06					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
351	H & L Construction	MS	56211-19		$388,878.94					
352	H & R Waste Removal	MS	56211-19		$349,017.80					
353	H B Elliott	AR	56211-19		$13,541.85					
354	H2 Construction	MS	56211-19		$1,338,738.97					
355	HAAS & SONS	OH	56211-19		$34,113.60					
356	Haas Trucking	MS	56211-19		$1,662,416.39					
357	Hall Construction	SC	56211-19		$934,774.81					
358	HANCOCK LAND & PROPERTY	MS	56211-19		$18,335.70					
359	Hans Construction	MS	56211-19		$13,619.34					
360	Hansco Inc	TX	56211-19		$26,624.86					
361	Hard Way Dirt & Dozer	MS	56211-19		$31,565.70					
362	Hardee Trucking	MS	56211-19		$293,414.40					
363	Hardies Trucking	MS	56211-19		$3,903,183.28					
364	HARDWAY DIRT & DOZER	MS	56211-19		$40,767.30					
365	Harold Simmons	MS	56211-19		$4,657.50					
366	Harold Strong	MS	56211-19		$115,651.80					
367	Hartco Trucking, Inc.	MS	56211-19		$7,770.00					
368	Harter Transport LLC	MI	56211-19		$121,707.27					
369	Harvel Debris Removal	MS	56211-19		$6,599.07					
370	Hass Trucking	MS	56211-19		$54,315.10					
371	Hawk Sanitation & Recycling	NC	56211-19		$17,850.78					
372	HB ELLIOT	MS	56211-19		$1,778.40					
373	Helen's Landscaping	VA	56211-19		$103,464.30		$103,464.30			
374	Hemphill/EUTAW	MS	56211-19	$13,015,794.09						
375	HENLEY DUMPSTER	MS	56211-19		$21,440.25					
376	Herrin Timber Company	MS	56211-19		$286,813.69					
377	Herrington Construction	MS	56211-19		$277,311.40					
378	Hewett Construction LLC	MS	56211-19		$210,888.90					
379	Heywood Excavating Co Inc	OH	56211-19		$574,817.28					
380	HH Draper & Sons Inc.	MS	56211-19		$2,478.60					
381	HOFFMAN CONSTRUCTION	MS	56211-19		$428.80					
382	Holifield Construction	MS	56211-19		$14,351.94					
383	Home Care service Center / DRT 1	FL	56211-19		$46,952.91					
384	Hope Vance Trucking	VA	56211-19		$27,064.80					
385	Horn S Stone	MS	56211-19		$36,693.00					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
386	House Trucking	MS	56211-19		$1,971.00	$1,971.00				
387	HULL CONSTRUCTION	MS	56211-19		$18,362.70					
388	HURRICANE TIMBER	MS	56211-19		$1,012.50					
389	Huston Hartfield	MS	56211-19		$2,156.00					
390	Hutchinson Construction	MS	56211-19		$145,046.99					
391	IDA E. GORDON	CO	56211-19		$23,055.43					
392	IES INC	MS	56211-19		$190,064.70					
393	Ignacio De La Cruz	MS	56211-19		$2,512.35					
394	INERNATIONAL ENERGY RESOURC	MS	56211-19		$55,060.88					
395	INFINITE SITE MGMT	MS	56211-19		$242,977.79					
396	Inland Pacific, LLC	MS	56211-19		$658,531.01					
397	Innovative Builders Inc	MS	56211-19		$263,742.44					
398	Intergrity Contracting and Debris	MS	56211-19		$55,586.25					
399	International Energy Resources LLC	MS	56211-19		$1,239,787.12					
400	Irby Equipment Inc	FL	56211-19		$121,149.00					
401	Iron Point Construction	FL	56211-19		$50,897.97					
402	IRRIGATION AND MORE	MS	56211-19		$8,332.20					
403	Ishee, William	MS	56211-19		$1,101.60					
404	J & J Trucking	MS	56211-19		$15,526.17					
405	J & K Construction	MS	56211-19		$342,491.85					
406	J & S Contracting	OK	56211-19		$77,063.40					
407	J CALDARERA & CO	MS	56211-19		$125,738.40					
408	J D Construction LLC	TN	56211-19		$25,280.10					
409	J In & Out Tree Service	MS	56211-19		$42,860.16	$42,860.16				
410	J Jaguar Tree & Contracting Srv	MS	56211-19		$83,069.40					
411	J Jaz Trucking, Inc	MS	56211-19		$22,279.45					
412	J L Arborist LLC	MS	56211-19		$83,456.55					
413	J Mack Construction, Inc.	OH	56211-19		$82,264.41					
414	J. Dave Bartel	IL	56211-19		$189,224.47	$189,224.47				
415	J.D. Construction	MS	56211-19		$63,690.30					
416	J.P. & Sons Dredging LLC	MS	56211-19		$3,548.00					
417	Jackie L Patterson	MS	56211-19		$29,817.00					
418	Jackson Industries, Inc	MS	56211-19		$8,814.85					
419	Jackson Trucking	MS	56211-19		$3,496.05					
420	Jacob Baylos Goff	MS	56211-19		$4,734.00					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
421	James G Sanders	AL	56211-19		$27,841.50					
422	JAMES JENSEN	MS	56211-19		$158,883.30					
423	James Littlefield	MS	56211-19		$19,000.00					
424	James Lynn Carlidge	MS	56211-19		$39,780.00					
425	James Moore	MS	56211-19		$689.58					
426	James Sanders	MS	56211-19		$6,750.00					
427	James Trucking	MS	56211-19		$131,537.86					
428	JANDREAU TRUCKING INC	MS	56211-19		$589,445.28					
429	Jarrett Trucking Inc	FL	56211-19		$105,110.31					
430	Jason Ard's Tree Service	MS	56211-19		$36,200.40					
431	Jason Buffington Grading	GA	56211-19		$137,794.32					
432	Jason Santiago	MS	56211-19		$7,102.56					
433	JD Construction, LLC	MS	56211-19		$1,290,798.60					
434	JD RAIL & STORM SERVICE INC	MS	56211-19		$13,737.60					
435	JEANNIE GALLOWAY	MS	56211-19		$901.88					
436	Jeff Desiato	MS	56211-19		$12,279.60					
437	Jeff Edwards dba JBJ, Inc	MS	56211-19		$31,111.15					
438	Jeffrey Weston Mann	MS	56211-19		$97,619.85					
439	Jensen, James	MS	56211-19		$12,295.80					
440	Jeremy Gambill	MS	56211-19		$11,517.30					
441	Jemigan Enterprises	AR	56211-19		$1,101,711.18					
442	JGT, Inc	MS	56211-19		$1,310,579.61					
443	Jim McBain	TX	56211-19		$2,125.80					
444	Jim Parker Building Co, Inc.	MS	56211-19		$101,352.60					
445	Jimmy Elkins Logging, Inc	MS	56211-19		$231,254.46					
446	JM Trucking	MS	56211-19		$3,968.10					
447	JMS d/b/a MARK JAMIESON	MS	56211-19		$4,820.40					
448	J-N-B Enterprises, LLC	AR	56211-19		$3,121.20	$3,121.20	$3,121.20	$3,121.20		
449	Joe Breland	MS	56211-19		$22,311.00					
450	Joe Cuevas	MS	56211-19		$29,168.55					
451	Joe P Medina Jr	GA	56211-19		$42,012.00					
452	Joey Boudin Hauling & Equipment	MS	56211-19		$2,533,652.95					
453	Joey P Moran	MS	56211-19		$30,438.00					
454	JOHN BOYLES	MS	56211-19		$1,053.00					
455	JOHN BROCK	MS	56211-19		$450.00					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
456	John H Sossaman Trucking	MS	56211-19		$18,447.10					
457	JOHN HENRY MCGEE	MS	56211-19		$9,859.00					
458	John Kasinger	MS	56211-19		$4,546.80					
459	JOHN KENNEDY	TX	56211-19		$212,010.52					
460	JOHN MCLENDON	MS	56211-19		$6,354.76					
461	JOHN OBRIEN	MS	56211-19		$52,632.00					
462	JOHN RENEAU	MS	56211-19		$3,024.00					
463	John Ward Solomon	MS	56211-19		$474,140.73					
464	Johnny Brown	MS	56211-19		$4,506.30					
465	Johns Truck and Tractor Service LLC	LA	56211-19		$7,782.48					
466	Jonathan Williams	MS	56211-19		$8,116.20					
467	Jones Chip Mill Inc	MS	56211-19		$349,141.51					
468	Jordans Landscaping	MS	56211-19		$169,336.78					
469	Jose Hernandez	MS	56211-19		$70,743.60					
470	Josh Kasinger	MO	56211-19		$4,266.00					
471	JTS Holding, LLC	MS	56211-19		$61,068.33					
472	JUAN ESQUIVEL	FL	56211-19		$12,738.60	$12,738.60				
473	Jupiter Enterprises Inc	NC	56211-19		$541.89					
474	Juramco Inc.	MS	56211-19		$15,036.48	$15,036.48		$15,036.48		
475	JUSTIN HERRINGTON	MS	56211-19		$2,754.00					
476	Justyn Sheets	AR	56211-19		$118,519.20					
477	JW Construction & Earthworks	MS	56211-19		$4,879.44					
478	JW GIBSON	MS	56211-19		$4,832.46					
479	K & C Tree Service / David Cogburn	AR	56211-19		$4,208,190.39					
480	K & K Trucking	MS	56211-19		$56,035.80					
481	K & M ENTERPRISE	MS	56211-19		$754,667.06					
482	K & P Construction	MS	56211-19		$147,987.05					
483	K & S Industrial Repair, Inc	MS	56211-19		$11,668.35					
484	K & T Contracting	MS	56211-19		$15,629.76					
485	K R BORRIES	MS	56211-19		$1,952.10					
486	KAREN SMITH	MS	56211-19		$25,659.45					
487	Kass Brothers, Inc.	MS	56211-19		$1,717.20					
488	Keith Gable	MS	56211-19		$12,447.00	$12,447.00				
489	KEITH LEE	MS	56211-19		$1,487,108.16					
490	Kelvin R Freeman	MS	56211-19		$175,977.90					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
491	Ken Verbout Trucking	MS	56211-19		$56,804.85					
492	Kenneth Byrd	MS	56211-19		$29,736.00					
493	KENNY MIXON	MS	56211-19		$213,608.61					
494	Kenny Sheets	AR	56211-19		$68,574.60					
495	Ket Hea Haul It	MS	56211-19		$30,630.96					
496	Kevin Carson	OK	56211-19		$11,275.00					
497	Key Hea & Key Hea Haul It	MS	56211-19		$302,378.08					
498	Killingsworth Construction	MS	56211-19		$10,789.20					
499	Kiln Trucking Inc	MS	56211-19		$2,126,256.42					
500	KINGDOM	MS	56211-19		$820.80					
501	Kodie Co, Inc.	MS	56211-19		$973,887.50					
502	KR BORRIES	MS	56211-19		$656.10					
503	KRL CONCRETE	MS	56211-19		$3,450.60					
504	KTM	MS	56211-19		$39,590.10					
505	L & A Contracting	MS	56211-19	$8,852,935.69						
506	L & L CONST OF LEAKSVILLE INC	MS	56211-19		$823.50					
507	L & W	MS	56211-19		$5,041.80					
508	Lace Construction	MS	56211-19		$91,325.16					
509	LAMAR THOMAS	MS	56211-19		$3,805.20					
510	Lampkin Construction Co, Inc	MS	56211-19		$6,400,849.21					
511	LANDTIS CORP	MS	56211-19		$11,749.50					
512	Land-Tis Truck Inc	IL	56211-19		$6,853.50					
513	Langfitt Construction	MS	56211-19		$75,356.52					
514	Larkco Construction of LA, Inc	LA	56211-19		$84,630.20					
515	LARRY BOURNE	MS	56211-19		$531.00					
516	Larry Merritt	MS	56211-19		$1,656.00					
517	Lawns Unlimited of Central FL Inc	FL	56211-19		$4,619.88					
518	Lawrence Window & Siding Co	AR	56211-19		$503,513.49					
519	LAZARO GONZALES	MS	56211-19		$5,823.90					
520	Lee Camp Services	MS	56211-19		$369,832.41					
521	LEE SHOEMAKE ELECTRICAL	MS	56211-19		$667.62					
522	Lee Tractor Service	MS	56211-19		$229,313.26					
523	LeNouveau Construction	MS	56211-19		$19,658.47					
524	Lightning Disposal Inc	MN	56211-19		$37,521.90					
525	Limbs & Leaners	MS	56211-19		$459,226.26					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
526	Littleton Storm and Timber	IL	56211-19		$39,941.50					
527	Lizana Trucking	MS	56211-19		$246,828.34					
528	LJR General Contractors, Inc.	MS	56211-19		$266,940.54					
529	Lolita Hixon	MS	56211-19		$2,500.00	$2,500.00	$2,500.00			
530	Long Valley Timber	MS	56211-19		$143,808.31					
531	Loomis & Associates, LLC	FL	56211-19		$200,000.00					
532	Lousiana Dirt	LA	56211-19		$263,073.51					
533	Love Construction	MS	56211-19		$12,384.90					
534	Loves Trucking LLC	MS	56211-19		$291,568.32					
535	LS Enterprises, Inc.	MS	56211-19		$1,411,256.04					
536	LT Landscaping	LA	56211-19		$2,664.90					
537	LT TWIN	MS	56211-19		$20,533.50					
538	Lubrano Enterprises	FL	56211-19		$16,232.40					
539	Luis Egozcue	MS	56211-19		$3,149.21					
540	Lummus Farms	TX	56211-19		$65,061.63					
541	M & B Construction Services	MS	56211-19		$89,103.12					
542	M & D Construction Co Inc	MS	56211-19		$2,216,457.47					
543	M & E Environmental Service LL	MS	56211-19		$11,261.75					
544	M & M Lawn Care and Clearing	NC	56211-19		$2,062.15					
545	M & M Services	MS	56211-19		$15,168.60					
546	M & M TRUCKING	MS	56211-19		$60,701.40					
547	M & R Debris Management LLC	AR	56211-19		$6,042.60					
548	M Gordon Excavating	VA	56211-19		$258,795.27					
549	M R Anderson & Sons Construction	MS	56211-19		$77,243.40					
550	Mabie Trucking Inc	MI	56211-19		$12,295.80					
551	Macland Disposal	MS	56211-19		$5,437,321.30					
552	Magnolia Landfill	MS	56211-19		$1,450,892.40					
553	Maintenance Systems, Inc.	MS	56211-19		$12,800.00					
554	Mallette Brothers	MS	56211-19		$992,209.80					
555	Mallette Drywall & Construction	MS	56211-19		$307,750.45					
556	MAR INC	MS	56211-19		$21,867.57					
557	Marita, LTD	IL	56211-19		$2,632,680.70				$2,632,680.70	
558	MARITIME EQUIP SERV	MS	56211-19		$39,789.63					
559	Maritime Equipment Services Inc	AL	56211-19		$16,920.90					
560	MARK HOLDER	MS	56211-19		$1,814.40					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
561	Mark Jamieson Construction	MS	56211-19		$76,472.28					
562	Mark S Moran	MS	56211-19		$10,381.50					
563	MARLIN CONSTRUCTION	MS	56211-19		$20,995.20					
564	Marlin Contracting Co Inc	MS	56211-19		$4,889.57					
565	MARLINTA LTD	MS	56211-19		$34,238.70					
566	Marquis Tree Service, Inc.	MS	56211-19		$185,020.56					
567	Marsh Excavating	IL	56211-19	$50,178.75						
568	MARTIN BISHOP	MS	56211-19		$15,596.10					
569	Martin Timber	MS	56211-19		$266,382.31					
570	Marvin Lacoste	MS	56211-19		$157,876.24					
571	Mary Cordell	SC	56211-19		$355,225.10		$355,225.10			
572	MARY SHEPARD	MS	56211-19		$4,599.00					
573	Mason Detailing and Lawn Service	MS	56211-19		$12,413.70					
574	Mathew Pendleton	MS	56211-19		$150.00					
575	Matthews Trucking and Construction	MS	56211-19		$19,340.37					
576	Maverick Trozzi	AR	56211-19		$3,685.50					
577	McBride Co.	MS	56211-19		$79,453.80					
578	McClellon Trucking Lines	MS	56211-19		$41,364.00					
579	McCoy's Construction Service	MS	56211-19		$14,204.16					
580	MCCRANIE	MS	56211-19		$1,142.10					
581	McDaniel Dozer Service	MS	56211-19		$47,245.55					
582	McGuire Trucking	MS	56211-19		$35,569.80					
583	MCKINNON	MS	56211-19		$35,016.30					
584	McKlaud, Inc	MS	56211-19		$35,256.60					
585	McQueen Construction	MS	56211-19		$1,727,683.69					
586	MDJ Contracting, LLC	MS	56211-19		$59,958.90					
587	MDR Enterprises Inc	LA	56211-19		$49,968.09					
588	MELVIN FUNES	MS	56211-19		$3,304.80					
589	Meyer Engineers, LTD	MS	56211-19		$711,636.85					
590	Michael Carriles	MS	56211-19		$54,186.80					
591	MICHAEL DUNN	MS	56211-19		$940.50					
592	MICHAEL GUY	MS	56211-19		$27,783.00					
593	Michael L. Holmes	MS	56211-19		$5,038.36					
594	Michael M. Houllis	MS	56211-19		$35,117.14					
595	Michael Presley	MS	56211-19		$14,256.00					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
596	Mid South Clean Up	MS	56211-19		$403,345.71					
597	Mike Farmer	MS	56211-19		$911.25					
598	MIKE HARDY	MS	56211-19		$2,160.00					
599	Mike Rotundu Inc	FL	56211-19		$188,074.80					
600	MILDRED AMACKER	MS	56211-19		$1,435.00					
601	Mildred Porter	VA	56211-19		$33,484.40		$33,484.40			
602	Miller Logging	MS	56211-19		$85,003.02					
603	Mills Trucking	MS	56211-19		$78,329.79					
604	Mimbers Tree & Debris	MS	56211-19		$10,512.00					
605	Minuteman Wood Recycling, Inc.	MS	56211-19		$109,997.55					
606	Mississippi Haulers	MS	56211-19		$987,282.04					
607	Mississippi Hauling	MS	56211-19		$15,649.20					
608	Mississippi State Chemical Lab	MS	56211-19		$435.00					
609	Mitchell Homes	MS	56211-19		$24,243.30					
610	Moore Tree Care, Inc.	MS	56211-19		$39,698.55					
611	Moores Trucking	NC	56211-19		$38,515.50					
612	Moosehead Harvesting	CT	56211-19		$693,557.46		$693,557.46			
613	Moran Hauling Inc	MS	56211-19		$571,569.30					
614	MORRIS SMITH	MS	56211-19		$110,601.00					
615	Morrison, Robert	MS	56211-19		$12,951.90					
616	Morton & Bishop Paving	TN	56211-19		$62,666.10					
617	MOSELEY MALLETTE	MS	56211-19		$61,336.83					
618	MQUEEN CONSTRUCTION	MS	56211-19		$1,749.60					
619	MRA, INC	MS	56211-19		$395,723.30					
620	MS HAULING	MS	56211-19		$35,891.10					
621	MS KENNETH MCGHEE	MS	56211-19		$600.00					
622	MT Excavating	KS	56211-19		$4,102.65					
623	MTC Environmental	MS	56211-19		$60,714.00					
624	Mullins Enterprises	KY	56211-19		$298,772.11					
625	Multi-Trade Contractors Inc	FL	56211-19		$13,885.02					
626	Muskie Construction, Inc.	MS	56211-19		$17,711.95					
627	N & J Hoda Trucking	MS	56211-19		$20,249.19					
628	N. Toledo Bend Contractors	MS	56211-19		$6,550.47					
629	Natco Inc	TN	56211-19	$4,500,000.00						
630	Nathan Gay Trucking	KY	56211-19		$31,619.70					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
631	NDCS	MS	56211-19		$21,993.12					
632	Needmore Trucking & Construction	AL	56211-19		$402,721.32		$402,721.32		$402,721.32	
633	New Deal (Wilson)	MS	56211-19		$382,133.00					
634	New Design Construction	MS	56211-19		$90,990.00					
635	NFS BURBANO	MS	56211-19		$440,920.80					
636	Nicholas Construction, Inc	MS	56211-19		$68,433.95					
637	Nicks Dozer and Tractor	MS	56211-19		$195,598.80					
638	Nikki Tingstrom	MS	56211-19		$3,829.50					
639	Nirdlinger Trucking Co., LLC.	MS	56211-19		$74,003.40					
640	Norhop Inc	FL	56211-19		$17,593.20					
641	Norris Dirt Work	MS	56211-19		$332,041.00					
642	North Beach Haulers LLC	MS	56211-19		$649,483.03					
643	North Texas Coring	MS	56211-19		$7,287.57					
644	North Toledo Bend Contractors Inc	TX	56211-19		$123,515.10					
645	Northern Environmental	MS	56211-19		$478,862.12					
646	Norton-Phillips Enterprise	SC	56211-19		$16,815.60					
647	O & O Contractors, Inc.	MS	56211-19		$32,115.33					
648	Ocala Tree Debris Recycling Inc	FL	56211-19		$1,349,049.67					
649	Ogle Tree Construction	MS	56211-19		$84,427.80					
650	Okatoma Outdoor Post	MS	56211-19		$64,610.64					
651	On Sight Inc.	KS	56211-19		$79,063.60					
652	Onyx	WI	56211-19	$105,200.34						
653	Oreo Debris, Inc	MS	56211-19		$178,512.66					
654	Out On A Limb Tree Removal	CA	56211-19		$25,239.60					
655	P & L Construction	MS	56211-19		$6,453.00					
656	P.B. Building	MS	56211-19		$44,415.00					
657	Parkman Tree Service, Inc.	MS	56211-19		$247,517.64					
658	Patco Piping Inc	KY	56211-19		$34,271.10					
659	Pate Farms & Heavy Equipment	MS	56211-19		$54,043.20					
660	Patricia Mitchell	MS	56211-19		$33,756.90					
661	Paul Bunyan, Inc.	PA	56211-19		$768,009.32					
662	Paul Norris	MS	56211-19		$57,937.40					
663	PBT	AL	56211-19		$889,756.69					
664	Pelican Air Service	MS	56211-19		$8,056.00					
665	Pentagon Contractors	NC	56211-19		$30,639.70					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
666	Peoples Choice Services Inc	CO	56211-19		$34,304.31					
667	Performance Construction Inc	OH	56211-19		$38,079.72					
668	Peter S Griffin	MS	56211-19		$7,420.50					
669	Phillips Recoveries Gulf Coast Div LLC	MS	56211-19		$273,537.90					
670	Pierce, Charles	MS	56211-19		$10,424.70					
671	Pike Construction Inc	MS	56211-19		$205,476.30					
672	Pirate Recovery	MS	56211-19		$115,545.06					
673	PMI Service	AR	56211-19		$773,253.40					
674	Polo Canal Development LLC	MS	56211-19		$392,649.63					
675	POWELL	AR	56211-19		$35,651.70					
676	Power Pack MS.	MS	56211-19		$87,890.40					
677	PPP	MS	56211-19		$1,547.10					
678	Precision T&B Pavers Inc	FL	56211-19		$8,671.50					
679	PRECISION TREE REMOVAL	MS	56211-19		$1,749.60					
680	PREM INC	MS	56211-19		$3,264.87					
681	Pridgeon & Rogers Inc	FL	56211-19		$188,154.90					
682	Prince Tree Service	MS	56211-19		$2,767.50					
683	Printer Parts Plus	MS	56211-19		$2,495,899.48					
684	Professional Tree Service of Milton Fl	FL	56211-19		$922,246.55					
685	PROFORMANCE	MS	56211-19		$287,371.47					
686	PSI II, Inc.	MS	56211-19		$16,800.00					
687	Qualitree	MS	56211-19		$62,130.51					
688	QUALITY LAWN SERVICE	MS	56211-19		$236,862.81					
689	Quails Trucking	AR	56211-19		$17,380.44					
690	R & B Trucking	OH	56211-19		$42,151.14					
691	R & L Logging Inc	AR	56211-19		$158,609.70					
692	R & R ENVIRONMENTAL SERVICES	MS	56211-19		$132,215.40					
693	R & S Debris Removal, Inc	AR	56211-19	$449,049.10						
694	R D Flint Enterprises	MS	56211-19		$2,217.60					
695	R J MANN	MS	56211-19		$2,008.80					
696	R. A. MEYN	MS	56211-19		$11,974.50					
697	Raceland Pistol Range	MS	56211-19		$28,204.20					
698	Randall Ladner	MS	56211-19		$34,960.50					
699	Randy Byrd	MS	56211-19		$615.25					
700	RANDY DANNY INC	MS	56211-19		$88,369.50					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
701	Randy Davidson Trucking	PA	56211-19		$52,859.79					
702	Randy's Debris Haulers, Inc.	MS	56211-19		$16,359.84					
703	RAS Construction	NC	56211-19		$77,280.39					
704	Ray Environmental Services	GA	56211-19		$2,863,429.55					
705	Rayco Distributors, Inc	MS	56211-19		$149,947.20					
706	RAYMOND LUKE	MS	56211-19		$70,993.66					
707	Raynor Shine Tree Svc, Inc.	MS	56211-19		$335,702.15	$335,702.15				
708	RCL PROPERTIES	MS	56211-19		$1,311.75					
709	RDW Investments	TX	56211-19		$1,757.70					
710	RECOVERY MANAGEMNT	AK	56211-19		$554,459.34					
711	Renzo Anderson Trucking	MS	56211-19		$31,342.50					
712	Rhino Construction	MS	56211-19		$471,242.08					
713	Richard Holmes Dozer & Trackhoe	MS	56211-19		$30,052.00					
714	RICHARD TANNER	MS	56211-19		$526.50					
715	Ricky Norton	MS	56211-19		$2,700.00					
716	Ridgeback Enterprise	NC	56211-19		$50,788.20					
717	Riley Contracting	MS	56211-19		$105,216.25					
718	Riley Tree	AL	56211-19		$209,786.94					
719	Rio Indio	MS	56211-19		$63,763.20					
720	Riptide	MS	56211-19		$193,718.61					
721	RITA ENDT	MS	56211-19		$1,337.50					
722	River Ace Transport, Inc.	MS	56211-19		$1,782,063.08					
723	RJ Mann	MS	56211-19		$4,924.80	$4,924.80				
724	RJB, LLC	MS	56211-19		$69,112.35					
725	RJR Contractors	MS	56211-19		$1,046,929.90					
726	RM Hauling & Construction	MS	56211-19		$10,993.50					
727	RM SHOWS CONSTRUCTION	MS	56211-19		$745,719.98					
728	ROBERT CANTER TRUCKING	MS	56211-19		$3,119.85					
729	Robert E Wegnerowski Jr Inc	FL	56211-19		$17,586.72					
730	Robert E. Graves, Inc.	AL	56211-19		$3,632,507.92					
731	ROBERT FURR	MS	56211-19		$11,116.80					
732	ROBERT JENKINS	MS	56211-19		$1,676.70					
733	Robert Louis Glover	MS	56211-19		$242,366.02					
734	Robert W Morrison	TN	56211-19		$7,662.60					
735	Robert Wade	MS	56211-19		$78,021.00					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
736	Roberts Construction	MS	56211-19		$58,708.80					
737	Robinson Grading	MS	56211-19		$4,938.00					
738	Robl Farms	MI	56211-19		$282,985.38					
739	Rock N Logs	WI	56211-19		$177,419.52					
740	Rocking S Enterprises, LLC	MS	56211-19		$39,179.97	$39,179.97				
741	Rockpile Construction	MS	56211-19		$236,922.52					
742	Roger Carter Inc	OH	56211-19		$148,284.00					
743	Roger Tree	MS	56211-19		$56,210.13					
744	Romero Harvesting	FL	56211-19		$65,451.60					
745	RONALD BROWN	MS	56211-19		$704.70					
746	Ronald Mullins dba What Trucking	WV	56211-19		$18,706.00					
747	Ronnie Davidson	MS	56211-19		$1,100.00					
748	Ronnie Sheets	MS	56211-19		$5,323.86					
749	ROY GLEN NEWELL	MS	56211-19		$7,862.40					
750	RP&S Construction Co	MS	56211-19		$5,463.00			$5,463.00		
751	RRW Construction, LLC.	MS	56211-19		$416,220.00					
752	Ruddy Larzaespada	MS	56211-19		$4,915.35					
753	Ruiz Harvesting	FL	56211-19		$183,130.65					
754	Rushing Welding	MS	56211-19		$759.70					
755	RWW Construction, LLC.	MS	56211-19		$363,180.00					
756	S & B Contracting	MS	56211-19		$55,282.50	$55,282.50				
757	S & C LLC	MS	56211-19		$20,298.60					
758	S & H	MS	56211-19		$167,256.27					
759	S & R Poultry Construction	MS	56211-19		$2,532.60					
760	S & S ENTERPRISES	MS	56211-19		$152,580.24					
761	S & S Recovery Service, LLC	MS	56211-19		$539,706.42					
762	S & S Waste Management, Inc.	MS	56211-19		$228,235.05					
763	S & W Debris Removal	VA	56211-19		$421,298.00		$421,298.00			
764	S H Anthony	MS	56211-19		$63,135.00					
765	S K TRUCKING INC	MS	56211-19		$170,937.90					
766	S. MONTELONE	MS	56211-19		$23,643.43					
767	S.L. Jameson	FL	56211-19		$382,753.70					
768	Saddle Back Properties	TX	56211-19		$91,486.44					
769	Saline Creek Logging Inc	AR	56211-19		$350,111.50					
770	Samuelson Hardwoods Inc	MN	56211-19		$415,920.78					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
771	Santa Rosa Tree & Lawn Care Inc	MS	56211-19		$1,347,038.56					
772	Schultz Logging	AR	56211-19		$2,016.90					
773	Scott Christian Enterprises	OK	56211-19		$294,499.80					
774	SCOTT JONES	MS	56211-19		$540.00					
775	Scott Lewis Gardening & Trimming	FL	56211-19		$161,778.76					
776	Scott Smith	MS	56211-19		$11,717.55					
777	SCOTT WILLIAMS	MS	56211-19		$6,207.30					
778	SE ENVIRONMENTAL SERVICES	MS	56211-19		$22,574.70					
779	Security Transportation Spec	MS	56211-19		$48,575.70			$48,575.70		
780	Senn Land & Timber, LLC	MS	56211-19		$683,164.72					
781	Session's Contracting	AL	56211-19		$14,747.67					
782	SETH SIMPSON	MS	56211-19		$1,125.00					
783	Sexton	MS	56211-19		$29,302.56					
784	SGT	GA	56211-19		$32,823.00					
785	Shady Grove	MS	56211-19		$53,496.00					
786	Sharon Shaw	MS	56211-19		$28,458.00					
787	Shelter Roofing, LLC	MS	56211-19		$181,064.70					
788	Sidney R. Key	MS	56211-19		$18,517.05					
789	Simmons Erosion Control Inc	MS	56211-19		$2,049,672.00	$2,049,672.00	$2,049,672.00			
790	Sims Trucking Company Inc	MS	56211-19		$292,499.63					
791	Singleton Equipment LLC	AR	56211-19		$4,008.60					
792	Site & Pipe Inc.	FL	56211-19		$1,052,576.00	$1,052,576.00	$1,052,576.00			
793	SK TRUCKING INC	MS	56211-19		$47,168.10					
794	Smalley Development	MS	56211-19		$21,600.90					
795	Smith Dozer & Gravel	MS	56211-19		$72,169.41					
796	Smith Mitchell	MS	56211-19		$8,000.00					
797	Smitty's Enterprises Inc.	MS	56211-19		$624,360.72					
798	S-N-R Investments, LLC	MS	56211-19		$47,683.80					
799	South Beach Restorations	MS	56211-19		$309,994.02					
800	South Mississippi Timber Inc	MS	56211-19		$286,487.56					
801	South Texas Landscaping	TX	56211-19		$647,077.77					
802	Southeast Auto Glass	FL	56211-19		$11,534.40					
803	Southeast Env Services	MS	56211-19		$344,692.67					
804	Southeast Georgia Transport	GA	56211-19		$29,932.00					
805	Southern Construction	MS	56211-19		$149,990.40					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
806	SOUTHERN ENVIRONMENTAL	MS	56211-19		$393,931.18					
807	Southern Equipment Exchange	MS	56211-19		$9,034.65					
808	Southern Hauling Inc	AR	56211-19		$277,451.78					
809	Southern Landscapes LLC	MS	56211-19		$535,674.55					
810	Southern Recycling Disaster	MS	56211-19		$22,141.02					
811	Southern Svc's Trucking, LLC	MS	56211-19		$1,328,259.60					
812	Southern Utilities, Inc.	MS	56211-19		$41,472.05					
813	Southland Trucking	MS	56211-19		$37,912.86					
814	Spencer A. Olson Trucking LLC	MS	56211-19		$5,500.80			$5,500.80		
815	Spencer Gravel Co LLC	MS	56211-19		$35,793.00					
816	SRS Inc	AL	56211-19	$1,332,100.00						
817	SRT	MS	56211-19		$83,062.40					
818	Stan 4 D Construction	MS	56211-19		$43,285.70					
819	Standby Technical Services	MS	56211-19		$1,469,295.09					
820	Stanley Jordan	MS	56211-19		$12,915.00					
821	Stein & O Keefe, LLC	MS	56211-19		$42,176.70					
822	STEPHANIE DISASTER RELIEF	MS	56211-19		$3,586.50					
823	STEPHEN GRAY	MS	56211-19		$8,343.00					
824	Steve Cox Logging	KY	56211-19		$11,536.20					
825	Steven Waters	MS	56211-19		$1,746.00					
826	Stewarts Lawncare & Nursery	MS	56211-19		$41,400.72					
827	Storm Reconstruction Svcs, Inc	MS	56211-19	$1,926,458.63						
828	STS	MS	56211-19		$18,264.60			$18,264.60		
829	Sue & Harman Brannan	MS	56211-19		$42,200.00					
830	Sullivan Trucking	MS	56211-19		$3,168.00	$3,168.00				
831	Sulphur Springs Debris Removal	MS	56211-19		$54,042.30					
832	Sunnybrook Construction	TX	56211-19		$157,405.50					
833	Superior Digging	MS	56211-19		$21,893.20					
834	Superior Environmental Svcs	MS	56211-19		$111,039.66					
835	Superior Mulch	MS	56211-19		$456,377.76					
836	Sure Form	MS	56211-19		$106,132.86					
837	Surface Solutions of TB, Inc.	MS	56211-19		$160,306.58					
838	Susan Kay Trucking	MS	56211-19		$67,402.80		$67,402.80			
839	Sutherland Transport	VA	56211-19		$23,825.93					
840	Sysbro	MS	56211-19		$143,509.95					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
841	T & C CONSTRUCTION	MS	56211-19		$7,884.90					
842	T & G Farms	MS	56211-19		$8,330.04					
843	T & S Services	MS	56211-19		$308,025.15					
844	T Byrd & Son Trucking	TN	56211-19		$5,518.80					
845	Tag Grinding Services, Inc.	AL	56211-19		$105,052.11					
846	Taylor Contractor Co Inc	MS	56211-19		$277,202.37					
847	Taylor Trucking	MS	56211-19		$14,418.00					
848	TC Webb Transport	FL	56211-19		$25,605.00					
849	TCB Construction	MS	56211-19		$131,819.76					
850	TD EXCAVATING	MS	56211-19		$191,824.94					
851	Terry Haley, Kingdom	MS	56211-19		$4,622.00					
852	TERRY SIMS	MS	56211-19		$1,600.00					
853	Terry Smith	MS	56211-19		$39,001.50					
854	TERRYS TREE SERVICE	MS	56211-19		$15,576.30					
855	Texas Tree & Landscape	TX	56211-19		$119,540.90	$119,540.90				
856	The Big Red Can	MS	56211-19		$58,918.50					
857	The Tyler Times	MS	56211-19		$1,210.99					
858	THELIN RECYCLING CO LP	MS	56211-19		$148,500.00					
859	Thelin Recycling Co, LP	MS	56211-19		$472,448.56					
860	Thomas E Talley	MS	56211-19		$6,080.40					
861	THOMAS LOG CABIN HOMES	MS	56211-19		$27,143.10					
862	Thomas Mixon	MS	56211-19		$103,089.60					
863	Thompson Pump	MS	56211-19		$18,569.91					
864	Thompson Trucking	AR	56211-19		$1,233.00					
865	Tillery Construction, LLC	MS	56211-19		$527,759.90					
866	TIM GRAY	MS	56211-19		$26,154.00					
867	Tim Martin	AR	56211-19		$724.95					
868	Tim Parker Construction Inc	MS	56211-19		$104,863.50					
869	Timberland Harvesters Inc	AL	56211-19		$9,857.70					
870	Tippah Tree Service	MS	56211-19		$241,142.10					
871	TIPTON	MS	56211-19		$17,439.30					
872	TKO Operations Unlimited	MS	56211-19		$56,702.70					
873	TLC Landscaping Services	FL	56211-19		$80,855.40					
874	TNT	MS	56211-19		$36,620.10					
875	Tolbert Tree Service	MS	56211-19		$53,441.10			$53,441.10		

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
876	TONY & JAQUEL LARANGERIA	MS	56211-19		$1,100.00					
877	TONY TRAPANI	MS	56211-19		$3,775.50					
878	Top Branch Tree Service	MS	56211-19		$2,825,031.67					
879	Total Land & Tree / Lawncare	MS	56211-19		$176,073.93					
880	Toys 4 Boys LLC	FL	56211-19		$6,720.52					
881	Tracy Miller	MS	56211-19		$272,985.48					
882	Tree Smart	MS	56211-19		$131,886.54					
883	Tree Tech	MS	56211-19		$181,546.83					
884	Tri County Enviromental	MS	56211-19		$278,117.31					
885	Tri State Grinding	MS	56211-19		$506,101.86					
886	Triad Hauling	MS	56211-19		$61,964.24					
887	Triangle Maintenance Service LLC	MS	56211-19		$5,839.39					
888	Tri-County Trucking	FL	56211-19		$13,415.40					
889	Trinity Transport Systems, Inc	MS	56211-19		$313,046.10					
890	Triple 7 Trucking	MS	56211-19		$89,901.00					
891	Triple A Tree Service	MS	56211-19		$10,181.25					
892	Triple S Concrete	MS	56211-19		$1,420,185.80					
893	Triple T Construction	MS	56211-19		$42,692.49					
894	TruckLA Services	MS	56211-19		$130,346.10					
895	Turner Logging	MS	56211-19		$185,885.73					
896	TURNER MANAGEMENT GROUP	MS	56211-19		$1,605.60					
897	Twin "L" Construction	MS	56211-19		$747,450.23					
898	Twin Shores Landscape	MS	56211-19		$11,259.00					
899	Twinkle Town Tree Trimmers	MS	56211-19		$82,620.81					
900	Two-Sun Properties	MS	56211-19		$276,108.66	$276,108.66				
901	U.S. Contractors	MS	56211-19		$256,693.80					
902	U.S.A. Disaster Recovery	LA	56211-19		$122,369.70					
903	Ulticom Construction	MS	56211-19		$41,877.99					
904	Underwood Disaster Recovery LLC	FL	56211-19		$21,178.53					
905	United Site Services	MS	56211-19		$52,129.80					
906	Unlimited	MS	56211-19		$1,051,433.32					
907	UPTON TRUCKING	MS	56211-19		$159,737.40					
908	Utilicom	TX	56211-19		$16,927.92					
909	V & W CONSTRUCTION	MS	56211-19		$41,974.20					
910	Valley View Construction, LLC	MS	56211-19		$135,147.78					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
911	Vaughn Recovery	KY	56211-19		$120,835.80					
912	VIACO	MS	56211-19		$12,914.10					
913	Vicking Industries	MS	56211-19		$20,433.60					
914	VICTOR LARGAESPADA	MS	56211-19		$3,474.45					
915	Victor Manuel Vegahara	MS	56211-19		$160,765.20					
916	Viking Industries LLC	AL	56211-19		$266,563.53					
917	VIVIAN FITZPATRIC	MS	56211-19		$1,292.82					
918	W & W Enterprises of MS LLC	MS	56211-19		$180,673.20					
919	W & W Tree Service, LLC	MS	56211-19		$1,208,040.68					
920	W S THOMAS	MS	56211-19		$3,895.20					
921	W.C. Pitts Construction. Co.	MS	56211-19		$54,562.05	$54,562.05				
922	Wade Covington Logging	MS	56211-19		$853,564.74					
923	Wagnon Excavating	AL	56211-19		$106,194.90					
924	Walker Dozing and Excavating	MS	56211-19		$49,310.10					
925	Walter Estrada	MS	56211-19		$8,684.82					
926	Walters Development, LLC	MS	56211-19	$2,126,831.03						
927	War Eagle Logistics, Inc	MS	56211-19		$120,588.97					
928	Wards Recycling	MO	56211-19		$74,792.70					
929	WARLICK BROTHERS INC	MS	56211-19		$255,100.05					
930	Warren Enviromental	MS	56211-19		$146,689.20					
931	Waste Management of South MS	MS	56211-19	$1,146,698.54						
932	WAYNE HOWE	MS	56211-19		$38,042.88					
933	WENDALL PITTS	MS	56211-19		$22,428.00					
934	Westside Rentals	MS	56211-19	$846,258.25						
935	WHAT TRUCKING	MS	56211-19		$2,977.20					
936	Willco LLC	MS	56211-19		$17,847.90					
937	William Ishee	MS	56211-19		$11,232.00					
938	Williams Storm Recovery	MS	56211-19		$238,262.55					
939	Williams Transport & Construction	MS	56211-19		$290,406.60					
940	Willis Hauling	MS	56211-19		$11,231.10			$11,231.10		
941	Willmut Gas Co.	MS	56211-19		$1,605.02					
942	Wilmoth Debris Hauling	MS	56211-19		$226,661.76					
943	Wilson Development	IA	56211-19		$8,272.13					
944	Winston Dig-A-Ditch Tree Svc	MS	56211-19		$36,759.60					
945	WJZ & SONS	MI	56211-19		$111,368.70					

Contract number W912P8-05-D-0025
Contractor Name AshBritt, Inc.

State of Mississippi
Report As Of 25 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
946	Wolfe Enterprises	MS	56211-19		$90,925.65					
947	WOOD SERVICES INC	MS	56211-19		$1,249,727.17					
948	WOOD WASTE	MS	56211-19		$19,509.30					
949	Woodcock & Daughter	MS	56211-19		$544,007.80					
950	Woods Landscape Co. LLC	MS	56211-19		$26,878.50					
951	WORDIE CAROLL	MS	56211-19		$6,889.50					
952	World Environmental, Inc.	MS	56211-19		$17,600.00					
953	Worleys Tree Service	MS	56211-19	$877,773.69						
954	WRIGHT TRUCKING	MS	56211-19		$1,166.40					
955	WS THOMAS	FL	56211-19		$3,992.40		$3,992.40			
956	WTYL	MS	56211-19		$657.20					
957	YOWS TRUCKING INC	MS	56211-19		$102,262.50					
958	Zema and Company	FL	56211-19		$10,116.09					
959										
960										
961										
962										
	Percent Goals from Approved Subcontracting Plan				60.0%	14.0%	5.0%	3.0%	3.0%	1.0%
	*Cumulative $ Paid to ALL Subcontractors to Date $285,131,891	Total $ paid to ALL Subcontractors by category		$45,062,083	$240,069,808	$38,105,992	$29,944,651	$11,117,291	$4,399,664	$110,788
		Percent of Total $ Paid to ALL Subs		15.8%	84.2%	13.4%	10.5%	3.9%	1.5%	0.0%

*Cumulative Actual $ Paid to *ALL* Subcontractors to Date - refers to actuals dollars paid to subcontractors for work completed.

LB - Large Business
SB - Small Business
MBE - Minority Business Enterprise
SDB - Small Disadvantaged Business
HUB - HUBZone Small Business
WOSB - Women-Owned Small Business
SDVOSB - Service-Disabled Veteran-Owned Small Business
VOSB - Veteran-Owned Small Business

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
1	Cahaba	AL	56211-19	$2,000,000.00						
2	Century Carriers	AL	56211-19		$162,183.00					
3	Crowder/Gulf	AL	56211-19	$4,000,000.00						
4	DIRTY SOUTH	AL	56211-19		$18,714.69					
5	EDSU, Inc.	AL	56211-19		$127,201.20					
6	Evans Truck	AL	56211-19		$69,183.90					
7	James G Sanders	AL	56211-19		$27,841.50					
8	Maritime Equipment Services Inc	AL	56211-19		$16,920.90					
9	Needmore Trucking & Construction	AL	56211-19		$402,721.32		$402,721.32		$402,721.32	
10	PBT	AL	56211-19		$889,756.69					
11	Riley Tree	AL	56211-19		$209,786.94					
12	Robert E. Graves, Inc.	AL	56211-19		$3,632,507.92					
13	Session's Contracting	AL	56211-19		$14,747.67					
14	SRS Inc	AL	56211-19	$1,332,100.00						
15	Tag Grinding Services, Inc.	AL	56211-19		$105,052.11					
16	Timberland Harvesters Inc	AL	56211-19		$9,857.70					
17	Viking Industries LLC	AL	56211-19		$266,563.53					
18	Wagnon Excavating	AL	56211-19		$106,194.90					
19	ABC Bobcat	FL	56211-19		$7,932.00					
20	Ayala Harvesting, Inc	FL	56211-19		$110,788.20	$110,788.20	$110,788.20	$110,788.20	$110,788.20	$110,788.20
56	Bielling Enterprises LLC	FL	56211-19		$47,307.20					
57	CDC Plumbline Service	FL	56211-19		$237,909.24					
58	Chance II Trucking Inc	FL	56211-19		$32,683.50					
59	Charlie's Lawn & Sweeper Service	FL	56211-19		$19,830.15					
60	CL Trucking of Central FL, Inc	FL	56211-19		$50,097.60	$50,097.60				
61	Conrad Enterprises, Inc.	FL	56211-19		$299,711.07					
62	County Waste, Inc.	FL	56211-19		$2,220,299.56					
63	Cyclone Property Management	FL	56211-19		$9,193.50					
64	D & H Construction	FL	56211-19		$49,461.62					
65	Daniel W Bethla Transport	FL	56211-19		$10,642.50					
66	Dave & John's Painting	FL	56211-19		$15,939.00					
67	David Pirk	FL	56211-19		$21,660.10					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
68	Debris, Inc	FL	56211-19		$26,689.50					
69	DGS Inc.	FL	56211-19		$32,167.44					
70	Disaster Cleanup Services	FL	56211-19		$269,757.00					
71	Disaster Recovery Services LLC	FL	56211-19		$14,575.95					
72	Dorado Services, Inc	FL	56211-19		$8,192,263.28	$8,192,263.28		$8,192,263.28		
73	Dun Rite Debris Removal, Inc	FL	56211-19		$94,276.40		$94,276.40			
74	East Coast Site Works	FL	56211-19		$107,929.10					
75	Father & Son Trucking	FL	56211-19		$12,000.96					
76	Greenscape of Brevard	FL	56211-19		$132,463.26					
77	Home Care service Center / DRT 1	FL	56211-19		$46,952.91					
78	Irby Equipment Inc	FL	56211-19		$121,149.00					
79	Iron Point Construction	FL	56211-19		$50,897.97					
80	Jarrett Trucking Inc	FL	56211-19		$105,110.31					
81	JUAN ESQUIVEL	FL	56211-19		$12,738.60	$12,738.60				
82	Lawns Unlimited of Central FL Inc	FL	56211-19		$4,619.88					
83	Loomis & Associates, LLC	FL	56211-19		$200,000.00					
84	Lubrano Enterprises	FL	56211-19		$16,232.40					
85	Mike Rotundu Inc	FL	56211-19		$188,074.80					
86	Multi-Trade Contractors Inc	FL	56211-19		$13,885.02					
87	Norhop Inc	FL	56211-19		$17,593.20					
88	Ocala Tree Debris Recycling Inc	FL	56211-19		$1,349,049.67					
89	Precision T&B Pavers Inc	FL	56211-19		$8,671.50					
90	Pridgeon & Rogers Inc	FL	56211-19		$188,154.90					
91	Professional Tree Service of Milton	FL	56211-19		$922,246.55					
92	Robert E Wegnerowski Jr Inc	FL	56211-19		$17,586.72					
93	Romero Harvesting	FL	56211-19		$65,451.60					
94	Ruiz Harvesting	FL	56211-19		$183,130.65					
95	S.L. Jameson	FL	56211-19		$382,753.70					
96	Scott Lewis Gardening & Trimming	FL	56211-19		$161,778.76					
97	Site & Pipe Inc.	FL	56211-19		$1,052,576.00	$1,052,576.00	$1,052,576.00			
98	Southeast Auto Glass	FL	56211-19		$11,534.40					
99	TC Webb Transport	FL	56211-19		$25,605.00					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
100	TLC Landscaping Services	FL	56211-19		$80,855.40					
101	Toys 4 Boys LLC	FL	56211-19		$6,720.52					
102	Tri-County Trucking	FL	56211-19		$13,415.40					
103	Underwood Disaster Recovery LLC	FL	56211-19		$21,178.53					
104	WS THOMAS	FL	56211-19		$3,992.40		$3,992.40			
105	Zema and Company	FL	56211-19		$10,116.09					
106	Dufeco Trucking Co	LA	56211-19		$23,287.50					
107	Fred D. Graves	LA	56211-19		$257,221.45	$257,221.45				
136	Johns Truck and Tractor Service LL	LA	56211-19		$7,782.48					
137	Larkco Construction of LA, Inc	LA	56211-19		$64,630.20					
138	Lousiana Dirt	LA	56211-19		$263,073.51					
139	LT Landscaping	LA	56211-19		$2,664.90					
140	MDR Enterprises Inc	LA	56211-19		$49,968.09					
141	U.S.A. Disaster Recovery	LA	56211-19		$122,369.70					
142	3 D Construction	MS	56211-19		$3,936.60					
143	3-Way farm Supply	MS	56211-19		$276,937.99					
157	5 K Farms, Inc	MS	56211-19		$1,604,931.00					
158	A & B Disaster Services	MS	56211-19		$4,183.20					
159	A & B Trucking	MS	56211-19		$885,795.40	$885,795.40		$885,795.40		
160	A & D Logging, LLC	MS	56211-19		$8,901.90			$8,901.90		
161	A & K Construction	MS	56211-19		$17,444.70					
162	A & W Trucking & Equipment	MS	56211-19		$158,630.40					
163	A Arborist on Board	MS	56211-19		$409,789.80					
164	A H GODWIN LOGGING CO INC	MS	56211-19		$649,486.46					
165	A H GODWIN LOGGING CO INC	MS	56211-19		$40,363.20					
166	AAA General Contractors, Inc	MS	56211-19		$101,736.00					
167	AARON MOORE	MS	56211-19		$33,242.40					
168	Abby Road Development Co., LLC	MS	56211-19		$7,984.40					
169	Acadian Concrete Co.	MS	56211-19		$226,118.70					
170	Ace Tree Service	MS	56211-19		$23,988.96					
171	Adam J Schreier	MS	56211-19		$1,329.00					
172	Adam McClanahan	MS	56211-19		$21,384.00					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
173	ADAMS EVC	MS	56211-19		$180,354.60					
174	Advanced Disposal Services	MS	56211-19		$634,507.50					
175	Albright Transportation LLC	MS	56211-19		$32,655.43					
176	ALEX CASPOLICH	MS	56211-19		$23,499.00					
177	ALFRED VERNON BROOKS	MS	56211-19		$1,736.10					
178	Alfredo Marcia	MS	56211-19		$5,064.20					
179	ALFREDS SUPERIOR TREE SERV	MS	56211-19		$131,083.56					
180	ALISA KILLINGSWORTH	MS	56211-19		$12,644.10					
181	ALLBRIGHT TANSPORTATION	MS	56211-19		$19,035.00					
182	Allen Graham	MS	56211-19		$1,200.00					
183	ALPHA II TRUCKING & EXCAVAT	MS	56211-19		$487,602.76					
184	ALTON HARVEY	MS	56211-19		$259,403.39					
185	Alvis Fortenberry	MS	56211-19		$234,387.70					
186	AM Morales Harvesting	MS	56211-19		$37,782.50					
187	American Mat & Timber Co	MS	56211-19		$105,930.00					
188	American Rental & Sales, Inc.	MS	56211-19		$4,456.55					
189	American Tree Tech	MS	56211-19		$68,569.94					
190	AMERIHAUL	MS	56211-19		$1,223.10					
191	ANGELA HICKOK	MS	56211-19		$4,325.40					
192	Annie Mitchell	MS	56211-19		$4,397.54	$4,397.54		$4,397.54		
193	APEX Equipment Catahoula, Inc.	MS	56211-19		$144,740.70					
194	APPLEWHITE REYCLING SYSTEM	MS	56211-19		$3,945,190.43					
195	Ard's Tree Service, LLC	MS	56211-19		$68,926.50					
196	Artuo Ruiz	MS	56211-19		$14,145.00	$14,145.00				
197	ASHEM	MS	56211-19		$5,319.00					
198	Asphalt Specialties, Inc.	MS	56211-19		$65,563.20					
199	B & B Construction	MS	56211-19		$324,257.18	$324,257.18		$324,257.18		
200	B & B LAWN SERVICE	MS	56211-19		$74,988.00					
201	B & B Turf	MS	56211-19		$117,882.80					
202	B & D CONTRACTING	MS	56211-19		$55,039.50					
203	B & D Tree Service	MS	56211-19		$49,644.90				$49,644.90	
204	B & W Construction	MS	56211-19		$699,434.25					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
237	BRANNAN VERDIA	MS	56211-19		$11,202.30					
238	BRD	MS	56211-19		$27,319.50					
239	Brenda Jordan	MS	56211-19		$30,645.00		$30,645.00			
240	Brights Construction	MS	56211-19		$1,026.00					
241	Brinton Lumber Co.	MS	56211-19		$6,190.42					
242	BRM, Inc	MS	56211-19		$9,315.00					
243	Broome & Sons Wood Chipping	MS	56211-19		$1,171,677.77					
244	Brother-In-Law Contracting Inc	MS	56211-19		$2,097.90					
245	Bubba Smith	MS	56211-19		$2,225.25					
246	BULL DITT HAULING & LANDSCA	MS	56211-19		$368,454.87					
247	Butler & Company, LLC	MS	56211-19		$13,356.00					
248	Byrd Brothers	MS	56211-19		$12,323,697.65					
249	C & B Enterprises, LLC	MS	56211-19		$193,214.28					
250	C & C CONSTRUCTION	MS	56211-19		$86,069.70	$86,069.70				
251	C & J Bark Hauler LLC	MS	56211-19		$57,718.35					
252	C & K construction	MS	56211-19		$16,275.33					
253	C & S Construction	MS	56211-19		$108,754.90					
254	C DWIGHT ANDERSON	MS	56211-19		$10,662.33					
255	C E WILSON	MS	56211-19		$11,218.50					
256	C L TRUCKING	MS	56211-19		$11,178.90					
257	C. Beatty, LLC	MS	56211-19		$206,508.92					
258	C.E. Wilson	MS	56211-19		$15,288.75					
259	C.L. Trucking	MS	56211-19		$5,522.40					
260	Call Woods Construction Co.	MS	56211-19		$184,061.80					
261	Callen, Carter	MS	56211-19		$18,978.30					
262	Calvin Reeves Webb, Inc.	MS	56211-19		$36,120.00					
263	Cambium Environmental Group	MS	56211-19		$603,043.15					
264	CAPITAL SECURITY SERVICES I	MS	56211-19		$32,309.28					
265	CARA PARENTON	MS	56211-19		$1,039.31		$1,039.31			
266	Carrie Onderko	MS	56211-19		$63,208.15					
267	CARSEL INC	MS	56211-19		$4,827.60					
268	Carson, Kevin	MS	56211-19		$990.00					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
269	CASCAIS, Inc.	MS	56211-19		$695,287.89	$695,287.89	$695,287.89			
270	Cat 4	MS	56211-19		$8,229.60					
271	CDP Corporation Inc	MS	56211-19		$8,898,144.04	$8,898,144.04	$8,898,144.04			
272	CEIBA	MS	56211-19		$278,393.58					
273	Center State Recovery LLC	MS	56211-19		$208,490.65					
274	Chadwells Landscape	MS	56211-19		$166,630.10					
275	Charles Gordon	MS	56211-19		$3,279.60					
276	CHARLES PIERCE	MS	56211-19		$6,058.80					
277	Child Mechanical Construction	MS	56211-19		$87,847.11					
278	CHRIS BLUM	MS	56211-19		$1,200.00					
279	Chris Smith	MS	56211-19		$111,339.15					
280	Christopher Contracting	MS	56211-19		$2,660,511.26					
281	CHRISTOPHER GUY	MS	56211-19		$1,755.90					
282	Chrystal Seas Seafood Co LLC	MS	56211-19		$33,509.70					
283	CK Construction Inc	MS	56211-19		$64,239.34					
284	Claude Hartley	MS	56211-19		$7,105.50					
285	Clean Up Services	MS	56211-19		$7,009.20					
286	Clear Creek Enterprises	MS	56211-19		$1,154,837.45					
287	Clear Creek Woodyard	MS	56211-19		$94,456.20					
288	Clear River Construction Company	MS	56211-19		$845,770.33					
289	CLEO SHOWS	MS	56211-19		$8,577.90					
290	COAST TRASH	MS	56211-19		$31,401.00					
291	Coastal Clean-Up	MS	56211-19		$52,023.72					
292	COASTAL LANDSCAPE	MS	56211-19		$1,863.00					
293	Commercial Maint. Group	MS	56211-19		$581,286.39					
294	Complete Property Mngt of Mid	MS	56211-19		$62,400.47					
295	Compton Engineering, Inc.	MS	56211-19		$4,940.00					
296	Construction Maintenance, Inc	MS	56211-19		$8,100.00					
297	Coyote Land Co. of MS, Inc.	MS	56211-19		$1,481,248.80					
298	CR PATE LOGGING INC	MS	56211-19		$1,722,016.29					
299	Craig Kirby	MS	56211-19		$32,891.85					
300	Creel Trucking	MS	56211-19		$110,783.70					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
301	CRONIN CONSTRUCTION INC	MS	56211-19		$304,515.35					
302	Crosby Enterprises	MS	56211-19		$199,478.80					
303	Cross Country Recycling	MS	56211-19		$3,734.10					
304	Crow Brothers	MS	56211-19		$3,889.62					
305	CRPM CAT RESPONSE	MS	56211-19		$333,554.87					
306	Crystall Sea's Seafood	MS	56211-19		$155,976.24					
307	Cumbest Trucking	MS	56211-19		$71,660.70		$71,660.70			
308	D & D Asphalt	MS	56211-19		$39,422.70					
309	D & D CONSTRUCTION	MS	56211-19		$107,838.90					
310	D & R Bobcat	MS	56211-19		$11,000.00					
311	DALE INC	MS	56211-19		$1,759.73					
312	DALE STRINGER	MS	56211-19		$3,474.00					
313	Dane Maingot	MS	56211-19		$4,500.00					
314	Daniel Bethea	MS	56211-19		$8,356.50					
315	Daniel Jason Kasinger	MS	56211-19		$9,747.00					
316	DanielSki	MS	56211-19		$4,787.10					
317	Darta	MS	56211-19		$65,090.00					
318	DAVID FINCH	MS	56211-19		$83,613.20					
319	DAVID ROBERTS	MS	56211-19		$5,362.20					
320	Dayon Tree Service Inc	MS	56211-19		$14,417.50					
321	DC SMITH	MS	56211-19		$38,493.00					
322	DDSK Inc.	MS	56211-19		$9,624.15					
323	DELTA TRUCKING	MS	56211-19		$82,481.61					
324	Dennis Eller	MS	56211-19		$13,225.50					
325	Dennis Hall	MS	56211-19		$9,234.00	$9,234.00		$9,234.00		
326	Derek Peterson	MS	56211-19		$38,679.30					
327	DESOTO SAND & SHELL TRUCKI	MS	56211-19		$27,193.50					
328	DEWEY DUGGAN	MS	56211-19		$27,199.80					
329	Dick Jordan	MS	56211-19		$921,369.60					
330	Dirtworks, Inc, of Vicksburg	MS	56211-19	$3,182,424.76						
331	Dixieland Trucking	MS	56211-19		$1,603.35					
332	DJ RAIL & STORM SERVICES INC	MS	56211-19		$243,197.10					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 25 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
333	Donald Mashburn	MS	56211-19		$4,549.36					
334	DOTSON HEMBRY	MS	56211-19		$61,438.50					
335	Double S Dozer Service	MS	56211-19		$190,448.74					
336	DOUG GARRETT	MS	56211-19		$589.50					
337	DRS Construction	MS	56211-19		$1,374.80					
338	DUSTIN HOFFPAUIR	MS	56211-19		$567.00					
339	Dwight Anderson	MS	56211-19		$2,676.80					
340	Dwyers Tree Service	MS	56211-19		$3,942.00					
341	Earth Consulting Group, Inc.	MS	56211-19		$3,465.00					
342	Earth Solid Construction	MS	56211-19		$583,696.85		$583,696.85		$583,696.85	
343	EJ & Sons Trucking	MS	56211-19		$23,441.40					
344	ELKS SEPTIC TANK	MS	56211-19		$1,284.00					
345	Eller & Son	MS	56211-19		$99,645.66					
346	ELLET TRUCKING	MS	56211-19		$126,137.70					
347	Elliott, H B	MS	56211-19		$810.00					
348	Empire Construction Company	MS	56211-19		$208,283.50		$208,283.50			
349	Envirosmart of Mississippi	MS	56211-19		$1,421,019.86	$1,421,019.86	$1,421,019.86	$1,421,019.86		
350	ERIC BROWN	MS	56211-19		$1,879.20					
351	Ero-Con, LLC	MS	56211-19		$262,781.46					
352	ERS	MS	56211-19		$1,915.20					
353	Estimbo Services, Inc.	MS	56211-19		$7,747.65					
354	Evans Land & Timber	MS	56211-19		$9,015.30					
355	Everritt Harris	MS	56211-19		$5,092.20	$5,092.20	$5,092.20			
356	Express Forestry	MS	56211-19		$51,481.25					
357	Extreme Care Plus	MS	56211-19		$9,246.00					
358	F & G Forestry Services, Inc	MS	56211-19		$121,949.74					
359	F T & E SEED & STRAW	MS	56211-19		$10,554.30					
360	Fewell LLC	MS	56211-19		$459,958.71					
361	Finn Trucking, Inc	MS	56211-19	$255,825.60						
362	Firetower Lanfill	MS	56211-19		$687,288.75					
363	Fish & Fisher, Inc	MS	56211-19		$11,872,136.93	$11,872,136.93	$11,872,136.93			
364	Fisher Landscaping	MS	56211-19		$2,388.24					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
365	Five Oak Builders, Inc.	MS	56211-19		$121,201.38					
366	Fleming Trucking	MS	56211-19		$171,642.24					
367	Flowers Trucking	MS	56211-19		$110,825.30					
368	Fogler Construction	MS	56211-19		$141,609.69					
369	FOOTHILLS ENVIRONM	MS	56211-19		$116,827.61					
370	Forestry Contractors	MS	56211-19		$29,233.20					
371	Franks Trucking	MS	56211-19		$161,028.27					
372	Frazier Construction	MS	56211-19		$27,369.90					
373	FRED TUCKER LAWN SERVICE	MS	56211-19		$13,150.81					
374	Froggy's Tree & Debris	MS	56211-19		$10,111.50					
375	Furr & Associates, Inc	MS	56211-19		$200,755.55					
376	FURR AND ASSOC	MS	56211-19		$931.50					
377	G R Construction	MS	56211-19		$15,817.50					
378	Garrett Construction	MS	56211-19		$18,208.80					
379	Gary Hayes	MS	56211-19		$57,936.80					
380	Gary Hinton	MS	56211-19		$9,115.20					
381	Gary M. Boykin	MS	56211-19		$510.30					
382	Gary McGrew	MS	56211-19		$4,112.55					
383	GARY RAYBURN	MS	56211-19		$9,339.30					
384	Global Disaster	MS	56211-19		$188,824.50					
385	Global Employment Services Inc	MS	56211-19		$63,267.38					
386	Global Environmental Solutions	MS	56211-19		$95,655.60					
387	Glory to God	MS	56211-19		$112,703.40					
388	GLOVER	MS	56211-19		$37,195.20					
389	GLYNN MALLETTE	MS	56211-19		$86,336.83					
390	Goal Post	MS	56211-19		$381,141.59					
391	Goff Farms	MS	56211-19		$28,115.10					
392	Golden Meadow	MS	56211-19		$33,162.97					
393	Good Hope, Inc.	MS	56211-19		$309,724.65					
394	GP Engineering & Surveying	MS	56211-19		$79,452.00					
395	GPUC	MS	56211-19		$21,425.50					
396	Graham Construction	MS	56211-19		$75,968.58					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions. State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
397	Grainger	MS	56211-19	$2,125.24						
398	Green Leaf Tree Service	MS	56211-19		$80,929.62					
399	Greg Phillips	MS	56211-19		$55,501.20					
400	GREG RIDLING	MS	56211-19		$1,061.10					
401	Greystone Builders, LLC	MS	56211-19		$88,145.55					
402	GSW Enterprise, Inc.	MS	56211-19		$24,325.20					
403	GTM Construction	MS	56211-19		$249,710.31					
404	Gulf Demolition LLC	MS	56211-19		$475,374.41					
405	Gulf Supply Co., Inc.	MS	56211-19		$21,383.63					
406	H & C Construction	MS	56211-19		$163,009.71					
407	H & H Paving	MS	56211-19		$63,768.06					
408	H & L Construction	MS	56211-19		$388,878.94					
409	H & R Waste Removal	MS	56211-19		$349,017.80					
410	H2 Construction	MS	56211-19		$1,338,738.97					
411	Haas Trucking	MS	56211-19		$1,662,416.39					
412	HANCOCK LAND & PROPERTY	MS	56211-19		$18,335.70					
413	Hans Construction	MS	56211-19		$13,619.34					
414	Hard Way Dirt & Dozer	MS	56211-19		$31,565.70					
415	Hardee Trucking	MS	56211-19		$293,414.40					
416	Hardies Trucking	MS	56211-19		$3,903,183.28					
417	HARDWAY DIRT & DOZER	MS	56211-19		$40,767.30					
418	Harold Simmons	MS	56211-19		$4,657.50					
419	Harold Strong	MS	56211-19		$115,651.80					
420	Hartco Trucking, Inc.	MS	56211-19		$7,770.00					
421	Harvel Debris Removal	MS	56211-19		$6,599.07					
422	Hass Trucking	MS	56211-19		$54,315.10					
423	HB ELLIOT	MS	56211-19		$1,778.40					
424	Hemphill/EUTAW	MS	56211-19	$13,015,794.09						
425	HENLEY DUMPSTER	MS	56211-19		$21,440.25					
426	Herrin Timber Company	MS	56211-19		$286,613.69					
427	Herrington Construction	MS	56211-19		$277,311.40					
428	Hewett Construction LLC	MS	56211-19		$210,888.90					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 25 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
429	HH Draper & Sons Inc.	MS	56211-19		$2,478.60					
430	HOFFMAN CONSTRUCTION	MS	56211-19		$428.80					
431	Holifield Construction	MS	56211-19		$14,351.94					
432	Horn S Stone	MS	56211-19		$36,693.00					
433	House Trucking	MS	56211-19		$1,971.00	$1,971.00				
434	HULL CONSTRUCTION	MS	56211-19		$18,362.70					
435	HURRICANE TIMBER	MS	56211-19		$1,012.50					
436	Huston Hartfield	MS	56211-19		$2,156.00					
437	Hutchinson Construction	MS	56211-19		$145,046.99					
438	IES INC	MS	56211-19		$190,064.70					
439	Ignacio De La Cruz	MS	56211-19		$2,512.35					
440	INERNATIONAL ENERGY RESOU	MS	56211-19		$55,060.88					
441	INFINITE SITE MGMT	MS	56211-19		$242,977.79					
442	Inland Pacific, LLC	MS	56211-19		$658,531.01					
443	Innovative Builders Inc	MS	56211-19		$263,742.44					
444	Intergrity Contracting and Debris	MS	56211-19		$55,586.25					
445	International Energy Resources LLC	MS	56211-19	*	$1,239,787.12					
446	IRRIGATION AND MORE	MS	56211-19		$8,332.20					
447	Ishee, William	MS	56211-19		$1,101.60					
448	J & J Trucking	MS	56211-19		$15,526.17					
449	J & K Construction	MS	56211-19		$342,491.85					
450	J CALDARERA & CO	MS	56211-19		$125,738.40					
451	J In & Out Tree Service	MS	56211-19		$42,860.16	$42,860.16				
452	J Jaguar Tree & Contracting Srv	MS	56211-19		$83,069.40					
453	J Jaz Trucking, Inc	MS	56211-19		$22,279.45					
454	J L Arborist LLC	MS	56211-19		$83,456.55					
455	J.D. Construction	MS	56211-19		$63,690.30					
456	J.P. & Sons Dredging LLC	MS	56211-19		$3,548.00					
457	Jackie L Patterson	MS	56211-19		$29,817.00					
458	Jackson Industries, Inc	MS	56211-19		$8,814.85					
459	Jackson Trucking	MS	56211-19		$3,496.05					
460	Jacob Baylos Goff	MS	56211-19		$4,734.00					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
205	B CLEAN PORTABLES	MS	56211-19		$139,885.10					
206	BAILEY INTERPRISES INC	MS	56211-19		$2,898.00					
207	BAKERS CONSTRUCTION	MS	56211-19		$366,358.70					
208	Bar C LLC	MS	56211-19		$489,860.81					
209	BARNES TRUCKING	MS	56211-19		$423,637.82					
210	Baseline Equipment Company	MS	56211-19		$27,000.00					
211	Bay Disaster Services	MS	56211-19		$1,362,505.15					
212	BAYOU CADDY TRUCKING	MS	56211-19		$2,120,798.49					
213	BDT ENTERPRISES	MS	56211-19		$4,795.20					
214	Bell Construction	MS	56211-19		$50,111.37					
215	Ben Crowe	MS	56211-19		$2,163.00					
216	Bennett Construction Srv	MS	56211-19		$43,865.10					
217	Berghman Service LLC	MS	56211-19		$907,846.47					
218	Better Lawns & Gardens	MS	56211-19		$386,371.46					
219	BFM Corp., LLC	MS	56211-19		$6,568.75					
220	Big A Enterprises	MS	56211-19		$620,131.76				$620,131.76	
221	BILL KELLY	MS	56211-19		$2,750.00					
222	Billy W Ladner	MS	56211-19		$17,884.50					
223	Bio-Mass Tech. Inc.	MS	56211-19		$11,517.12					
224	BLACKMERE	MS	56211-19		$439,416.90					
225	Blue Ridge Environmental	MS	56211-19		$74,784.00					
226	BMI	MS	56211-19		$161,209.15					
227	Bob Alexander Landscaping	MS	56211-19		$3,859.00					
228	Bobby Clingan	MS	56211-19		$1,200.00					
229	Bobby Cox	MS	56211-19		$63,033.71					
230	BOBBY J JOHNSON	MS	56211-19		$34,947.91					
231	BOGGAN CONCRETE SERVICE	MS	56211-19		$168,368.28	$168,368.28				
232	Bonds Backhoe & Dozer	MS	56211-19		$2,519.85					
233	BOOKER TREE SERVICE	MS	56211-19		$94,763.61					
234	Boutwell Construction	MS	56211-19		$500.00					
235	Brad Stewart	MS	56211-19		$801.90					
236	Bradford Oyster and Seafood Co In	MS	56211-19		$563,115.98					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
461	JAMES JENSEN	MS	56211-19		$158,883.30					
462	James Littlefield	MS	56211-19		$19,000.00					
463	James Lynn Carlidge	MS	56211-19		$39,780.00					
464	James Moore	MS	56211-19		$689.58					
465	James Sanders	MS	56211-19		$6,750.00					
466	James Trucking	MS	56211-19		$131,537.86					
467	JANDREAU TRUCKING INC	MS	56211-19		$589,445.28					
468	Jason Ard's Tree Service	MS	56211-19		$36,200.40					
469	Jason Santiago	MS	56211-19		$7,102.56					
470	JD Construction, LLC	MS	56211-19		$1,290,798.60					
471	JD RAIL & STORM SERVICE INC	MS	56211-19		$13,737.60					
472	JEANNIE GALLOWAY	MS	56211-19		$901.88					
473	Jeff Deslato	MS	56211-19		$12,279.60					
474	Jeff Edwards dba JBJ, Inc	MS	56211-19		$31,111.15					
475	Jeffrey Weston Mann	MS	56211-19		$97,619.85					
476	Jensen, James	MS	56211-19		$12,295.80					
477	Jeremy Gambill	MS	56211-19		$11,517.30					
478	JGT, Inc	MS	56211-19		$1,310,579.61					
479	Jim Parker Building Co, Inc.	MS	56211-19		$101,352.60					
480	Jimmy Elkins Logging, Inc	MS	56211-19		$231,254.46					
481	JM Trucking	MS	56211-19		$3,968.10					
482	JMS d/b/a MARK JAMIESON	MS	56211-19		$4,820.40					
483	Joe Breland	MS	56211-19		$22,311.00					
484	Joe Cuevas	MS	56211-19		$29,168.55					
485	Joey Boudin Hauling & Equipment	MS	56211-19		$2,533,652.95					
486	Joey P Moran	MS	56211-19		$30,438.00					
487	JOHN BOYLES	MS	56211-19		$1,053.00					
488	JOHN BROCK	MS	56211-19		$450.00					
489	John H Sossaman Trucking	MS	56211-19		$18,447.10					
490	JOHN HENRY MCGEE	MS	56211-19		$9,859.00					
491	John Kasinger	MS	56211-19		$4,546.80					
492	JOHN MCLENDON	MS	56211-19		$6,354.76					

Contract number W912PB-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
493	JOHN OBRIEN	MS	56211-19		$52,632.00					
494	JOHN RENEAU	MS	56211-19		$3,024.00					
495	John Ward Solomon	MS	56211-19		$474,140.73					
496	Johnny Brown	MS	56211-19		$4,506.30					
497	Jonathan Williams	MS	56211-19		$8,116.20					
498	Jones Chip Mill Inc	MS	56211-19		$349,141.51					
499	Jordans Landscaping	MS	56211-19		$169,336.78					
500	Jose Hernandez	MS	56211-19		$70,743.60					
501	JTS Holding, LLC	MS	56211-19		$61,068.33					
502	Juramco Inc.	MS	56211-19		$15,036.48	$15,036.48		$15,036.48		
503	JUSTIN HERRINGTON	MS	56211-19		$2,754.00					
504	JW Construction & Earthworks	MS	56211-19		$4,879.44					
505	JW GIBSON	MS	56211-19		$4,832.46					
506	K & K Trucking	MS	56211-19		$56,035.80					
507	K & M ENTERPRISE	MS	56211-19		$754,667.06					
508	K & P Construction	MS	56211-19		$147,987.05					
509	K & S Industrial Repair, Inc	MS	56211-19		$11,668.35					
510	K & T Contracting	MS	56211-19		$15,629.76					
511	K R BORRIES	MS	56211-19		$1,952.10					
512	KAREN SMITH	MS	56211-19		$25,659.45					
513	Kass Brothers, Inc.	MS	56211-19		$1,717.20					
514	Keith Gable	MS	56211-19		$12,447.00	$12,447.00				
515	KEITH LEE	MS	56211-19		$1,487,108.16					
516	Kelvin R Freeman	MS	56211-19		$175,977.90					
517	Ken Verbout Trucking	MS	56211-19		$56,804.85					
518	Kenneth Byrd	MS	56211-19		$29,736.00					
519	KENNY MIXON	MS	56211-19		$213,608.61					
520	Ket Hea Haul It	MS	56211-19		$30,630.96					
521	Key Hea & Key Hea Haul It	MS	56211-19		$302,378.08					
522	Killingsworth Construction	MS	56211-19		$10,789.20					
523	Kiln Trucking Inc	MS	56211-19		$2,126,256.42					
524	KINGDOM	MS	56211-19		$820.80					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as requried by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
525	Kodie Co, Inc.	MS	56211-19		$973,887.50					
526	KR BORRIES	MS	56211-19		$656.10					
527	KRL CONCRETE	MS	56211-19		$3,450.60					
528	KTM	MS	56211-19		$39,590.10					
529	L & A Contracting	MS	56211-19	$8,852,935.69						
530	L & L CONST OF LEAKSVILLE INC	MS	56211-19		$823.50					
531	L & W	MS	56211-19		$5,041.80					
532	Lace Construction	MS	56211-19		$91,325.16					
533	LAMAR THOMAS	MS	56211-19		$3,805.20					
534	Lampkin Construction Co, inc	MS	56211-19		$6,400,849.21					
535	LANDTIS CORP	MS	56211-19		$11,749.50					
536	Langfitt Construction	MS	56211-19		$75,356.52					
537	LARRY BOURNE	MS	56211-19		$531.00					
538	Larry Merritt	MS	56211-19		$1,656.00					
539	LAZARO GONZALES	MS	56211-19		$5,823.90					
540	Lee Camp Services	MS	56211-19		$369,832.41					
541	LEE SHOEMAKE ELECTRICAL	MS	56211-19		$667.62					
542	Lee Tractor Service	MS	56211-19		$229,313.26					
543	LeNouveau Construction	MS	56211-19		$19,658.47					
544	Limbs & Leaners	MS	56211-19		$459,226.26					
545	Lizana Trucking	MS	56211-19		$246,828.34					
546	LJR General Contractors, Inc.	MS	56211-19		$266,940.54					
547	Lolita Hixon	MS	56211-19		$2,500.00	$2,500.00	$2,500.00			
548	Long Valley Timber	MS	56211-19		$143,808.31					
549	Love Construction	MS	56211-19		$12,384.90					
550	Loves Trucking LLC	MS	56211-19		$291,568.32					
551	LS Enterprises, Inc.	MS	56211-19		$1,411,256.04					
552	LT TWIN	MS	56211-19		$20,533.50					
553	Luis Egozcue	MS	56211-19		$3,149.21					
554	M & B Construction Services	MS	56211-19		$89,103.12					
555	M & D Construction Co Inc	MS	56211-19		$2,216,457.47					
556	M & E Environmental Service LL	MS	56211-19		$11,261.75					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
557	M & M Services	MS	56211-19		$15,168.60					
558	M & M TRUCKING	MS	56211-19		$60,701.40					
559	M R Anderson & Sons Construction	MS	56211-19		$77,243.40					
560	Macland Disposal	MS	56211-19		$5,437,321.30					
561	Magnolia Landfill	MS	56211-19		$1,450,892.40					
562	Maintenance Systems, Inc.	MS	56211-19		$12,800.00					
563	Mallette Brothers	MS	56211-19		$992,209.80					
564	Mallette Drywall & Construction	MS	56211-19		$307,750.45					
565	MAR INC	MS	56211-19		$21,867.57					
566	MARITIME EQUIP SERV	MS	56211-19		$39,789.63					
567	MARK HOLDER	MS	56211-19		$1,814.40					
568	Mark Jamieson Construction	MS	56211-19		$76,472.28					
569	Mark S Moran	MS	56211-19		$10,381.50					
570	MARLIN CONSTRUCTION	MS	56211-19		$20,995.20					
571	Marlin Contracting Co Inc	MS	56211-19		$4,889.57					
572	MARLINTA LTD	MS	56211-19		$34,238.70					
573	Marquis Tree Service, Inc.	MS	56211-19		$185,020.56					
574	MARTIN BISHOP	MS	56211-19		$15,596.10					
575	Martin Timber	MS	56211-19		$266,382.31					
576	Marvin Lacoste	MS	56211-19		$157,876.24					
577	MARY SHEPARD	MS	56211-19		$4,599.00					
578	Mason Detailing and Lawn Service	MS	56211-19		$12,413.70					
579	Mathew Pendleton	MS	56211-19		$150.00					
580	Matthews Trucking and Construction	MS	56211-19		$19,340.37					
581	McBride Co.	MS	56211-19		$79,453.80					
582	McClellon Trucking Lines	MS	56211-19		$41,364.00					
583	McCoy's Construction Service	MS	56211-19		$14,204.16					
584	MCCRANIE	MS	56211-19		$1,142.10					
585	McDaniel Dozer Service	MS	56211-19		$47,245.55					
586	McGuire Trucking	MS	56211-19		$35,569.80					
587	MCKINNON	MS	56211-19		$35,016.30					
588	McKlaud, Inc	MS	56211-19		$35,256.60					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
589	McQueen Construction	MS	56211-19		$1,727,683.69					
590	MDJ Contracting, LLC	MS	56211-19		$59,958.90					
591	MELVIN FUNES	MS	56211-19		$3,304.80					
592	Meyer Engineers, LTD	MS	56211-19		$711,636.85					
593	Michael Carriles	MS	56211-19		$54,186.80					
594	MICHAEL DUNN	MS	56211-19		$940.50					
595	MICHAEL GUY	MS	56211-19		$27,783.00					
596	Michael L. Holmes	MS	56211-19		$5,038.36					
597	Michael M. Houllis	MS	56211-19		$35,117.14					
598	Michael Presley	MS	56211-19		$14,256.00					
599	Mid South Clean Up	MS	56211-19		$403,345.71					
600	Mike Farmer	MS	56211-19		$911.25					
601	MIKE HARDY	MS	56211-19		$2,160.00					
602	MILDRED AMACKER	MS	56211-19		$1,435.00					
603	Miller Logging	MS	56211-19		$85,003.02					
604	Mills Trucking	MS	56211-19		$78,329.79					
605	Mimbers Tree & Debris	MS	56211-19		$10,512.00					
606	Minuteman Wood Recycling, Inc.	MS	56211-19		$109,997.55					
607	Mississippi Haulers	MS	56211-19		$987,282.04					
608	Mississippi Hauling	MS	56211-19		$15,649.20					
609	Mississippi State Chemical Lab	MS	56211-19		$435.00					
610	Mitchell Homes	MS	56211-19		$24,243.30					
611	Moore Tree Care, Inc.	MS	56211-19		$39,698.55					
612	Moran Hauling Inc	MS	56211-19		$571,569.30					
613	MORRIS SMITH	MS	56211-19		$110,601.00					
614	Morrison, Robert	MS	56211-19		$12,951.90					
615	MOSELEY MALLETTE	MS	56211-19		$61,336.83					
616	MQUEEN CONSTRUCTION	MS	56211-19		$1,749.60					
617	MRA, INC	MS	56211-19		$395,723.30					
618	MS HAULING	MS	56211-19		$35,891.10					
619	MS KENNETH MCGHEE	MS	56211-19		$600.00					
620	MTC Environmental	MS	56211-19		$60,714.00					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
621	Muskie Construction, Inc.	MS	56211-19		$17,711.95					
622	N & J Hoda Trucking	MS	56211-19		$20,249.19					
623	N. Toledo Bend Contractors	MS	56211-19		$6,550.47					
624	NDCS	MS	56211-19		$21,993.12					
625	New Deal (Wilson)	MS	56211-19		$382,133.00					
626	New Design Construction	MS	56211-19		$90,990.00					
627	NFS BURBANO	MS	56211-19		$440,920.80					
628	Nicholas Construction, Inc	MS	56211-19		$68,433.95					
629	Nicks Dozer and Tractor	MS	56211-19		$195,598.80					
630	Nikki Tingstrom	MS	56211-19		$3,829.50					
631	Nirdlinger Trucking Co., LLC.	MS	56211-19		$74,003.40					
632	Norris Dirt Work	MS	56211-19		$332,041.00					
633	North Beach Haulers LLC	MS	56211-19		$649,483.03					
634	North Texas Coring	MS	56211-19		$7,287.57					
635	Northern Environmental	MS	56211-19		$478,862.12					
636	O & O Contractors, Inc.	MS	56211-19		$32,115.33					
637	Ogle Tree Construction	MS	56211-19		$84,427.80					
638	Okatoma Outdoor Post	MS	56211-19		$64,610.64					
639	Oreo Debris, Inc	MS	56211-19		$178,512.66					
640	P & L Construction	MS	56211-19		$6,453.00					
641	P.B. Building	MS	56211-19		$44,415.00					
642	Parkman Tree Service, Inc.	MS	56211-19		$247,517.64					
643	Pate Farms & Heavy Equipment	MS	56211-19		$54,043.20					
644	Patricia Mitchell	MS	56211-19		$33,756.90					
645	Paul Norris	MS	56211-19		$57,937.40					
646	Pelican Air Service	MS	56211-19		$8,056.00					
647	Peter S Griffin	MS	56211-19		$7,420.50					
648	Phillips Recoveries Gulf Coast Div I	MS	56211-19		$273,537.90					
649	Pierce, Charles	MS	56211-19		$10,424.70					
650	Pike Construction Inc	MS	56211-19		$205,476.30					
651	Pirate Recovery	MS	56211-19		$115,545.06					
652	Polo Canal Development LLC	MS	56211-19		$392,649.63					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
653	Power Pack MS.	MS	56211-19		$87,890.40					
654	PPP	MS	56211-19		$1,547.10					
655	PRECISION TREE REMOVAL	MS	56211-19		$1,749.60					
656	PREM INC	MS	56211-19		$3,264.87					
657	Prince Tree Service	MS	56211-19		$2,767.50					
658	Printer Parts Plus	MS	56211-19		$2,495,899.48					
659	PROFORMANCE	MS	56211-19		$287,371.47					
660	PSI II, Inc.	MS	56211-19		$16,800.00					
661	Qualitree	MS	56211-19		$62,130.51					
662	QUALITY LAWN SERVICE	MS	56211-19		$236,862.81					
663	R & R ENVIRONMENTAL SERVIC	MS	56211-19		$132,215.40					
664	R D Flint Enterprises	MS	56211-19		$2,217.60					
665	R J MANN	MS	56211-19		$2,008.80					
666	R. A. MEYN	MS	56211-19		$11,974.50					
667	Raceland Pistol Range	MS	56211-19		$28,204.20					
668	Randall Ladner	MS	56211-19		$34,960.50					
669	Randy Byrd	MS	56211-19		$615.25					
670	RANDY DANNY INC	MS	56211-19		$88,369.50					
671	Randy's Debris Haulers, Inc.	MS	56211-19		$16,359.84					
672	Rayco Distributors, Inc	MS	56211-19		$149,947.20					
673	RAYMOND LUKE	MS	56211-19		$70,993.66					
674	Raynor Shine Tree Svc, Inc.	MS	56211-19		$335,702.15	$335,702.15				
675	RCL PROPERTIES	MS	56211-19		$1,311.75					
676	Renzo Anderson Trucking	MS	56211-19		$31,342.50					
677	Rhino Construction	MS	56211-19		$471,242.08					
678	Richard Holmes Dozer & Trackhoe	MS	56211-19		$30,052.00					
679	RICHARD TANNER	MS	56211-19		$526.50					
680	Ricky Norton	MS	56211-19		$2,700.00					
681	Riley Contracting	MS	56211-19		$105,216.25					
682	Rio Indio	MS	56211-19		$63,763.20					
683	Riptide	MS	56211-19		$193,718.61					
684	RITA ENDT	MS	56211-19		$1,337.50					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 25 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
685	River Ace Transport, Inc.	MS	56211-19		$1,782,063.08					
686	RJ Mann	MS	56211-19		$4,924.80	$4,924.80				
687	RJB, LLC	MS	56211-19		$69,112.35					
688	RJR Contractors	MS	56211-19		$1,046,929.90					
689	RM Hauling & Construction	MS	56211-19		$10,993.50					
690	RM SHOWS CONSTRUCTION	MS	56211-19		$745,719.98					
691	ROBERT CANTER TRUCKING	MS	56211-19		$3,119.85					
692	ROBERT FURR	MS	56211-19		$11,116.80					
693	ROBERT JENKINS	MS	56211-19		$1,676.70					
694	Robert Louis Glover	MS	56211-19		$242,366.02					
695	Robert Wade	MS	56211-19		$78,021.00					
696	Roberts Construction	MS	56211-19		$58,708.80					
697	Robinson Grading	MS	56211-19		$4,938.00					
698	Rocking S Enterprises, LLC	MS	56211-19		$39,179.97	$39,179.97				
699	Rockpile Construction	MS	56211-19		$236,922.52					
700	Roger Tree	MS	56211-19		$56,210.13					
701	RONALD BROWN	MS	56211-19		$704.70					
702	Ronnie Davidson	MS	56211-19		$1,100.00					
703	Ronnie Sheets	MS	56211-19		$5,323.86					
704	ROY GLEN NEWELL	MS	56211-19		$7,862.40					
705	RP&S Construction Co	MS	56211-19		$5,463.00			$5,463.00		
706	RRW Construction, LLC.	MS	56211-19		$416,220.00					
707	Ruddy Larzaespada	MS	56211-19		$4,915.35					
708	Rushing Welding	MS	56211-19		$759.70					
709	RWW Construction, LLC.	MS	56211-19		$363,180.00					
710	S & B Contracting	MS	56211-19		$55,282.50	$55,282.50				
711	S & C LLC	MS	56211-19		$20,298.60					
712	S & H	MS	56211-19		$167,256.27					
713	S & R Poultry Construction	MS	56211-19		$2,532.60					
714	S & S ENTERPRISES	MS	56211-19		$152,580.24					
715	S & S Recovery Service, LLC	MS	56211-19		$539,706.42					
716	S & S Waste Management, Inc.	MS	56211-19		$228,235.05					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
717	S H Anthony	MS	56211-19		$63,135.00					
718	S K TRUCKING INC	MS	56211-19		$170,937.90					
719	S. MONTELONE	MS	56211-19		$23,643.43					
720	Santa Rosa Tree & Lawn Care Inc	MS	56211-19		$1,347,038.56					
721	SCOTT JONES	MS	56211-19		$540.00					
722	Scott Smith	MS	56211-19		$11,717.55					
723	SCOTT WILLIAMS	MS	56211-19		$6,207.30					
724	SE ENVIRONMENTAL SERVICES	MS	56211-19		$22,574.70					
725	Security Transportation Spec	MS	56211-19		$48,575.70			$48,575.70		
726	Senn Land & Timber, LLC	MS	56211-19		$683,164.72					
727	SETH SIMPSON	MS	56211-19		$1,125.00					
728	Sexton	MS	56211-19		$29,302.56					
729	Shady Grove	MS	56211-19		$53,496.00					
730	Sharon Shaw	MS	56211-19		$28,458.00					
731	Shelter Roofing, LLC	MS	56211-19		$181,064.70					
732	Sidney R. Key	MS	56211-19		$18,517.05					
733	Simmons Erosion Control Inc	MS	56211-19		$2,049,672.00	$2,049,672.00	$2,049,672.00			
734	Sims Trucking Company Inc	MS	56211-19		$292,499.63					
735	SK TRUCKING INC	MS	56211-19		$47,168.10					
736	Smalley Development	MS	56211-19		$21,600.90					
737	Smith Dozer & Gravel	MS	56211-19		$72,189.41					
738	Smith Mitchell	MS	56211-19		$8,000.00					
739	Smitty's Enterprises Inc.	MS	56211-19		$624,360.72					
740	S-N-R Investments, LLC	MS	56211-19		$47,683.80					
741	South Beach Restorations	MS	56211-19		$309,994.02					
742	South Mississippi Timber Inc	MS	56211-19		$286,487.56					
743	Southeast Env Services	MS	56211-19		$344,692.67					
744	Southern Construction	MS	56211-19		$149,990.40					
745	SOUTHERN ENVIRONMENTAL	MS	56211-19		$393,931.18					
746	Southern Equipment Exchange	MS	56211-19		$9,034.65					
747	Southern Landscapes LLC	MS	56211-19		$535,674.55					
748	Southern Recycling Disaster	MS	56211-19		$22,141.02					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as requried by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 25 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
749	Southern Svc's Trucking, LLC	MS	56211-19		$1,328,259.60					
750	Southern Utilities, Inc.	MS	56211-19		$41,472.05					
751	Southland Trucking	MS	56211-19		$37,912.86					
752	Spencer A. Olson Trucking LLC	MS	56211-19		$5,500.80			$5,500.80		
753	Spencer Gravel Co LLC	MS	56211-19		$35,793.00					
754	SRT	MS	56211-19		$83,062.40					
755	Stan 4 D Construction	MS	56211-19		$43,285.70					
756	Standby Technical Services	MS	56211-19		$1,469,295.09					
757	Stanley Jordan	MS	56211-19		$12,915.00					
758	Stein & O Keefe, LLC	MS	56211-19		$42,176.70					
759	STEPHANIE DISASTER RELIEF	MS	56211-19		$3,586.50					
760	STEPHEN GRAY	MS	56211-19		$8,343.00					
761	Steven Waters	MS	56211-19		$1,746.00					
762	Stewarts Lawncare & Nursery	MS	56211-19		$41,400.72					
763	Storm Reconstruction Svcs, Inc	MS	56211-19	$1,926,458.63						
764	STS	MS	56211-19		$18,264.60			$18,264.60		
765	Sue & Harman Brannan	MS	56211-19		$42,200.00					
766	Sullivan Trucking	MS	56211-19		$3,168.00	$3,168.00				
767	Sulphur Springs Debris Removal	MS	56211-19		$54,042.30					
768	Superior Digging	MS	56211-19		$21,893.20					
769	Superior Environmental Svcs	MS	56211-19		$111,039.68					
770	Superior Mulch	MS	56211-19		$456,377.76					
771	Sure Form	MS	56211-19		$106,132.86					
772	Surface Solutions of TB, Inc.	MS	56211-19		$160,306.58					
773	Susan Kay Trucking	MS	56211-19		$67,402.80		$67,402.80			
774	Sysbro	MS	56211-19		$143,509.95					
775	T & C CONSTRUCTION	MS	56211-19		$7,884.90					
776	T & G Farms	MS	56211-19		$8,330.04					
777	T & S Services	MS	56211-19		$308,025.15					
778	Taylor Contractor Co Inc	MS	56211-19		$277,202.37					
779	Taylor Trucking	MS	56211-19		$14,418.00					
780	TCB Construction	MS	56211-19		$131,819.76					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
781	TD EXCAVATING	MS	56211-19		$191,824.94					
782	Terry Haley, Kingdom	MS	56211-19		$4,622.00					
783	TERRY SIMS	MS	56211-19		$1,600.00					
784	Terry Smith	MS	56211-19		$39,001.50					
785	TERRYS TREE SERVICE	MS	56211-19		$15,576.30					
786	The Big Red Can	MS	56211-19		$58,918.50					
787	The Tyler Times	MS	56211-19		$1,210.99					
788	THELIN RECYCLING CO LP	MS	56211-19		$148,500.00					
789	Thelin Recycling Co, LP	MS	56211-19		$472,448.56					
790	Thomas E Talley	MS	56211-19		$6,080.40					
791	THOMAS LOG CABIN HOMES	MS	56211-19		$27,143.10					
792	Thomas Mixon	MS	56211-19		$103,089.60					
793	Thompson Pump	MS	56211-19		$18,569.91					
794	Tillery Construction, LLC	MS	56211-19		$527,759.90					
795	TIM GRAY	MS	56211-19		$26,154.00					
796	Tim Parker Construction Inc	MS	56211-19		$104,863.50					
797	Tippah Tree Service	MS	56211-19		$241,142.10					
798	TIPTON	MS	56211-19		$17,439.30					
799	TKO Operations Unlimited	MS	56211-19		$56,702.70					
800	TNT	MS	56211-19		$36,620.10					
801	Tolbert Tree Service	MS	56211-19		$53,441.10			$53,441.10		
802	TONY & JAQUEL LARANGERIA	MS	56211-19		$1,100.00					
803	TONY TRAPANI	MS	56211-19		$3,775.50					
804	Top Branch Tree Service	MS	56211-19		$2,825,031.67					
805	Total Land & Tree / Lawncare	MS	56211-19		$176,073.93					
806	Tracy Miller	MS	56211-19		$272,985.48					
807	Tree Smart	MS	56211-19		$131,886.54					
808	Tree Tech	MS	56211-19		$181,546.83					
809	Tri County Enviromental	MS	56211-19		$278,117.31					
810	Tri State Grinding	MS	56211-19		$506,101.86					
811	Triad Hauling	MS	56211-19		$61,964.24					
812	Triangle Maintenance Service LLC	MS	56211-19		$5,839.39					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 28 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
813	Trinity Transport Systems, Inc	MS	56211-19		$313,046.10					
814	Triple 7 Trucking	MS	56211-19		$89,901.00					
815	Triple A Tree Service	MS	56211-19		$10,181.25					
816	Triple S Concrete	MS	56211-19		$1,420,185.80					
817	Triple T Construction	MS	56211-19		$42,692.49					
818	TruckLA Services	MS	56211-19		$130,346.10					
819	Turner Logging	MS	56211-19		$185,885.73					
820	TURNER MANAGEMENT GROUP	MS	56211-19		$1,605.60					
821	Twin "L" Construction	MS	56211-19		$747,450.23					
822	Twin Shores Landscape	MS	56211-19		$11,259.00					
823	Twinkle Town Tree Trimmers	MS	56211-19		$82,620.81					
824	Two-Sun Properties	MS	56211-19		$276,108.66	$276,108.66				
825	U.S. Contractors	MS	56211-19		$256,693.80					
826	Ulticom Construction	MS	56211-19		$41,877.99					
827	United Site Services	MS	56211-19		$52,129.80					
828	Unlimited	MS	56211-19		$1,051,433.32					
829	UPTON TRUCKING	MS	56211-19		$159,737.40					
830	V & W CONSTRUCTION	MS	56211-19		$41,974.20					
831	Valley View Construction, LLC	MS	56211-19		$135,147.78					
832	VIACO	MS	56211-19		$12,914.10					
833	Vicking Industries	MS	56211-19		$20,433.60					
834	VICTOR LARGAESPADA	MS	56211-19		$3,474.45					
835	Victor Manuel Vegahara	MS	56211-19		$160,765.20					
836	VIVIAN FITZPATRIC	MS	56211-19		$1,292.82					
837	W & W Enterprises of MS LLC	MS	56211-19		$180,673.20					
838	W & W Tree Service, LLC	MS	56211-19		$1,208,040.68					
839	W S THOMAS	MS	56211-19		$3,895.20					
840	W.C. Pitts Construction. Co.	MS	56211-19		$54,562.05	$54,562.05				
841	Wade Covington Logging	MS	56211-19		$853,564.74					
842	Walker Dozing and Excavating	MS	56211-19		$49,310.10					
843	Walter Estrada	MS	56211-19		$8,684.82					
844	Walters Development, LLC	MS	56211-19	$2,126,831.03						

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as required by subcontracting provisions State of Mississippi
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 26 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
845	War Eagle Logistics, Inc	MS	56211-19		$120,588.97					
846	WARLICK BROTHERS INC	MS	56211-19		$255,100.05					
847	Warren Enviromental	MS	56211-19		$146,689.20					
848	Waste Management of South MS	MS	56211-19	$1,146,698.54						
849	WAYNE HOWE	MS	56211-19		$38,042.88					
850	WENDALL PITTS	MS	56211-19		$22,428.00					
851	Westside Rentals	MS	56211-19	$846,258.25						
852	WHAT TRUCKING	MS	56211-19		$2,977.20					
853	Willco LLC	MS	56211-19		$17,847.90					
854	William Ishee	MS	56211-19		$11,232.00					
855	Williams Storm Recovery	MS	56211-19		$238,262.55					
856	Williams Transport & Construction	MS	56211-19		$290,406.60					
857	Willis Hauling	MS	56211-19		$11,231.10			$11,231.10		
858	Willmut Gas Co.	MS	56211-19		$1,605.02					
859	Wilmoth Debris Hauling	MS	56211-19		$226,661.76					
860	Winston Dig-A-Ditch Tree Svc	MS	56211-19		$36,759.60					
861	Wolfe Enterprises	MS	56211-19		$90,925.65					
862	WOOD SERVICES INC	MS	56211-19		$1,249,727.17					
863	WOOD WASTE	MS	56211-19		$19,509.30					
864	Woodcock & Daughter	MS	56211-19		$544,007.80					
865	Woods Landscape Co. LLC	MS	56211-19		$26,878.50					
866	WORDIE CAROLL	MS	56211-19		$6,889.50					
867	World Environmental, Inc.	MS	56211-19		$17,600.00					
868	Worleys Tree Service	MS	56211-19	$877,773.69						
869	WRIGHT TRUCKING	MS	56211-19		$1,166.40					
870	WTYL	MS	56211-19		$657.20					
871	YOWS TRUCKING INC	MS	56211-19		$102,262.50					
872	3 BRUSH CONSTRUCTION	TX	56211-19		$1,897,262.14					
873	4-H ENTERPRISES	TX	56211-19		$33,088.50					
916	Affordable Lawn	TX	56211-19		$18,101.85					
917	ALCS Inc	TX	56211-19		$650,000.00	$650,000.00	$650,000.00			
918	Austin Forestry, LLC	TX	56211-19		$8,329.50					

Contract number W912P8-05-D-0025 Retain auditable records, and submit 294/295 Reports as requried by subcontracting provisions **State of Mississippi**
Contractor Name AshBritt, Inc.
LOCAL CONTRACT REPORTING
Report As Of 25 Apr 2006

	Subcontractor Name	Sub Loc	Type of Work (NAICS)	LB	SB	SDB	WOSB	HUB	VOSB	SDVOSB
919	Benjamin L Thayer	TX	56211-19		$2,295.50					
920	CARL E RAYBURN JR	TX	56211-19		$9,536.40					
921	Carter C. Callan	TX	56211-19		$214,489.44					
922	Circle Bar A Inc	TX	56211-19		$336,933.74					
923	Congers Construction	TX	56211-19		$1,101.60					
924	Hansco Inc	TX	56211-19		$26,624.86					
925	Jim McBain	TX	56211-19		$2,125.80					
926	JOHN KENNEDY	TX	56211-19		$212,010.52					
927	Lummus Farms	TX	56211-19		$65,061.63					
928	North Toledo Bend Contractors Inc	TX	56211-19		$123,515.10					
929	RDW Investments	TX	56211-19		$1,757.70					
930	Saddle Back Properties	TX	56211-19		$91,486.44					
931	South Texas Landscaping	TX	56211-19		$647,077.77					
932	Sunnybrook Construction	TX	56211-19		$157,405.50					
933	Texas Tree & Landscape	TX	56211-19		$119,540.90	$119,540.90				
934	Utilicom	TX	56211-19		$16,927.92					
935										
992										
	Cumulative $ Paid toALL Subcontractors to Date $285,131,891	**Total $ paid to ALL Subcontractors by category**		**$45,062,083**	**$240,069,808**	**$38,105,992**	**$29,944,651**	**$11,117,291**	**$4,399,664**	**$110,788**
	***Cumulative $ Paid toLOCAL Subcontractors to Date $248,775,684**	**Total $ paid to LOCAL Subcontractors by category**		**$39,565,226**	**$209,210,458**	**$37,722,589**	**$28,220,935**	**$11,114,170**	**$1,766,983**	**$110,788**
		Percent LOCAL of ALL $ Paid In Category(A/B)		**87.8%**	**87.1%**	**99.0%**	**94.2%**	**100.0%**	**40.2%**	**100.0%**

*Cumulative Actual $ Paid to *ALL / LOCAL* Subcontractors to Date - refers to actuals dollars paid to subcontractors for work completed.

LB - Large Business
SB - Small Business
MBE - Minority Business Enterprise
SDB - Small Disadvantaged Business
HUB - HUBZone Small Business
WOSB - Women-Owned Small Business
SDVOSB - Service-Disabled Veteran-Owned Small Business
VOSB - Veteran-Owned Small Business

Chairman TOM DAVIS. Mr. Schnug.

STATEMENT OF GEORGE SCHNUG

Mr. SCHNUG. Chairman Davis, Mr. Waxman, invited guests, my name is George A. Schnug, and I am the chief executive officer of AmeriCold Logistics. Thank you for inviting me to appear today. I appreciate your interest in this issue and I hope my comments today are helpful and responsive. I have submitted a copy of my statement for inclusion in the record.

AmeriCold Logistics is a leading, national, third-party provider of integrated temperature-controlled supply chain solutions. We are headquartered in Atlanta, GA, and have 100 facilities and over 6,500 employees across North America. We have 545 million cubic feet of temperature-controlled warehouse capacity and ship 60 billion pounds of freight annually for over 1,500 active customers.

The 2005 hurricane season was our first assignment with the Federal Government during a natural disaster. Prior to this occasion, the only work our company had done for the Federal Government was under contracts with the Department of Agriculture for storage of food commodities in our Carthage, MO, and Bettendorf, IA, warehouses. Our company's first experience with disaster assistance came in the aftermath of Hurricane Dennis. In July 2005 FEMA requested that 310 truckloads of ice be disorder in AmeriCold facilities in Thomasville, GA, Montgomery, AL, and Ft. Worth, TX.

Weeks later and days prior to Hurricane Katrina making landfall, we are requested by FEMA to manage the loading, staging and subsequent delivery of these truckloads of ice to affected regions. AmeriCold was successful in accomplishing this task with little notice at an extremely condensed time line. Our ability to redeploy personnel and resources due to the existing size and scale of our organization, our warehousing and transportation technology, and our established contractual relationships with an extensive network of common carriers were key components of this success. Our success in our initial activities led FEMA to request additional warehousing and services for AmeriCold.

Our company's experiences with disaster preparedness response have led us to develop the following suggestions that I respectively submit for your consideration. We believe each of these items will lead to more efficient response at a lower cost to the Federal Government.

No. 1, the Federal Government must prepare and maintain a supply chain network plan that identifies private industry providers and locations necessary for storage and distribution of relief commodities. A supply chain network plan is an analysis that identifies the optimal operational locations. The objective is to locate both manufacturing and distribution facilities within the nearest proximity of the end market.

In commerce, a successful plan places inventory in locations that minimize storage and transportation costs, while also supporting quantity and schedule requirements of the next receiver. In a disaster response scenario, the objective is to reduce travel which, unaddressed, consumes time, the scarcest resource.

Two, the Federal Government must procure and maintain an inventory of essential commodities, essential for initial relief aid. AmeriCold recommends contracting in a manner that provides predisaster funding to officially build inventory at a lower purchase price, provides for rotation of commodities to avoid waste and maintains adequate reserve stock. Multiyear contracts would allow contractors to form alliances of complementary skills and make investments in assets and people necessary to efficiently and cost-effectively perform. This would include relationships with local contractors, which we effectively used in 2005.

Further, the Federal Government should consider entering into a triparty agreement with manufacturers and retailers for water and ice, allowing FEMA to procure and rotate product through normal retail distribution channels. FEMA's evolving concept of prestaged commodities to support all hazards response is a good first step in this direction.

Three, the Federal Government should utilize a single integrated system to monitor and control the storage and movement of all commodities at all times. It is essential to establish and maintain total asset visibility at all times. A single warehouse inventory management system should identify the location, manufacturer, date of manufacture, and on-hand inventory at a minimum. This information is essential for inventory deployment as well as stock rotation and reverse logistics.

AmeriCold, for example, uses a Web-based system that delivers real-time information on customer orders, inventory and transportation status. We maintain total asset visibility and accountability whether inventory is located in one of our warehouses, a third-party warehouse or in a trailer. An integrated system of this type is essential to support multiple facilities and carriers, product identification, and rotation.

Four, the Federal Government should develop a virtual fleet of transportation carriers managed by one party rather than a single asset-based carrier that faces constraints on peak demand.

AmeriCold demonstrated the ability in 2005 to obtain carrier capacity utilizing its precontracted network of over 400 common carriers when supply was scarce to others. AmeriCold coordinates, routes, dispatches and monitors fleet activities for over 220,000 temperature controlled truckload in the year.

An integrated transportation and warehouse system, as previously described, is essential to making this recommendation successful. AmeriCold has processing systems in place that can quickly incorporate local carriers into its fleet and assure they are paid for their services on a timely basis.

I would be happy to go into further details about my testimony and suggestions during the question and answer period. Thank you.

Chairman TOM DAVIS. Thank you very much.

[The prepared statement of Mr. Schnug follows:]

STATEMENT OF GEORGE A. (TONY) SCHNUG
CHIEF EXECUTIVE OFFICER, AMERICOLD LOGISTICS, LLC
Before the House Government Reform Committee
May 4th, 2006

Chairman Davis, members of the Committee, and invited guests. My name is George A. Schnug, and I am the Chief Executive Officer of AmeriCold Logistics, LLC (AMC). Thank you for inviting me to appear today in front of the House Committee on Government Reform regarding Federal contracting in disaster preparedness and response. I appreciate your interest in this issue, and I hope my comments today are helpful and responsive. I have submitted a copy of my statement today for inclusion in the record.

AMC is the leading national third-party provider of integrated, temperature-controlled supply chain solutions. We are headquartered in Atlanta, Georgia, and have 100 facilities and over 6,500 employees across North America. We have 545 million cubic feet of temperature controlled warehouse capacity and ship 60 billion pounds of freight annually for over 1,500 active customers.

The 2005 hurricane season was our first assignment with the Federal government during a natural disaster. Prior to this occasion, the only work our company had done for the Federal government was under contracts with the Department of Agriculture for storage of food commodities at our Carthage, Missouri and Bettendorf, Iowa warehouses, and for the related transportation out of Carthage.

Our company's first experience with disaster assistance came in the aftermath of Hurricane Dennis. In July of 2005, FEMA requested that 310 truckloads of ice be stored in AMC facilities in Thomasville, Georgia, Montgomery, Alabama, and Fort Worth, Texas. Weeks later and days prior to Hurricane Katrina making landfall, we were requested by FEMA to manage the loading, staging and subsequent delivery of these 310 truck loads of ice to affected regions. AMC was successful in accomplishing this task with little notice and an extremely condensed timeline. Our ability to re-deploy personnel and resources due to the existing size and scale of our organization, our warehousing and transportation technology, and our established contractual relationships with an extensive network of common carriers were key components of this success.

Our success in our initial activities led FEMA to request additional transportation services from AMC to deliver MRE's into regions affected by Katrina. We later received additional purchase orders from the GSA to provide services for handling, storage and transportation of commodities – such as ice, water, and MRE's -- in support of disaster recovery efforts. An additional tasker was issued to place into storage excess water and ice purchased and not used for Hurricane Katrina. AMC continued to support commodity movement during Hurricanes Rita, Ophelia and Wilma. In total, we billed $93 million for these services in 2005.

Our company's experiences with disaster preparedness and response have led us to develop the following suggestions that I respectfully submit for your consideration. We

believe each of these items will lead to more efficient response, at a lower cost, to the Federal government.

1. The Federal government must prepare and maintain a supply chain network plan that identifies private industry providers and locations necessary for storage and distribution of relief commodities.

A supply chain network plan study is an analysis that identifies the optimal operational locations. The objective is to locate both manufacturing and distribution facilities within the nearest proximity of the end-market. In commerce, a successful plan places inventory in locations that minimize storage and transportation costs while also supporting quantity and schedule requirements of the next receiver. In a disaster response scenario, the objective is to reduce travel which, unaddressed, consumes time, the scarcest resource.

2. The Federal government must procure and maintain an inventory of essential commodities essential for initial relief aid.

AMC recommends contracting in a manner that provides pre-disaster funding to efficiently build inventory at a lower purchase price, provides for rotation of commodities to avoid waste, and maintains adequate reserve stock. Multi-year contracts would allow contractors to form alliances of complementary skills and make investments in assets and people necessary to efficiently and cost-effectively perform.

Further, the Federal government should consider entering into a tri-party agreement with manufacturers and retailers for water and ice allowing FEMA to procure and rotate product through normal retail distribution channels. FEMA's evolving concept of pre-staged commodities to support "All Hazards" response is good first step in this direction.

3. The Federal government should utilize a single, integrated system to monitor and control the storage and movement of all commodities at all times.

It is essential to establish and maintain "total asset visibility" at all times. A single warehouse inventory management system would identify the location, manufacturer, date of manufacture, and on-hand inventory at a minimum. This information is essential for inventory deployment as well as stock rotation and reverse logistics.

AMC, for example, uses a web-based system that delivers real-time information on customer orders, inventory and transportation status. We maintain total asset visibility and accountability whether inventory is located in one of our warehouses, a third party warehouse, or in a trailer. An integrated system of this type is essential to support multiple facilities and carriers, product identification and rotation, and local contractor requirements. Vendor managed inventory is one of AMC's key competencies in the private sector.

4. The Federal government should develop a "virtual fleet" of transportation carriers managed by a one party rather than a single asset-based carrier that faces constraints on peak demand.

AMC demonstrated the ability in 2005 to obtain carrier capacity utilizing its pre-contracted network of over 400 common carriers when supply was scarce to others. AMC coordinates, routes, dispatches and monitors fleet activities for over 220,000 temperature controlled truck loads each year in this manner today.

An integrated transportation and warehouse management system, as previously described, is essential to making this recommendation successful. AMC has processing systems in place that can quickly incorporate local carriers into its "fleet" and ensure they are paid for their services on a timely basis.

We also support FEMA's plans to purchase GPS units for carriers which can be further integrated with AMC's existing "Track and Trace" system features to provide the last link of continual visibility of commodities in route between the originating warehouse and the delivery point.

I would be happy to go into further details about any of these suggestions during the question-and-answer period.

AMC is proud of the work we performed on behalf of the victims of Katrina and other hurricanes last year. We viewed our work in the wake of these national tragedies as a special task to be carried out with great care for those who lost so much. We continue to increase our commitment in personnel and preparation and training with Federal agencies in order to further enhance our service to the American people. We look forward to providing quality products and service to the Federal government as needed in coming years.

I will be happy to answer any other additional questions the Committee may have. Thank you.

Chairman TOM DAVIS. Mr. Fox.

STATEMENT OF NEAL FOX

Mr. FOX. Chairman Davis, Ranking Member Waxman, members of the committee, I am Neal Fox, procurement consultant and member of the board of advisers of FedBid.

It is an honor to testify concerning FedBid's to help the Federal Government improve disaster-related procurement. FedBid is a small business that offers online procurement services, including reverse auctions and other competition methods through its Web site, FedBid.com.

This Internet-based marketplace enables public sector buyers to purchase commercial items in a dynamic competition environment. FedBid operates much like a reverse eBay, providing an online forum where many sellers bid on Government requirements, and prices drop as sellers seek to underbid each other.

It is a user-friendly regulatory compliant means to help agencies procure commodity products and services.

By automating the procurement process, FedBid significantly reduces the amount of time required to complete a procurement transaction, which is especially important during a crisis where time is of the essence, but controls are still needed.

FedBid ensures a fair competition for all parties, is compliant with Federal procurement regulations, and keeps the government buyer in charge of the procurement.

To use FedBid, a buyer posts the requirement at Fedbid.com, and sets the duration of the competition. Thousands of potential sellers are notified automatically of the requirement and could submit multiple bids until a preset time period expires.

When bidding ends, the government buyer reviews the bids and decides whether to accept one of them based on best value and makes the award using government purchase card through FedBid e-payment capability or a purchase order.

Detailed transaction information provides enhanced reporting and clear accountability. FedBid has successfully demonstrated that Federal Government agencies can quickly and efficiently procure commodities at the lowest available market prices using their process.

Today, Federal buyers for more than 60 U.S. Federal contracting offices within 18 Federal agencies use FedBid's innovative tools. Overall, Federal agency customers have used FedBid to make over $400 million worth of purchases resulting in a net average savings of approximately 11 percent better than government price estimates. FedBid also increases small business utilization since it brings far more companies into the competition than most other methods.

Nearly 70 percent of all dollars awarded through FedBid go to small businesses, and 80 percent of those dollars are non set-aside awards. With FedBid, both government and small businesses win.

For crisis procurements, FedBid can provide the government with an extremely effective first line of defense against no bid and sole source contracts that put the government at increased risk. FedBid enables fast yet competitive procurements. For example, in one competition lasting just 2½ hours, over 1,000 sellers were noti-

fied, seven sellers bid, and the government saved over 22 percent. And the awardee was a small woman-owned firm.

With FedBid, good procurement does not need to suffer due to urgency.

Buyers can access over 400,000 Federal Government contractors, and additional vendors can be added to FedBid's data base easily, usually in about 10 minutes. This allows State or local authorities to maximize the use of local vendors. In fact, there are over 1,100 sellers from the gulf coast States registered on FedBid today.

Federal agencies, under the authority of the Stafford Act or Local Community Recovery Act, can also use FedBid to reach local vendors. Although FEMA did not utilize FedBid in the immediate aftermath of Hurricane Katrina, the agency recently began a FedBid pilot program.

FedBid has only been used by FEMA at one office for 2 months, yet significant improvements and pricing discounts, data availability, reporting capability and other benefits have already been achieved. In this short time, FEMA has used 11 reverse auctions for items totally approximately $400,000 and average nearly 13 bidders bidding a total of 46 times. Total savings approached $75,000, nearly 19 percent below independent government estimates.

We applaud FEMA's action to look for ways to improve their procurement processes that lead them to use FedBid starting in March 2006.

FEMA's currently looking into expanding the use of FedBid to other procurement offices. And we anticipate the opportunity to replicate our initial success throughout FEMA and be ready to provide immediate support when the next disaster requires urgent procurement action. We also appreciate the committee's efforts on this important matter. And I would be pleased to entertain any questions from the committee.

Chairman TOM DAVIS. Thank you very much.

[The prepared statement of Mr. Fox follows:]

HEARING ON
FEDERAL CONTRACTING
IN DISASTER PREPAREDNESS AND RESPONSE
HOUSE COMMITTEE ON GOVERNMENT REFORM

May 4, 2006

Testimony of Neal Fox, Member, Board of Advisors
FedBid, Inc.

Mr. Chairman, Ranking Member Waxman, and Members of the Committee. It is an honor to testify before you today regarding FedBid's efforts to help the federal government in dealing with procurement issues that have been brought to light during the recent Hurricane Katrina disaster. At the outset, I would like to express our company's gratitude to the Members of this Committee for their efforts in trying to ensure that the federal government can find ways to function more effectively and efficiently for the citizens of this great nation.

1. COMPANY OVERVIEW

FedBid, Inc. ("FedBid"), headquartered in Vienna, Virginia, is a small business that offers commercially available online procurement services, including reverse auctions, single bid competitions, and online payment through its website, www.FedBid.com. FedBid's online services represent, what we believe to be, the best available combination of procurement technology and services, providing a proven, Internet-based marketplace, through which public sector buyers can buy commercial items – primarily price-driven commodities – from commercial sellers in a dynamic competition forum.

FedBid's online marketplace effectively addresses the procurement elements of the acquisition process by providing buyers with a user-friendly, regulatory compliant means of procuring, and paying for, commodities, such as office supplies, IT, and security equipment, and

commoditized services. By automating the communication and competition aspects of the procurement process, FedBid is able to assist the federal government buyer manage an ever-increasing workload.

How the FedBid Marketplace Works

The competition piece of FedBid's online marketplace operates much like a reverse eBay®, using an online method by which many sellers bid on a buyer agency's requirements, and prices drop as sellers seek to underbid each other. FedBid utilizes a fully automated web-based system that can process thousands of competitions simultaneously, each involving multiple sellers submitting one or more bids on multiple items, depending on the competition type selected by the buyer. Users need only to have access to the World Wide Web through an Internet browser in order to access FedBid's services from anywhere in the world. Moreover, FedBid's marketplace is specifically designed for low bandwidth usage, which allows users to access its full functionality even through dial-up and mobile wireless modems in areas where broadband access may not be possible.

To begin the procurement process, buyers publicize, or post, items needed by an agency, and then FedBid automatically notifies potential sellers of the opportunity. Once notified, including, as applicable, through FedBid's FAR-compliant automated electronic feed to FedBizOpps (the government's electronic bulletin board), sellers can submit bids through a "sealed" online bid submittal process, by which FedBid maintains confidentiality of competitor identities and pricing data, ensures fair competition and complies with applicable federal procurement regulations. This approach also effectively encourages significant competition among sellers, particularly in reverse auction competitions, in which sellers are able to submit manual or automated multiple decreasing bids throughout the duration of the competition in

order to obtain the Lead position.

Although FedBid automates much of the procurement process, the government buyer is always in charge of the procurement and maintains complete decision making authority. Buyers are able to access all of their procurements 24 hours a day, without any practical limitation on the number of active or previously documented competitions. The buyer sets the duration of the competition, and provides custom product specifications and seller restrictions, which can be used to meet agency socioeconomic goals or require use of GSA Schedule contracts, agency BPAs, or multiple award ID/IQ contracts (as second level competition). The buyer also establishes award criteria, which can include price, technical capability and other factors. Seller bids include price, offer description, delivery time, and seller data. When bidding ends, the government buyer reviews the bids and decides whether to accept any one of the bids, based on best value, low price or other factors specified in the solicitation. Buyers have multiple opportunities to fully specify and confirm requirements, and they can cancel the procurement at any time during the process. Even after the competition closes, buyers are not required to accept a bid if the buyer determines that the results of the competition do not meet the agency's needs. In each case, FedBid's Client Services support team provides continuous support to buyers and sellers throughout the procurement process at no additional cost, ensuring adequate competition and addressing any technical or other issues that may arise.

FedBid's ePayment capability complements its other procurement services by allowing agency buyers to manage payment electronically through their government issued purchase cards or other authorized credit cards. FedBid effectively facilitates transactional data exchange, enabling agencies to receive detailed (Level 3) transaction information for invoice reconciliation, payment processing, auditing, and overall financial management. FedBid ePayment also permits

Sellers to qualify for lower credit card processing fees, which reduces the costs for sellers supporting the government. Enhanced data is accumulated and available, so reporting is easy and detailed. Moreover, FedBid ePayment works with existing government systems, such as SmartPay charge cards, procurement systems, financial systems, Federal Procurement Data System (FPDS), and others.

2. COMPANY'S ROLES AND RESPONSIBILITIES AS A FEDERAL CONTRACTOR

For the past five years, FedBid has made significant investments of time and resources in developing and bringing to market a viable, effective online procurement service. As a result of these efforts, FedBid has successfully demonstrated that U.S. federal government agencies can quickly and efficiently procure commodities at the lowest available market price and in a fully auditable, automated and regulatory compliant manner. Today, as a leading online marketplace for the federal government, FedBid actively promotes the use of online reverse auctions throughout the federal government. Buyers from more than 60 U.S. Federal contracting offices within eighteen (18) federal agencies, including some 78 buyers at 60 embassies worldwide, currently use FedBid's innovative and effective procurement tools. FedBid is approved on the GSA IT Schedule (GS-35F-0752R, SIN 132.52), has service level contracts within 10 Federal Agencies, including the Departments of Homeland Security (DHS), State, Treasury, Commerce, Transportation, GSA and others, and is listed on the DoD eMall as a related store for use by eMall customers.

Having provided online procurement services to the federal government since 2001, FedBid possesses a unique and detailed understanding of pubic sector procurement requirements. FedBid's Client Services Team, which employs procurement professionals in both onsite and

offsite roles for training, acquisition assistance, and technical support, has provided a number of federal agencies with dedicated support personnel, many of whom have been issued security clearances. These individuals have worked, and continue to work, closely with customer agencies to provide ongoing buyer and seller support in order to ensure successful implementation and ongoing utilization of FedBid's dynamic online marketplace.

FedBid has also worked closely with its government customers to design, develop, and implement agency-recommended site enhancements to FedBid's online marketplace. Through this partnership, and at no additional cost to its customers, FedBid has made numerous system-wide improvements, including the automation of data feeds with FedBizOpps, enhanced buyer and seller workflow processes, the seller ActivityCard^{SM} (performance) feature, the About Seller information feature, and the integration of transactional data into purchase card reporting systems.

This customer-focused delivery approach, in combination with FedBid's patent pending business process and state-of-the-art technology has enabled FedBid to provide to federal agency customers with a highly effective means of performing commercial item procurements that directly meets the needs of the agency. In the process, FedBid brings to each of these buyers a unique and extremely effective procurement solution that helps buyers meet overall regulatory compliance goals and achieve a number of significant related operational benefits, including improved competition, procedural transparency and efficiency, ease-of-use, access to information, cost savings, and socio-economic utilization.

Ensuring Fair and Open Competition.

FedBid's unique design encourages fair and open competition among sellers by centralizing opportunity information, providing fully automated re-bid capability, and removing

many of the risks associated with reverse auctions. As a central location for commercial item procurements across the public sector, FedBid provides opportunity notifications to thousands of sellers and direct access to over 400,000 sellers in the government's seller database (Central Contractor Registration or CCR), thereby greatly increasing the field of potential bidders. FedBid also allows sellers to utilize a patent-pending auto-rebid feature that automatically bids against the lead bid until the bidding seller is in the lead position or until the seller's minimum bid amount is reached. Most importantly, FedBid employs a bid process that effectively protects not only the seller's identity, but also the seller's pricing from its competitors. This feature greatly reduces the potential for collusion, price-fixing or fraud by sellers and prevents competitors from gleaning proprietary information on bid and pricing strategies. By allowing qualified sellers of commercial items to compete against each other on the Internet in real time and in an open and interactive environment that safeguards each seller's identity and pricing, FedBid enables customers to achieve fair and open competition. In one example of this effect, FEMA recently used FedBid to compete the purchase of communications equipment, resulting in 70 different sellers submitting an average of nearly ten bids each. Across the FedBid customer spectrum, FedBid delivers for each and every reverse auction competed through FedBid an average of more than 5 sellers submitting multiple bids.

Providing Process Transparency and Reporting

Under increasing scrutiny by Congress, the Government Accountability Office, and taxpayer advocacy groups, buyers in federal agencies face mounting pressure to maximize performance, efficiency, and cost-savings through technology while eliminating fraud, waste and abuse. Use of FedBid has resulted, and will continue to result, in improved resource, budget, oversight, and compliance capabilities for our federal government customers. By providing an

easy-to-use procurement system that produces a digital, easily accessible, and auditable record of all transaction related information, FedBid's marketplace services allow for both procedural transparency and comprehensive, customizable reporting capability. Using this information, not only can agency buyers track individual buys, but also procurement managers can obtain comprehensive level 3 data, which they can use to manage and control future spend more effectively. Continuing the communications equipment acquisition example from above, although it took only a few minutes for the agency's buyer to post the requirements on FedBid, FedBid's reverse auction results provided an automated competition and data trail that recorded, for this single reverse auction, the seller name, time, date, amount, and other detail for 70 bids and 14 acknowledgments from sellers who reviewed the specification but actively declined to bid ('no-bids'). FedBid tracks and records the same data across each customer organization, and all of this information can be categorized and reported according to the needs of individual buyers, managers or agencies.

Providing Process Efficiency

By automating the procurement process through an accessible, user-friendly e-procurement tool, FedBid significantly reduces the amount of time required to complete a procurement transaction. Even as government budgets continue to grow, the number of procurement personnel continues to shrink. As a result, agency buyers must satisfy increasing government purchase needs with fewer human resources. Although federal procurement policies encourage buyers to implement electronic commerce for agency procurement, buyers need a procurement tool that they will want to use and that they can use immediately, without regard to their geographic location, and without implementation or training worries. FedBid provides a web-based, user-friendly, thin application that can be used as a fast, effective, and efficient

means of completing commercial item buys anywhere with Internet access. By automating and streamlining the procurement process, FedBid enables agency procurement personnel to apply their expertise to more time-consuming and complex mission critical purchases.

Maximizing Cost Savings

FedBid provides significant cost savings to its customers not only by increasing competition and introducing process efficiencies, but also by operating on a transactional fee model based entirely on achieving buyer satisfaction with each reverse auction. Because FedBid has already invested the necessary resources in developing its technology and business model, agency and commercial users incur no up-front or operational costs, and there is no software or hardware investment made by buyers or sellers. The only requirement is that users must have Internet and browser access, which allows them to utilize FedBid services on a global basis, even in remote locations. FedBid ensures ongoing cost-savings and a risk-free procurement process by requiring payment only after the buyer accepts the auction results and completes the transaction. This is significant because the buyer need not accept the auction results unless those results meet the buyer's specific price, savings, and competition requirements. Accordingly, FedBid effectively guarantees its results. In the prior example, above, involving FEMA's purchase of communications equipment, FedBid's online competition delivered a net savings of $5,658 or approximately 10% from the independent government estimate. Overall, federal agency customers have used FedBid to compete and award over $400 million worth of purchases, which has resulted in NET savings of approximately 11% below the government estimate – and that's ***after*** deducting FedBid's transactional fee.

Increasing Socio-economic Utilization

FedBid increases its customers' ability to meet federal socio-economic utilization goals

in several ways. First, FedBid provides technology that enables buyers to direct competition for a particular procurement only to those firms that meet the socio-economic classifications chosen by the agency. Second, FedBid's model creates a procurement dynamic that levels the playing field, which is especially important to small businesses. FedBid both eliminates the need to bundle purchases unnecessarily and provides a centralized means for buyers to disseminate notices regarding business opportunities. This allows small businesses to compete for more opportunities, resulting in increased small business utilization. Businesses that cannot afford additional personnel to target, track, and sell company products and services are no longer at an informational disadvantage. Finally, by focusing on commercial items and simplified-type acquisitions rather than complex service procurements or 'event-type' transactions, FedBid has chosen the market most suitable for online competitions. These requirements are typically smaller and more easily described, bid pricing is more easily determined, and award is usually made primarily on a price-driven basis. The result is a market that encourages participation by large numbers of sellers, most of which are flexible, eager, and which also happen to be small businesses. This procurement dynamic directly benefits federal buyers by enabling agencies to more readily meet their socio-economic business utilization goals, even if they choose not to use FedBid's set-aside competition capability. Government-wide, small businesses received nearly 70% of all dollars awarded through FedBid, and of that amount, nearly 80% were competed on a non-set-aside basis.

3. COMPANY'S VIEWS REGARDING CONTRACTING VEHICLES, METHODS, AND POLICIES

Each year, the federal government awards over $200 billion in contracts, including some $50 billion in acquisitions involving price-driven commercial items. Yet, as Members of this

Committee are keenly aware, federal agencies continue to procure commodities through inefficient, time-consuming and expensive methods, ignoring effective online procurement alternatives such as FedBid, which offer readily available, inexpensive, and extremely efficient tools for meeting procurement goals.

During times of relative calm, such procurement inefficiencies can be ignored as bureaucratic inertia; however, during times of crisis and recovery, such as those surrounding the Hurricane Katrina disaster, procurement inefficiencies can mean the difference between lives saves and lives lost; property recovered and rebuilt or property lost; local economies damaged or local economies destroyed; public heroism or political disgrace. Unfortunately, the competing pressures inherent in times of crisis and recovery often combine into the perfect storm, turning inefficiency into perceived or actual incompetence or negligence. In turn, the fallout from such a storm inevitably cuts across political, economic and social boundaries, wreaking havoc on those even tangentially responsible for, or dependent on, procurement issues.

For commodity procurements, FedBid can provide the government with an extremely effective first line of defense against the waste and fraud cited in the recent report, "Hurricane Katrina: A Nation Still Unprepared", published by the Senate Committee on Homeland Security and Governmental Affairs. Significantly, the report found that "[d]ue to a lack of planning and preparation, much of FEMA's initial spending was reactionary and rushed, resulting in costly purchase decisions and utilization of no-bid, sole source contracts that put the government at increased risk of not getting the best price for goods and services." FedBid actually allows the government to conduct competitive procurements, even if such procurements need to be done quickly, and as a result, FedBid brings market forces to bear in circumstances that otherwise would be ripe for price-gouging, or at least, profiteering. In fact, FedBid has conducted

hundreds of competed procurements lasting less than 3 hours. For example, in one competition for IT equipment lasting just 2½ hours, 1,048 sellers were notified, 7 sellers bid a total of 37 times (an average of more than 5 times per seller), resulting in government savings of over $16,000, or approximately 22.5%, as compared to the Independent Government Estimate. The ultimate awardee was a small, woman-owned firm that competed in a non-set-aside competition, and won anyway. By using FedBid, the buyer was able to achieve substantial process efficiencies and transparency, significant cost savings, fair and open competition, complete and automated documentation, and increased socio-economic utilization – in this case, all during the course of less than 3 hours. There is no reason to believe that FEMA or any other agency that chooses to use FedBid for procurements in which time is of the essence could not achieve similar results for its commodity procurements.

Significantly, FedBid also addresses the challenge of bridging the contracting gaps between federal and state and local contracting authorities. Although FedBid's unique process complies with Federal Acquisition Regulation (FAR) requirements, FedBid's functionality can be used with minimal training by any purchasing authority and without the need for additional contract mechanisms. Buyers can immediately access the thousands of registered and active FedBid sellers and have direct access through FedBid electronic feeds to the over 400,000 federal government contractors in the CCR. In addition, agencies can add suggested sources to FedBid's database quickly (registration takes 5-10 minutes) at any buyer's request. This allows state or local authorities to request FedBid to register approved local sellers and then use the set-aside capability to direct a procurement to those local sellers in order to direct recovery dollars to those areas most in need. In fact, even without such requests, there are over 1,100 sellers from Gulf Coast states registered on FedBid that can compete today for commodity buys. Federal

authorities, under the authority of the Stafford Act or Local Community Recovery Act can use FedBid in the same manner, or it can use FedBid to place directed buys through agency multiple award contracts and blanket purchasing agreements, or other methods of procurement authorized under the FAR. FedBid can also be used in conjunction with other procurement vehicles as a second tier process to gain additional discounts from existing contractual relationships, as FedBid has recently demonstrated with DoD contracts in Iraq.

Based on our extensive experience with federal procurements, FedBid recommends use of commercially available online procurement tools, like FedBid, to the maximum extent practicable. Although online procurement tools encompass a wide range of possibilities, from catalogues to RFP systems, real-time competition tools like FedBid are uniquely suited for commercial items that are best described as price-driven commodities. So long as the item specifications can be developed with enough certainty to permit objective award criteria, reverse auctions provide the most effective means of procuring such items. In the process, these tools help buyers meet overall regulatory compliance goals and achieve a number of significant related operational benefits, including improved competition, procedural transparency and efficiency, ease-of-use, access to information, cost savings, and socio-economic utilization – regardless of the requirement's urgency. Moreover, procurement tools like FedBid can provide an attractive dynamic alternative to the traditional static or limited sourcing approach typically employed in government strategic sourcing plans. Accordingly, even if FedBid is not always the federal buyer's tool of choice for online procurement, we encourage the federal government to use online competitive tools like FedBid to the maximum extent practicable to procure commodity-type commercial items.

Recent Developments at FEMA

Although FEMA did not utilize FedBid in the immediate aftermath of Hurricane Katrina, the agency recently completed a limited pilot program with FedBid to determine how the agency could best realize the many benefits previously described. FedBid has only been in use by FEMA at one office for two months, yet significant improvements in pricing discounts, data availability, reporting capability, and other benefits have already been achieved, as illustrated in some of the previous examples cited. To date, FEMA has accepted results from 11 reverse auctions for items totaling approximately $400,000. Each auction averaged nearly 13 bidders, bidding a total of 46 times, and almost 31 sellers actively submitting no-bid notifications. Total savings approached $75,000, or nearly 19% below the Independent Government Estimate.

We applaud FEMA's action to look for ways to improve their procurement processes that led them to use FedBid starting in March 2006. FEMA is currently working to expand the use of FedBid to other procurement offices, and we anticipate that the success that has been achieved to date will replicate itself throughout the agency.

FedBid is proud to be serving as a new partner in the process of putting the victims of last year's disastrous hurricane season back on their feet as quickly as possible, and we appreciate the efforts of those at FEMA and throughout the federal government who did their best to assist those affected by those disasters. We also appreciate the Committee's considerable efforts in trying to improve the acquisition process so that the federal government can react with more speed, precision, efficiency and effectiveness during the next crisis, and we trust FedBid will have a positive impact on those efforts.

I would be pleased to entertain any questions from the Committee.

Chairman TOM DAVIS. Mr. Machado.

STATEMENT OF DAVID MACHADO

Mr. MACHADO. Mr. Chairman, ladies and gentlemen of the committee, I would like to thank you for inviting Necaise Brother Construction Co. to these hearings and allow us this historic opportunity to testify.

My name is David Machado. I am a staff engineer for Necaise Brothers. And I will be presenting our company's testimony, seated next to me is James Necaise, vice-president of Necaise Brothers.

I would first like to state not only are we speaking out for Necaise Brothers, but also for all other local Mississippi contractors that have been slighted by the government's current practice of hiring out-of-state contractors to perform work that is critical to the rebuilding of not only the physical, but the emotional infrastructure of our community.

We have all felt injustice from truck drivers, to chain saw operators, we have had to scrape and claw to be afforded an opportunity to rebuild the very place we call home.

In these next 5 minutes, I hope I can convey to you the frustration we have experienced as a result of the Hurricane Katrina disaster service procurement process.

Necaise Brothers Construction is a Mississippi corporation based out of Gulfport, MS. We employ 36 local citizens and work with local subcontractors to employ hundreds of local residents.

Necaise Brothers history of disaster relief services dates back many years before Hurricane Katrina. James's father, Herman Necaise, president of Necaise Brothers Construction, began his roots in the field of debris removal back in 1969 with Hurricane Camille.

A resident of Hancock County, MS, Herman used his own dump truck to haul debris from the devastated Bay Saint Louis, MS area. On August 29, 2005, Katrina challenged Necaise Brothers like no other storm had in the past. My family, Herman, James, as well as many of our employees, all lost their homes through the ravages of Katrina.

Despite the hardening blow, Necaise Brothers retained every single employee it had prior to the storm.

We are proud to say that despite our personal losses, our company was the first responder for numerous municipalities and local governments across the Mississippi coast in the immediate hours following Katrina.

Necaise Brothers crews cleared vital roads of debris for emergency personnel such as search and rescue, fire police, and power crews to aid those in need.

Once emergency operations were successfully completed, Necaise Brothers concentrated its effort on debris removal, reduction and demolition for our local governments. The city of Long Beach, MS, contracted with Necaise Brothers to remove all debris from public right of ways as well as demolish and remove debris for over 600 right of entries citywide and maintain sites for debris disposal. Necaise Brothers is proud to say that the city of Long Beach recovery effort is one of the elite on the coast.

Over 1 million cubic yards of debris have been removed and disposed of from the city of Long Beach, and our contract is within 10 percent of the engineer's estimate.

On April 7, 2006, Necaise Brothers was awarded a contract under a solicitation with the U.S. Corps of Engineers, Vicksburg, MS, consolidated contracting office for the demolition of private, commercial, and public structures or buildings damaged by Hurricane Katrina and removal of related debris.

AshBritt, a Florida contractor, prevented Necaise Brothers from performing over $150 million in cleanup work awarded to it by the Corps by filing a protest with the GAO.

This was not the first administrative challenge that AshBritt made in an attempt to block the award to contract to local Mississippi firms.

Prior to the award of Necaise Brothers, AshBritt protested the procurement claiming that the Stafford Act did not allow the Corps of Engineers to include a set aside for local contractors.

The GAO validated the Corps's approach and rejected AshBritt's challenge. AshBritt's procedural challenge delayed Necaise Brothers' performance of its contracts by 4 months. All the while, AshBritt was performing the work intended for Necaise Brothers.

In addition to the GAO, Congress with broad bipartisan support has recently encouraged the Corps's attempts to implement the Stafford Act as it applies to Hurricane Katrina cleanup contracts in H.R. 4979, the Local Community Recovery Act of 2006.

The bill provides explicit direction to Federal agencies that geographic preference for the award of contracts are specifically encouraged.

The following congressional record clearly reflected Congress's intent to remove further interference by AshBritt in the procurement progress. I would like to read comments made by Congressman Oberstar. Last week, the GAO issued its ruling its decision in the matter of AshBritt with reference to the file number dated March 20th, and in the most part, said we think AshBritt misses the point when it argues that some sort of preference short of a set-aside also implements the Stafford Act's preference for using local business to clean up disaster-related debris. The question here is not whether some lesser form of preference might have satisfied the act's intent, but where the preference chosen was an abuse of agency discretion.

Since the language in the statute does not specifically restrict the application of the preference and since the use of set-aside is consistent with statutory goal of assisting firms in effected area, we do not view the Corps' decision to implement the Stafford Act preference with a set-aside as an abuse of the agency's discretion to implement the statutory scheme. That settles it.

The Corps has the authority. That authority has been affirmed by the Government Accountability Office and the contracting should proceed. The GAO decision so clear, so precise, so unequivocal, in my judgment, and in previous experience with the Corps and with the GAO, should ward off any lawsuit or further appeal by AshBritt. You think they will be very wise to accept the judgment of the GAO and allow the procedure to go forward.

Congressman Oberstar goes on to say, I think it is a good legislative outcome. It is a good direction to the Corps. It will be good for the people of Mississippi.

It will be a good lesson for workers and smaller contractors in other hurricane affected gulf States. It will set a good precedent for the future.

On April 10, 2006, AshBritt filed yet another protest. Despite the prior ruling by the GAO and a clear congressional mandate, the Corps of Engineers refused to lift the automatic stay, which would have allowed Necaise Brothers to begin its work.

If AshBritt's second GAO protest was allowed, all remaining work intended to be completed by Necaise Brothers will now be finished by AshBritt. Having no other alternative on April 20, 2006, Necaise Brothers filed an application for preliminary injunction in requesting that a Federal judge intervene to stop the Corps from allowing AshBritt to complete the work rightfully awarded to Necaise Brothers.

Immediately after the filing of the application for preliminary injunction on April 20, 2006, the Corps of Engineers terminated Necaise Brothers contract, citing delay caused by protests, thus allowing as separate to continue with the debris removal process. Not only is this a slap in the face to Necaise Brothers and local contractors, it prolongs unnecessary burdens to taxpayers.

If past recovery efforts were examined, they would show that competitively bidding projects to local companies under the Stafford Act reduces the cost of debris removal by 25 to 100 percent.

This puts money back into the devastated local economies and boosts morale as local citizens are allowed to take charge of their own recovery process.

Meanwhile, back on the Mississippi gulf coast, our office continues to be inundated with calls from local workers and contractors, pleading for an opportunity to clean up and rebuild their community. Unfortunately, at this time, all we can do is redirect their calls. What is particularly disturbing about this experience is that the Corps had the tools to allow Necaise Brothers to perform, to seek a stay which could have been overriden. But the Corps choose not to do so. Thank you.

Chairman TOM DAVIS. Thank you very much. I gather you are not looking for a subcontract right now. But we appreciate your testimony.

[The prepared statement of Mr. Machado follows:]

WRITTEN TESTIMONY OF JAMES NECAISE

HOUSE COMMITTEE ON GOVERNMENT REFORM

MAY 4, 2006, 10:00 am

Ladies and Gentleman – I'd like to thank you for inviting Necaise Brothers Construction Company, Inc. to these hearings, and allowing us this historic opportunity to testify. My name is David Machado, Staff Engineer for Necaise Brothers Construction Company, Inc., and I will be presenting our company's testimony. Seated next to me is James A. Necaise- Vice President of Necaise Brothers Construction Company, Inc. I would first like to state that not only am I speaking out for Necaise Brothers, but also for all other local Mississippi contractors that have been slighted by the government's current practice of hiring out of state contractor's to perform work that is critical to the rebuilding of not only the physical but the emotional infrastructure of our community. We have all felt the injustice. From truck drivers to chainsaw operators, we have had to scrape and claw to be afforded an opportunity to rebuild the very place we call home. In these next five minutes I hope I can convey to you the frustration we have experienced as a result of the Hurricane Katrina disaster services procurement process.

I. Company Overview and Participation in Disaster Relief Projects

Necaise Brothers Construction Company, Inc. is a Mississippi corporation, based out of Gulfport, MS. We employ 36 local citizens and work with local subcontractors who employ hundreds of local residents. Our company has been engaged in demolition, debris removal, site management, and debris reduction since the inception of Necaise Brothers in 1981.

Necaise Brothers history of disaster relief services precedes the formation of the company. James' father, Herman R. Necaise, President of Necaise Brothers Construction Company, Inc., began his roots in the field of debris removal back in 1969 with Hurricane Camille. A resident of Hancock Co., MS, Herman used his own dump truck to haul debris from the devastated Bay St. Louis, MS area. In 1981, Herman established Necaise Brothers-mainly concentrating on heavy construction; however debris removal and reduction remain a vital part of the Necaise Brothers services.

II. Hurricane Katrina and Necaise Brothers' Disaster Services

On August 29th, 2005 a hurricane named Katrina challenged Necaise Brothers like no other had in the past. My family, Herman and James- as well as many of our employees- all lost their homes to the ravages of Katrina. Despite the hardening blow- Necaise Brothers retained every single employee it had prior to the storm- every single one immediately came back to work. We are proud to say that despite our personal losses- our company was a first responder for numerous municipalities and local governments across the Mississippi Coast in the immediate hours following Katrina. Necaise Brothers crews cleared vital roads of debris for emergency personnel and equipment to aid those in need.

Once emergency operations were successfully completed, Necaise Brothers concentrated its efforts on debris removal, reduction and demolition for our local governments. The City of Long Beach, MS engaged Necaise Brothers to remove all debris from the public right of ways, as well as demolish and remove debris for over 600 ROE's (right of entry) city wide and maintain sites for debris disposal. Necaise Brothers is proud to say that the City of Long Beach's recovery effort is one of the elite on the

Mississippi Gulf Coast. Approximately 1,200,000 cubic yards of debris have been removed and disposed of from the City of Long Beach.

Additionally, Necaise Brothers was awarded the contract to screen the sand beach in Harrison County, MS of all small debris lodged in the sand. In the end, over 730 Acres of sand beach has been successfully screened of debris left by Hurricane Katrina.

III. Hurricane Katrina and the Army Corps of Engineers

On April 7, 2006, Necaise Brothers was awarded a contract ("Contract") under Solicitation No. W912EE-06-R-0005 by the United States Corps of Engineers ("Corps"), Vicksburg Consolidated Contracting Office, for the demolition of private, commercial and public structures or buildings damaged by Hurricane Katrina and removal of related debris. Ashbritt, Inc., a Florida contractor prevented Necaise Brothers from performing up to $150 million dollars in clean-up work awarded to it by the Corps, by filing a protest with the General Accountability Office. This was not the first administrative challenge that Ashbritt made in an attempt to block the award of contracts to local Mississippi firms. Prior to the award of Necaise Brothers' Contract, Ashbritt protested the procurement claiming that the Stafford Act did not allow the Corps of Engineers to include a set aside for local contractors. The GAO validated the Corps' approach and rejected Ashbritt's challenge. Ashbritt's procedural challenge delayed Necaise Brothers' performance of its Contract by four months. All the while, Ashbritt was performing the work intended for Necaise Brothers.

In addition to the GAO, Congress, with broad bi-partisan support, has recently encouraged the Corps' attempts to implement the Stafford Act as it applies to Hurricane Katrina Clean-Up contracts in HR 4979 "The Local Community Recovery Act of 2006".

The bill provides explicit direction to Federal agencies that geographic preferences for the award of contracts are specifically encouraged. Further, the bill states, "It is the sense of Congress that the Corps of Engineers should promptly implement the decision of the Government Accountability Office in solicitation W912EE-06-R-0005, dated March 20, 2006" (this was a reference to the GAO's decision rejecting AshBritt's first bid protest).

The following Congressional Record clearly reflects Congress' intent to remove further interference by Ashbritt in the procurement process. In remarks, Congressman Oberstar states:

> Last week, the GAO issued its ruling, its decision in the matter of Ash Britt, Inc., with reference to the file number, dated March 20, and in the most important part said: ``We think AshBritt misses the point when it argues that some form of preference short of a set-aside also implements the Stafford Act's preference for using local businesses to clean up disaster-related debris. The question here is not whether some lesser form of preference might have satisfied the act's intent, but whether the preference chosen was an abuse of agency discretion. Since the language in the statute does not specifically restrict the application of the preference, and since the use of a set-aside is consistent with the statutory goal of assisting firms in the affected area, we do not view the Corps' decision to implement the Stafford Act preference with a set-aside as an abuse of the agency's discretion to implement this statutory scheme."
> .....
> That settles it. The Corps has the authority; that authority has been affirmed by the Government Accountability Office, and the contracting should proceed. The GAO decision, so clear, so precise, so unequivocal in my judgment and in previous experience with the Corps and with GAO, should ward off any lawsuit or further appeal by Ash Britt. I think they will be very wise to accept the judgment of GAO and allow the procedure to go forward.
> .....
> I think it is a good legislative outcome. It is a good direction to the Corps. It will be good for people of Mississippi. It will be a good lesson for workers and smaller contractors in other hurricane-affected Gulf States. It will set a good precedent for the future.

On April 10, 2006, Ashbritt filed yet another protest. This time it was to protest the award of the Contract to Necaise Brothers. Despite the prior ruling by the GAO and the clear Congressional mandate, the Army Corps of Engineers refused to lift the automatic stay which would have allowed Necaise Brothers to begin its work. If Ashbritt's second GAO protest was allowed, all remaining work intended to be completed by Necaise Brothers would now be finished by Ashbritt. Every passing day allowed more work to be completed by Ashbritt, and more work to be taken out of the hands of local contractors.

Having no other alternative, on April 20, 2006, Necaise Brothers filed an Application for Preliminary Injunction requesting that a Federal Judge intervene to stop the Corps from allowing Ashbritt to complete the work rightfully awarded to Necaise Brothers.

Immediately after the filing of the application for preliminary injunction, on April 20, 2006, the Corps of Engineers terminated Necaise Brothers' contract citing delay caused by the protests, thus allowing Ashbritt to continue with the debris removal process. Not only was this a slap in the face to Necaise Brothers and local contractors, it prolongs an unnecessary burden to tax payers. If past recovery efforts where examined- they would show that hiring local workers reduces the cost of debris removal by approximately 25%, puts money back into the devastated local economies and boosts moral of local citizens allowed to take charge in their own recovery process.

Meanwhile, back in Gulfport, MS- our office continues to be inundated with calls from local workers and contractors pleading for an opportunity to clean up and rebuild their community. Unfortunately, at this time we have to redirect their calls.

Chairman TOM DAVIS. I will start with Mr. Pickering.

Mr. PICKERING. Mr. Chairman, the testimony illustrates the difference—Mr. Necaise, you started doing cleanup at the Long Beach Municipality right after the storm, is that correct?

Mr. NECAISE. Mr. Pickering, we started doing cleanup the day after the storm. My company and other local companies moved in to clear the roads for Gulfport, Long Beach, and other cities. We were there right after the storm.

Mr. PICKERING. You were not incapacitated?

Mr. NECAISE. No, I was not. I lost my house, but I was there the next day to work.

Mr. PICKERING. And your story is repeated across the disaster area in Mississippi where local communities, even against advice of the Corps of Engineers, contracted with their own companies, and from the storm we have county after county, city after city, local company after local company that weren't incapacitated.

Mr. NECAISE. No.

Mr. PICKERING. Mississippians, we are pretty resilient people, aren't we?

Mr. NECAISE. We are.

Mr. PICKERING. So this assumption of incapacitation, in your opinion, would that be a false assumption?

Mr. NECAISE. It is a false assumption. And at no time after the storm did I see first 2 weeks AshBritt, the Corps of Engineers, anyone. It was a local citizens cleaning up their own mess, opening the streets, for as Dave mentioned, the ambulance, recovery efforts. At no time did I see the Corps. I did not see—I did not experience the Corps or AshBritt until the night, city of Long Beach, I was signing my contract for the city of Long Beach debris removal, and that night, the Corps and Mr. Perkins were giving their presentation to the city officials on why they should use the Corps.

I was disturbed during this presentation. One of the things stated that if the city of Long Beach used the Corps, they would not have to worry about matching funds. If they used the local contractor, they could be subject to matching 5, 10 percent.

And the other thing was, if they went with the Corps, instead of locals, they would not have to worry about being audited by FEMA.

And that, to me, is a scare tactic used to the local governments, the local officials, to bring the Corps in here. I have a bid to the city of Pass Christian for debris removal.

You stated earlier, $14 a yard; $12.90 a yard. A million yards in 35, that is an extra cost in this one small town of $20 million the taxpayers had to pay. That money could have been used for something else. It could have been used for housing. It didn't have to go leave the State of Mississippi. $20 million on the smallest community in Harrison County. Wasted.

Mr. PICKERING. Mr. Perkins, you said in the Harrisburg American the moment anyone can shove me out that makes any kind of financial or common sense, we will stand down.

Now, Mr. Necaise was on the ground the day after the storm. He cleaned up at half the cost that you did.

Does that make financial or common sense to you?

Mr. PERKINS. I think it is first, important for this committee to understand how this process works.

Mr. PICKERING. That is not what—I did not ask you to educate us on the process. I have learned what the process was. Mr. Perkins, what I asked was he incapacitated?

Mr. PERKINS. Again, I have one way to answer. Would you like me to answer, sir, or do you want debate it for the next 10 minutes.

Mr. PICKERING. Was he incapacitated and were other local contractors incapacitated?

Mr. PERKINS. I will answer it my way if you would like to hear it. This process works by the local governments of the State of Mississippi requesting the Governor of their State, once they have assessed the situation, which they did during the first 5 to 7 days after Katrina made landfall, demanding that of their Governor, that this was beyond their ability from a local level to handle the magnitude of response in the cleanup that was needed, therefore, triggering FEMA to pass a Corps of Engineers and bringing in AshBritt under our competitivey-procured contract that we had for almost 10 years.

And I maintain that it made zero sense to answer your question to do what the Corps of Engineers was trying to do when they went to rebid our contract. Absolutely I still maintain that today.

Mr. PICKERING. But when they rebid the contract, that was December 20th. At that time, at 3 months after the storm, so even if, let's just say there was some limited incapacitation or that we needed supplemental help of capacity, why does it make sense at that point in December for financial reasons, for congressional intent reasons of the Stafford Act and the recovery of local economy, why does it make financial sense to pay twice as much to have out-of-state contractors at a point when all of our local contractors are on the ground and can do the work. At that point, sir, why did you continue to protest and delay and game out the system?

Mr. PERKINS. Nobody was gaming the system, sir, regardless of how you like to characterize it. Speaking specifically to this bid abstract that Mr. Necaise has, if you examine the requirements put forth in that specific procurement, it falls short about two-thirds of the services that were currently provided for the Corps of Engineers.

So if you are going to sit here and discuss and debate numbers, you need to compare apples to apples not apples to freight trains. It is just not the same thing.

Mr. PICKERING. What is your comparison of Necaise disposing of 1 million cubic yards of debris at what 12, 14?

Mr. NECAISE. There were 12 bidders on this one particular project. My company was third. We were third lowest. Out of 12, nine of the contractors were between $12 and $14 a yard. They were all local. The job—the description of the job was removing the debris, maintaining the dump sites. The debris reduction and that cost come out to $12, $12-and-something cents a yard. It is no difference, doing what we are doing for $12.90 what they are getting $36 for.

I mean, you compare apples to apples, and apples to freight trains, garbage is garbage. You pick it up. You put it in the dump, you get rid of it. There is no difference here.

I get paid one amount, he gets paid one amount. He gets paid, to me, it looks like 125 percent more. Federal Government, our taxpayers are paying this.

Mr. PICKERING. Thank you. Mr. Chairman, one final question for Mr. Perkins.

Mr. Perkins, on your $500 million contract, what is your profit on that?

Mr. PERKINS. The $500 million contract that we have that the pricing structure of that contract was negotiated with the contracting department, contracting specialist of the Army Corps of Engineers. In that process, we are negotiating a profit margin and a G&A and an overhead number for field operations etc. We went through the Federal procurement rules and regulations to establish that price, it was deemed reasonable, and that is as much as I have to say on that.

Mr. PICKERING. Mr. Perkins, on December 6th, you had a meeting in my office in which you said you had a 25 percent process on that contract so $500 million contract, was your profit $100 million?

Chairman TOM DAVIS. Did you back off 25 percent, is that about ballpark?

Mr. PERKINS. It is a little overstated, but we are so far away from closing out our books and taking into account all the various issues that we are dealing with, I will let you in a few months.

Chairman TOM DAVIS. Mr. Waxman's time.

Mr. PICKERING. Let me just, for the record, make sure that I understand, you made a 25 percent profit. This is not what is common sense or the best interest for taxpayer for the country or for the local communities. Your protest is about your profit. With that, I yield back, Mr. Chairman.

Mr. PERKINS. You are wrong, Congressman. You can characterize it however you want, I'm sorry, Mr. Chairman, I was answering his question.

Chairman TOM DAVIS. I just want to ask why is the contract and the services you are providing different from what Mr. Necaise—why are they not apples to apples? What are you doing differently?

Mr. PERKINS. First of all, I know what that proposal or bid they put out requires. Second of all, we are working for the Army Corps of Engineers. The administration, the safety, the project management, the oversight required working for that agency is significantly greater than working for cities or counties directly.

Chairman TOM DAVIS. I'm not after you. I am just trying to understand what services were you providing different than what Mr. Necaise has provided?

Mr. PERKINS. Part of our contract, quality assurance, disposal costs, specialized work items, hazardous materials, asbestos monitoring, mediating pools and subsurfaces voids, imminent dangers, trees and limbs, etc. They are not even close in the requirements that were under some of these local bids that were put out initially after the storm and we are required to perform under contract. They don't even come close.

Chairman TOM DAVIS. I just wanted to make sure I got—Mr. Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman. One of my biggest concerns is that gap between what the prime contractors are being paid and what the people who actually do the work are being paid. Now the documents for the Army Corps show that for both debris removal and the blue roof contracts, there are as many as four layers of contractors between the government and the worker, each taking a financial cut.

Now, Mr. Perkins, for your debris removal contract, how many layers of subcontractors does AshBritt employ and how many layers stand between the government and the workers?

Mr. PERKINS. Zero.

Mr. WAXMAN. So you did the actual work yourself? You did the subcontracting?

Mr. PERKINS. Yes, sir, Mr. Waxman, and I concur I completely agree with the problems that you see with that. Those are related to the contracts in Louisiana. Our contracts in Mississippi, every subcontractor working on the job gets a check directly from AshBritt. There are very few instances where some of the local Mississippi companies such as some of the truckers that are independent——

Mr. WAXMAN. That is not what I was asking. How many subcontractors do you hire under your prime contract?

Mr. PERKINS. At one point, we had several thousand. But they were all working directly for us. There was no tiering on our project.

Mr. WAXMAN. You had the contract with the Army Corps of Engineers and then you hired subcontractors to do the work?

Mr. PERKINS. That's correct.

Mr. WAXMAN. And did they have subcontractors?

Mr. PERKINS. As I was just getting ready to answer, in very few cases, we allowed a subcontractor, and there were Mississippi subcontractors, to hire people underneath them, and this was mainly at the request of some of the smaller guys who only had one truck or two trucks or worked for these guys on a regular basis, and felt comfortable in that situation. But it is our typical policy as a company we do not allow multiple tiering at any level.

Mr. WAXMAN. One document we have shows a prime contractor and three tiers of subcontractors and press articles have reported the same. Do you dispute the accuracy of these reports? Maybe not your company, but for the work that is generally being done by prime contractors?

Mr. PERKINS. I can dispute it for my company because I know it is statutorily incorrect, but I have personal knowledge that is the case on some of the other Corps contracts in Louisiana. It is a common practice which we do not employ. I think it delays the cleanup. It increases the cost. And it just creates confusion and takes longer to get the job done.

Mr. WAXMAN. How much has AshBritt paid for every cubic yard of debris hauled?

Mr. PERKINS. We are paid a combined price of $23 a cubic yard, not $26 as was mentioned earlier when on the first panel.

Mr. WAXMAN. The Washington Post reported that local officials and business people knowledgeable about the contracts say the

companies are paid $28 to $30 a cubic yard. Is that an inaccurate figure?

Mr. PERKINS. I can tell you from my contract with Army Corps of Engineers, it is inaccurate. I do know in Louisiana they were paying upwards of 30, 40, 50 percent more than what we are being paid in Mississippi.

Mr. WAXMAN. When you get down to the people who have the trucks and actually doing the hauling, how much do they get paid per cubic yard?

Mr. PERKINS. As I said earlier, we sat down with contracting. This was not AshBritt just throwing a number at the wall and hoping they accept the first one we threw out. The process—we did not have our contract definitized for the first 30 days. We negotiated with the Corps of Engineers contract specialists, we gathered costs within the first, actually it was 21 days, we paid on average—there are multiple parts of this contract. It is not just picking it up. It is picking up. It is transporting it. Running the temporary debris sites, hazardous wastes, multiple functions that are captured in this aggregate rate we get paid. But for simply picking it up and hauling it from point A to the temporary disposal site, the average price was in the $10-a-yard range which I might add, 63 percent of the dollars we have spent to date have gone to Mississippi contractors, so if we pay, on average, more than a lot of the bids went for in some of the other areas of the State.

Mr. WAXMAN. What do you do to earn the extra amount of money that you otherwise pay to the subcontractors?

Mr. PERKINS. We are engaged in this business 365 days a year. We spend months and months training and planning with the Army Corps of Engineers. It costs my company upwards of $800,000 a year to maintain a contract that potentially has zero dollars, zero revenue against it. We plan. We train. We manage. We provide project oversight. We assume all the risk involved. We carry the job of over $100 million before we received our first penny from the Federal Government. We have $100 million payment performance bond on this project.

Mr. WAXMAN. Let me ask you this: Maybe your not the one in the best position to answer it, because you have an interest in your company, but what bothers me is that—and conditions were difficult after Hurricane Katrina hit—but the approach that the Army Corps uses for these contracts seems to me flawed. Instead of the government hiring and managing contractors, we outsource that work to companies like AshBritt. And then they go out and other companies like yours go out and subcontract, it seems to me highly inefficient leading to higher overhead and in many cases worse results.

Let me ask you about the cure notice. You got a cure notice, it is interesting to me that you got a cure notice where other companies did not get a cure notice even though the audit showed they had problems.

Why were you singled out for a cure notice?

Mr. PERKINS. I don't necessarily know that we were singled out, but I can address our cure notice. The Corps of Engineers through its normal Federal procurement and contracting practices issued us a cure notice for what they felt were several deficiencies we had on

the project. We addressed them. We corrected them, and we moved on, and 6 months later, we are still working.

Mr. WAXMAN. As I understand, you have been cited again. They didn't terminate your contract. Did they ever take action after the subsequent violation of the cure notice?

Mr. PERKINS. In a contract of this size and with thousands of contractors working and the magnitude of work that was taking place, it is routine to get letters maybe weekly on certain areas that they would like us to perform in a better way, if you will. It is normal. It is a normal thing that takes place.

Mr. WAXMAN. Let me get clear on one point because my time has expired.

Mr. BURTON. Henry, I would like to get one or two questions in.

Mr. WAXMAN. Just a minute. It seems to me you are saying you are getting $23 and your subs are getting $10. That would mean your cut is more than half.

Mr. PERKINS. That is not correct?

Mr. WAXMAN. Tell me what the exact figures, are.

Mr. PERKINS. I am not going to divulge my profit margin, first of all, because it is not set. I don't know what that number is going to be. But part of that cost is picking it up, part of that cost is hauling to the temporary disposal site managing the dump site processing it, burning it, separating it——

Mr. WAXMAN. Let me ask the chairman if he would get from you all of the figures, because I think we ought to have the accurate figures, if it hasn't yet been determined, we ought to find out where that is and what the determination will be and what your plans are. I think it is the taxpayers' money and we ought to have it.

Chairman TOM DAVIS. Thank you very much. Mr. Burton.

Mr. BURTON. I think it is a good idea, Henry, and I concur. I would like to see all those figures myself.

Mr. PICKERING. Would the gentleman yield? Would Mr. Perkins provide that information to the committee?

Mr. PERKINS. What information are you looking for specifically?

Mr. PICKERING. All of your contract information going into the specific pricing.

Mr. PERKINS. I think if you request that information, first and foremost, from the Corps of Engineers, they have all that information. They have all the backup, the supporting documents of how we came to our price, who is being paid what and what the G&A and profit and overhead numbers should be, and that, by the way, those numbers are set by the Federal Government. They are not set by me.

Mr. PICKERING. That information is proprietary, and they would not—the question is, can they release that information?

Mr. PERKINS. You have to ask them that.

Mr. WAXMAN. Would you object?

Mr. PERKINS. Would I object to divulging proprietary information that I have worked hard for 15 years to build a business, become the best? I would have certain objections to just giving my competitors nationwide an unfair advantage.

Mr. WAXMAN. You would have to honor a subpoena.

Mr. BURTON. Where did I lose control of my time?

Chairman TOM DAVIS. Keep going.

Mr. BURTON. I think that we—Mr. Chairman, would I suggest that if it is at all possible to get this information, we should get this information. I would urge we do that. Let me just ask you a couple of questions, sir.

This was a competitive bidding process, right?

Mr. PERKINS. Yes, sir, it was. It is a prepositioned contract. It dates back almost 10 years.

Mr. BURTON. And you were the low bidder?

Mr. PERKINS. We were selected based on our capability, our expertise and best value of the Federal Government, that is correct.

Mr. BURTON. And you were not the only bidder?

Mr. PERKINS. Going back on the prepositions, there was, at one point, 40 companies nationwide, but on the latest $500 million contract, there were 22 contractors, of which two were very large businesses from Mississippi.

Mr. BURTON. But you were not the only bidder?

Mr. PERKINS. Yes. No, we were not.

Mr. BURTON. Now as I understand it, after you got the contract, the Corps started going back on this, under what law is that?

Mr. PERKINS. Stafford Act? Stafford Act.

Mr. BURTON. The Stafford Act to try to renegotiate the contract and that is when you went to court, is that correct?

Mr. PERKINS. The Corps put out a solicitation back in December.

Mr. BURTON. But did you go to court?

Mr. PERKINS. No, sir we didn't go to court. We exercised our rights and filed a protest with the GAO.

Mr. BURTON. And the GAO responded how?

Mr. PERKINS. The GAO, based on what we submitted in our bid protest, I am sorry in this initial protest on our merits issued a statutory stay as law allows them to do.

Mr. BURTON. And so if the contract went forward, even though they tried to use the Stafford Act to change it.

Mr. PERKINS. That is correct.

Mr. BURTON. So you still have the contract right now?

Mr. PERKINS. Yes, sir, we do.

Mr. BURTON. I don't have any questions other than I would like to see those figures, Mr. Chairman, if at all possible.

Chairman TOM DAVIS. Thank you very much. We have 5 minutes left in the voting. We have a series of votes. So I am going to suggest we take a recess and come back here in an hour. That will give us time for the votes. That will give you all time to get lunch.

Mr. PERKINS. Great.

[Recess.]

Mr. SHAYS [presiding]. Call this hearing to order. I welcome all our witnesses again. I am sorry for the delay a bit, appreciate your participation. And at this time, we are going to go back to 10 minutes a Member, and we will just keep coming back until we sort this all out. I want to say to our participants, you will have a chance to make sure your story is clear, if you have a longer answer, I will give the Member a little more time. We just want to know the truth whatever the truth is. And we will get at it.

So with that, Mr. Taylor, do you have a house to live in yet, or are you still homeless?

Mr. TAYLOR. My brother has taken me in, Mr. Chairman, thank goodness for my brother. I understand these gentlemen very well.

Mr. Chairman, a couple of things I would like to clear up for the record. Some of the communities in south Mississippi chose to use the Corps of Engineers. Some did not. And that was made on a community-by-community basis, and to clear the air some communities were indeed incapacitated. The city of Waveland City Hall no longer exists, there was nothing there. Every vehicle that belonged to Bay Saint Louis and Waveland and most of the vehicles that belonged to Hancock County either were destroyed or went underwater. So their options, to this day, the city of Bay Saint Louis continues to operate out of a temporary trailer, Hancock County operates out of a temporary trailer, city of Waveland operates out of a temporary trailer.

So I hope no one in any way would cast aspersions upon those cities that chose to use the Corps because they lack the local resources when that decision was made as far as the cleanup. And I think the communities that could do it themselves did it themselves and by and large they did very, very well. So again for clarification.

What I would like to ask the members of this panel is I think I am seeing a lot of duplication of effort. I think I am seeing the Corps being paid to do something and to a certain extent, your company is being paid to do something that the Corps probably could be doing themselves.

If the Corps had gone out and, for example, given safety specification, you must pass this safety test, if the Corps had gone out and said you must be covered by insurance, should there be an accident in picking up the debris or delivering the debris so that the people of the United States are not held liable, what I would like to ask of you all is could the Corps have done a better job of specking these jobs out, so that it would not take a large mega corporation in order to bid on it to where if a guy really did have a truck, he could bid on it, or if a guy had 10 trucks, he could bid on it.

But what I think I saw was a system that really did cater to the bigger contractors. And you know, if we are trying to help devastated people, the last thing I want to do is exclude a guy who had a truck who is looking for a job.

So I will open it up to the panel.

Because I can tell you from being stopped at gas stations, the convenience stores, the hardware store, I had a lot of guys who had a truck, or a front-end loader, who felt like they didn't get a fair shake in the process. And again, in fairness, if we are trying to get Mississippi contractors in there, we ought to start about individuals and work up to companies from there.

Mr. PERKINS. Congressman, I will respond to that. I don't think it is realistic to expect a small company to be able to serve and meet the requirements in a prime contractor role with the magnitude of devastation that Katrina created. I do think it is fair for this committee, State and local government to expect that their local contractors are treated fairly and equitably and given every chance that they can to participate. And I think we have accomplished that, and I think we have succeeded our goals 10-fold as far as the Stafford Act requires.

Could there have been in some of the smaller communities, some smaller contracts let and some of the more rural counties to local small business where they could have had a chance to serve as a prime contract and succeeded? In hindsight, the answer to that would be yes.

Mr. TAYLOR. Can I followup on that, and I want to open this up to all the panel, I presume there were times when you told your company or your companies, told someone, we can't use you. If there had to be a prevailing theme in that, what was it that would have prevented someone from doing work, and if there is something that needs to be addressed between now and the next hurricane season, what are those things that need to be addressed?

So again, so that individual who does own his own front end loader, does own his own dump truck, lost his house trying to make a little money to start building his next house, so he will have a better shot at it next time.

Mr. PERKINS. I think when you're going back to the original $500 million procurement, when you look at the number of the Mississippi companies who responded to it, I believe it was two, when you go to the subsequent procurement, which was an 8A a HUD zone, and unrestricted procurement, there was also only several Mississippi companies that submitted responses to that proposal. What this shows me is that, in a fair, open competitive situation, the ones who felt that they were capable to serve in that role submitted a proposal. The ones that didn't, obviously didn't.

I still maintain the fact that we have spent upwards of $280 million to date with Mississippi companies, of which 70 percent of those are from the impacted area. I don't think there was a public outcry from Mississippi companies that they weren't being treated fairly.

Unfortunately, there were a handful of companies that felt that they should have had our role as the prime contractor, and I think that is where a lot of these problems originated from.

But to correct it on a go-for-it basis, as a Corps of Engineers, our contracts expire December 31st of this year, they are going to reprocure those contracts. I guess, look at some way that after the event happens, and the initial Corps of Engineers contractor mobilizes and begins recovery operations that they immediately begin to identify areas in impacted areas where they can let out smaller contracts. This was new for everyone. Katrina was the worst natural disaster to ever hit the country. The breaches in the levee in New Orleans took a lot of the focus away from what the Corps of Engineers would have normally done and the precedent was set, and in my opinion, I talked to the Corps of Engineers about this is to look forward and find a way to change that.

Mr. TAYLOR. Again, the question I am asking you is was there prevailing reason or a prevailing theme, was there one or two things that those people who were local, who didn't get work, could have done work, could have done so that they got work, and if there is anything that we need to change between last hurricane season and next hurricane season. Yes, sir.

Mr. NECAISE. Let me say one thing, let me back up. The city of Pass Christian which the Corps and AshBritt were responsible for. I contacted Mr.—the problem is the small contractor is excluded

from the out-of-state contract, or when out-of-state contractor is prime.

After this job was bid, this job was bid on a Thursday, I believe. By Friday, the city of Pass Christian decided to go with the Corps. I contacted Mr. Perkins myself to see if I could subcontract from him since I have already bid on the job, I want one of the cheapest contractors for this particular job and I was declined. He had enough people to do the job, and most of his contractors from what I have seen in Pass Christian were either from the State of Florida or Michigan, and the problem I see is the small contractors are excluded when a large contractor from another State is awarded these contracts.

Now, I have no problem with a large contractor being awarded this contract if he is from that State. He is going to take care of his own, which is Mississippi contractors.

But I was declined to subcontract.

Mr. MACHADO. To answer your question about is a small company capable of meeting the Corps' guidelines and as far as performing these contracts, we were awarded the contract. So I think the obvious answer to that question is yes. We are capable. It is a management operation. It is putting the people on the ground to pick the trash up. And it is a management operation.

We were awarded the contract by the Corps on a best value basis. So the answer to your question, Congressman Taylor, is yes. The small guys can do it.

Mr. TAYLOR. Just for my information, was all of your work done by Necaise Brothers equipment or did you turn around and hire an individual with a front-end loader or dump truck? How did that work for your company?

Mr. SMITH. Congressman Taylor, let me make sure you understand what happened in this situation. There was a preposition contract that AshBritt had been awarded. Necaise never actually got to perform any work because of the protest filed by AshBritt both presolicitation, preaward and post award protests that caused the delays such that Necaise never got to perform the work.

Mr. TAYLOR. Did you perform any work in any of the other cities, Gulfport, Biloxi.

Mr. NECAISE. I did. And I used my people that work for me, my own crews. And I also hired subcontractors from south Mississippi.

Mr. TAYLOR. What did that subcontractor have to bring with him as far as—and this is truly in the form of a question. Did he have to post his own bond, bring his own insurance?

Mr. NECAISE. Insurance, supplied insurance, if an individual come to me and all he had was a truck, I put him on with one of my personal crews. If a company comes to me with their own equipment, I give them their own area to work. They were responsible for the area. But if there was people just had a backhoe or front-end loader or excavator or truck, not a true crew, I would take them and put them with one of my crews and pay them. I made sure the individual got a chance to work, not just the subcontractors that had companies that were capable of doing it, but if an individual had something they wanted put to work and didn't have enough forces to take on a subcontractor role, I put them

under my wing and kept them with me and paid them to work with me.

Mr. TAYLOR. Just for the record, since you did some of this work, I am going the ask the whole panel the same question. What—if you choose to answer it, what was your profit margin on something like that and how do you define profit margin? Since everybody is defining it slightly different.

Mr. NECAISE. Profit margin, it depends, I don't know profit margin because, we had, like I said, people working directly under me as one of my crews, I had to pay X dollars per yard for whatever they brought and other contractors had the whole package, the trucks, the equipment to load, they got X amount of dollars, so until we break it all out, I would say our profit margin was somewhere in the neighborhood 20 percent.

Mr. TAYLOR. You are speaking for Necaise.

Mr. NECAISE. For Necaise.

Mr. TAYLOR. Mr. Perkins.

Mr. PERKINS. I am glad you asked that question because I want to clarify something that might have been misinterpreted earlier, when we were talking around the 25 percent number, that number does not encompass my company's profit. The numbers that we negotiated we initially went to the Corps of Engineers with a number right at that for profit and overhead, not just profit. The number was turned down by the Corps in negotiations. We subsequently settled on a lesser amount.

So the profit margin or the markup over the definitized number of what it costs to get the work done included a general and administrative overhead cost as well as profit.

Mr. TAYLOR. Do you have anything to say, Mr. Necaise? OK.

Mr. PERKINS. If I may, Congress Taylor.

Mr. FOX. If I could add something, sir, I think what you are trying to get to is to try to figure out a way to get the local vendors into the maximum extent possible, and that is what where FedBid, as an online procurement tool comes to play.

I spent 26 years as a government procurement official in the Department of Defense General Services Administration. Now I am a private consultant. But the problem in the Federal Government is there are not enough people to go out and find these folks, like Mr. Necaise and others, to actually award the contracts. That is where you need tools. It is like the difference between trying to dig out a foundation with shovels or using a front end loader. You need the right tools and you need a force multiplier like a back end, front-end loader to get the job done correctly. FedBid provides that type of a tool that can bring people like Mr. Necaise's company into the bidding mix whereas in the past the Federal Government has defaulted to very large contracts that are run by single companies to take care of the issue. And the profit, that is where you have tiering of subcontracts. If you use a tool like FedBid, you can get on the right people at the right levels at the right time.

Mr. PERKINS. Congressman. You asked a question earlier and I didn't answer it. We did not exclude any Mississippi companies from working on our project. Although I would say 70 percent of the companies in Mississippi, local Mississippi companies could not meet the insurance requirements or workmen's comp laws and Mis-

sissippi exempts them if they have less than 5 employees, those type of things, in the first 30 days, we provided fuel, we supplemented their insurance through our master umbrella policies, we rented equipment for them under our national account with the United Rental and our Caterpillar dealer and things like that.

So we did go above and beyond what we normally would have done and took on a lot more risks than we would have normally took on to try to make sure that all the local Mississippi companies that approached us went to work.

Mr. SHAYS. Thank you. I am going to claim my time, actually it is the only member of this committee right now, you know what I will do, I will just say that this is an extension of the Katrina hearing, since all of us were involved in the Katrina hearings.

I am first in awe of what took place in the gulf. The destruction was beyond my comprehension to see really what Mississippi was a 10-mile wide tornado 90 miles long, that is what it looked like. And I am struck by the fact that Mississippi had less to tear down because it was totally destroyed.

Mr. TAYLOR. Mr. Chairman, I would like to remind you that my insurance company says we had no wind damage. They also said the same thing to Senator Lott and a few Federal judges, a few retired admirals policemen, firemen.

Mr. SHAYS. I understand. And it relates to who pays what on insurance. Well, I saw it as a tornado. The damage was just like that. And, I am in awe that we didn't lose more lives and I appreciate the culture down there that just is in tune to what you do.

Obviously folks in Mr. Melancon in New Orleans, they were used to being protected and so they have dealt with something as horrific of but a different kind of tragedy. The same result though.

What I am interested in is that I do believe that FEMA is broken. I believe it is broken in a big way, I think its contracting process defies imagination. Mr. Perkins when you respond to questions, I am looking at you and thinking this is a man who has probably a very successful business and you are probably quite efficient at your business and, you know, if you get your profit margin at a certain level, more power to you.

But having said that, we are trying understand, is this system working right? If I was in a member in anywhere near this area, and I wasn't seeing local people getting employed—and not getting employed third hand, but getting employed upfront, I would be pretty unhappy.

Now if you, Mr. Perkins, can make sure that you can hire a lot of folks locally and they get paid on time and so on and they are happy there's logic to that.

I understand there are a lot of people who have done work down there still haven't gotten paid. And I have a feeling some of them are the smaller operations.

What I am suspicious about with FEMA and, Mr. Schnug, it kind of relates in your area and it is not, in any way, a disrespect to you, but you can help me understand this.

You have a contract with FEMA. Tell me what your contract is with FEMA.

Mr. SCHNUG. Basically I really didn't have a contract with FEMA. We contacted them about—we store ice. We stored ice for

them. We didn't approach them. We didn't go a big rigorous program. We had a vendor.

Chairman TOM DAVIS. You weren't a broker where all ice had to come to before it went out?

Mr. PERKINS. No. We were just a place to put it. They inspected our facility. We have facilities throughout the south. We have five facilities in Alabama. We have one in West Point, MS——

Mr. SHAYS. Did you have to work through a broker?

Mr. SCHNUG. No.

Mr. SHAYS. Who do you work through?

Mr. SCHNUG. We worked directly with FEMA. And they would direct the ice to us. They had no place to store it.

Mr. SHAYS. So they weren't creating the ice.

Mr. SCHNUG. They were buying it from other suppliers looking for a place. They wanted to inventory ice. They felt they were going to have a bad year again, they wanted to inventory ice. We had gone to them actually on a different idea, which was to have them work with a retailer to buy ice and rotate it through so that there would always be ice, but they wouldn't have to own it, it could also go right out to retail. That was our idea.

Mr. SHAYS. Are you saying to me that we are actually——

Mr. SCHNUG. You own ice.

Mr. SHAYS. We own ice right now and we are storing ice as we speak.

Mr. SCHNUG. Yes.

Mr. SHAYS. And you have a contract to do that?

Mr. SCHNUG. Yes.

Mr. SHAYS. Why?

Mr. SCHNUG. Well, there is a surplus but there is also a decision by FEMA to be prepared to always have ice around because ice is not made that quickly. It may seem like it is, but it takes a large task. I have a retail background so when there was a shortage of ice right after Katrina.

Mr. SHAYS. Is ice life or death?

Mr. SCHNUG. I believe it is. What is represented to me for people who are trying to store product, live day to day, they are not buying it to keep drinks cold. They take everything out of the refrigerator, power is down, how do you keep your own food stock in good shape? I am led to believe a lot of people in the south live off the land, so to speak, and it is very important to keep that product cold. So ice is more of a life essential than some people think it is because water systems are down, we also stored ice in. Water is a life essential if the water system is down. We deliver ice, water and MREs as it came down. We got into the business basically to store ice in Thomasville, GA, because they felt that would be the first responder east or west.

Mr. SHAYS. My subcommittee of the Government Reform Committee oversees the Defense Department, State Department, Homeland Security, and FEMA obviously are part of it. So we are going to have hearings about how contracts are made.

Mr. Fox, can you speak to anything about FEMA and the challenge of people having to go through brokers and in order to be able to do business with FEMA?

Mr. FOX. Yes, that is a difficult problem because of the way procurement normally works in the Federal Government, especially when you have a very large procurement operation with a lot of moving parts. The Federal Government has not kept pace with technology, unfortunately, when it comes to procurement operations and contracting.

That is where companies, FedBid, being a private company, saw a need and stepped in with their own resources at risk to create a company that can solve a problem the government has.

Mr. SHAYS. I am not looking at about how you are solving a problem. I am looking to exploit you. I don't want you to exploit us right now.

Mr. FOX. I am OK with that.

Mr. SHAYS. I want you to tell me what you know about the contracting process. First, does it happen where you only had to go through one person for housing, one person for water, one person that people basically had a contract and had a huge territory to which they had a monopoly?

Mr. FOX. I can't speak in detail about FEMA's precise contracting operations. But there were not clear lines of authority of who was responsible for what areas. That much I am sure of.

The Corps was responsible for some things FEMA was responsible for some things. Jointly they were supposed to hand things off, but as handoffs go, in a crisis that is difficult. I think the key gets back to the preplanning and having the capability to have these things sorted out. The lines of authority have to be clearly stated before you ever enter into this situation. So if people are responsible for certain procurement areas, they need to know that ahead of the crisis. So if you are going to divvy up the procurement responsibilities, that is part of the——

Mr. SHAYS. One of the challenges is it appears in many instances people who have had the contract were really brokers without any resources of any kind. And they were basically asking a cut in large companies that were willing to pretty much do things for free or well below cost, and they had to go through these brokers. And they finally said forget it. Forget it. So I understand and I will give you a chance a little later to just emphasize how you think you break through that system.

Where I wrestle, as I listen to this dialog, is Mr. Perkins, when you get a contract, do you have a monopoly for a whole area and how large is that area?

Mr. PERKINS. There are two ways that a company like myself——

Mr. SHAYS. Tell me what happened in real life.

Mr. PERKINS. We will procure services. It is very rare and far and few in between where Corps of Engineers is tasked with direct Federal assistance to come after a major disaster.

Mr. SHAYS. I just want an answer. Were you given a certain territory——

Mr. PERKINS. We competitively bid and won the States of Louisiana and Mississippi and the Alaska region, Pacific Northwest.

Mr. SHAYS. And no one else could go through, just you? You were it?

Mr. PERKINS. When the procurement was put out for bid——

Mr. SHAYS. When you won it. You won the bid.

Mr. PERKINS. That is correct, we won the bid.

Mr. SHAYS. Why we would have limited it to one? Why wouldn't we have, say, to four or five? Why would we just give one company such a large bid? Whether you want it or not?

Mr. PERKINS. I think it makes perfect sense. It might be a self-serving statement because we won the contract.

Mr. SHAYS. But then you are the monopoly. You are the emperor. You are the only person they can go through. Why not allow for a huge amount of competition and participation?

Mr. PERKINS. You are asking the FEMA and Corps of Engineers after the worst natural disaster that ever hit this country where—and I can debate Mr. Necaise on the readiness and availability of companies in the impacted areas immediately after the storm, because I don't think it is necessarily the case. But you cannot select companies that don't plan, don't train, don't have the resources, don't have the financial capabilities to take on this task and the volume of work. It is not possible.

Mr. SHAYS. I would say it in reverse, given all the volume, it is crazy from my standpoint to have just one company be in charge. I don't know why we didn't task literally hundreds. And it is no disrespect to you.

Mr. PERKINS. I don't take it personally. I don't think it is reasonable to expect the Army Corps of Engineers to manage 100 different contractors in the environment that we were working in or that Katrina dumped.

Mr. SHAYS. I don't understand why they just didn't just give you half of a State or something and give somebody else another part and somebody else another part. I just don't understand that.

Mr. PERKINS. Like I said earlier, that is a question you need to evaluate in the future. I don't think the Corps is going to see a $500 million contract again. And I think that they realize that things are going to be done different in the future.

Mr. SHAYS. And I also say, I think it slows up the process besides not getting people. I kind of feel like I am an honest broker, if that dialog and that is what I am getting right now.

Mr. TAYLOR. Gentleman yield? Mr. Chairman, just clarification, Corps made the pitch to every municipality and every county on debris removal. And I was there for one of them, so I think it is fair to say that Corps let it be known that their resources, their people, and since it was their internal, already Government agency, it was kind of implied that we take all the heat if there is a mistake, no one is going to be looking over you, the local elected official's shoulder.

It was also kind of implied for those counties and cities that chose not to use the Corps, that since we are not going to be handling this, we will be looking over your shoulder. So, again, based on the capacity of the city in the case of Waveland City Hall, Hancock County Courthouse was underwater, Bay St. Louis was underwater, Pass Christian, half the city is gone. They all decided this is too big for us to do right now. We are going to let the Corps do it. Cities like Gulfport Biloxi that had fairly large organizations, that's remained intact after the storm, they said, we will do it. That is why you're going to see a difference from town to town city

to city. That was a local decision as to who was going to handle it.

Mr. SHAYS. I hear that part, but what I don't understand is why the Corps didn't sector it out.

Mr. Necaise.

Mr. NECAISE. I believe Hurricane Frederick, the Corps did separate jobs after Hurricane Frederick, Corps took over several parts of Alabama, and they bid out each town separately. There was not a contractor in place to take over the whole region. If the Corps took over an area, they bid that area out after they acquired the job from the municipality. They didn't have someone in place to take over an entire State or entire region. If they have it, they bid it out, and there may have been 10 bids, 10 different sections.

Mr. SHAYS. I hear you. Let me recognize Mr. Melancon.

And the gentleman has 10 minutes. And thank you, for participating.

Mr. MELANCON. Thank you thank you, Mr. Chairman, if you will indulge me, and I don't know that I have that many questions as much as I have after listening today and having sat through Katrina hearings and listening back then, a lot of the things that occurred and, of course, I am Louisiana, so I can't speak to Mississippi, but, Mr. Perkins, you said that AshBritt got to Louisiana, Mississippi and Alabama, contracts, where did Shaw, as DCC and CH2M Hill, fit into that picture because they are in Louisiana doing work?

Mr. PERKINS. We were the only prepositioned contractor for under the ACI contracts. We were mobilized to both the States of Louisiana and Mississippi, immediately after Katrina. Before——

Mr. SHAYS. Just define ACI, Advanced Contracts Initiatives, which covers ice, water, blue roofing and some of the other power generation and debris removal. But our initial stages of operation we provided support services, fuel, housing, meals everything else for Government personnel as well as subcontractors.

Subsequently after the $500 million bids were let, they shifted AshBritt out of Louisiana to work in Mississippi stand alone, and awarded three companies, CH2M and the other company aren't part of the debris removal, actually Phillips and Jordan out of Knoxville, TN. The ECC out of somewhere in California, San Jose area, and Ceres out of Saint Paul, MN.

Mr. MELANCON. That is, I guess, where I am starting, Mr. Chairman. The Corps came in and wanted to, well, the two parishes that opted to not use the Corps contractor, and I don't know if there is any collusion in there or not, but I can tell you that my local elected officials in at least one of those two parishes got brow beaten and inferred that they were going to have to pay a cost share if they did not take the Corps's designated contractor, and this is the Corps and FEMA in the meetings.

And if I am not mistaken, I might have had a Louisiana person that handles the OEC operations for Louisiana that was in those meetings. They occurred on several occasions. And the parish officials have had some grave concerns about what took place. But continued, they bidded properly, they accepted the bid, which was a combination of about three companies that came together, it is in one parish, it is going to probably be hundreds of millions of dol-

lars, not counting New Orleans, or Jefferson or anyplace else, there is enough dollars to go around for another 20 years. Yet all I saw were companies trying to squeeze other companies out and people using leverage to accomplish that.

And I will have to confer with Congressman Baker, but I believe he was quoted as saying about 3 weeks ago, that out of the $87 billion that the Congress appropriated before Christmas, 25 percent was taken off the top by FEMA for administration costs, $9 billion ended up on the ground in Louisiana out of that $87 billion, and 75 percent of the damage was in Louisiana.

I'm not criticizing other States just the fact, the numbers.

When it all was said and done, we are still probably months and years away from finishing the entire cleanup, the entire debris removal, the entire process, and of course we have to go through demolishing houses and such.

The other problem I have is those contractors, not all of them but some of those local contractors that did something to get hired by PC Equipment, three trucks, Louisiana contractor went to one of the big contractors and got hired and apparently somebody supervised over those. And I got some that are subbed to the sub who are still waiting for their money. And in the case of St. Bernard Parish I have tried to put the entire group of people, parish officials, government FEMA, the Corps, the State OEC and everybody in one room and FEMA refuses to attend. I have yet to find out who the person is that makes the decisions in Louisiana on whether someone gets paid, or should I say allocated money, because all I have gotten when I have asked for that information is two or three bureaucrats who say bring me a stack of papers that are computer printouts of the PWs and said, here, go through it.

One of the parishes that chose to have its own contractor and allocate the Corps contractor for other portions have had problems also and became territorial when the parish's contractor crossed a street to demolish two homes or pick up trash from two homes because the people asked them if they would do it and the Corps people came down there and told them they cannot do that. These contractors that have been hired by the parishes directly did not take the Corps people, believe that their people are doing the work cheaper and visibly are doing the work faster than are the Corps contractors, while at the same time these contractors are having to spend day in day out 7 days a week trying to protect the contract they got because people are trying to void it, tell them that the parish is going to have to pay 10 percent. And God knows none of our parishes have any of that money to do anything.

We in this Katrina committee asked the Corps of Engineers and the FEMA people sitting right at that table what the costs of debris removal, what the cost of cleanup that they were paying for the contract. We were told by a member of the Corps we would have to go back and see who it was, that they would get us that information. We have followed up the Katrina committee and we have still not gotten that information. One of my parish presidents asked for that information from the Corps and FEMA and never received it and this goes back to last October. He then wrote a letter on the freedom of information asking for that information and never received it. And I convinced him about 2 months ago to file a Federal

suit that will be heard in June in New Orleans as to what the actual cost of cleanup is.

These parishes wanted to do a good job, get their people back up, get their communities back up, resurrect or whatever term you want to call it, and it has been a hindrance all along because of them, not all of them but the major contractors and this, you have to task the Corps contractors or you are going to have problems.

One parish that went back and hired their own people wanted to know what number did they have to look for so that they will know whether they were getting a good price or not. And that is when the game started of we cannot give you that and that is where we are now waiting for June to get here so we can get a hearing in court. That same parish had its own landfills and its contractor was hauling to its landfills. Coincidentally their landfill got shut down last month by EPA. But the landfill that is 30 miles away still continues to receive the debris from this parish and the contractor that was doing this work that was using the parish's pits have basically been stopped from continuing their work.

Trailers, I have a contractor that was putting trailers down in one parish. He was getting paid by the unit completion. The major contractor was getting paid cost plus and his experience was that they were very nitpicking and they spent a lot of time going back. If they said stake the drain pipes at 4 feet and it went 4 feet one-quater inch they made them rip them up and start all over again. I do not know if that got straightened out, and when the guy said something they threatened to cancel his contract.

I can go on, Mr. Chairman, but I think that we would need to get the Corps in here, Colonel Vesay, and because of the unwillingness and FEMA, and for that matter I am willing to bring the Louisiana people in here because we need to know is there something actually going on out there.

Mr. SHAYS. Let me say to the gentleman, if the chairman wants my subcommittee to do it or if he wants the full committee to do it, I think there are a number of followup hearings that we can have that will get specifically to these points and we will make sure that folks come in who are able to answer our questions. So I think what we are trying to do is answer more questions than we can answer here.

Let me make this point to you that you would be invited to participate as a full member with Mr. Taylor as well as Mr. Pickering.

Mr. MELANCON. I acknowledge and I appreciate being allowed to do that, and I would leave the decision on subcommittee or full committee up to you and Chairman Davis. I just—I am to a point, Mr. Chairman, that asking them to come here and pledge that they are going to tell the whole truth and nothing but the truth, I think that the scare of subpoenas of coming here and then having to swear carries a whole lot more water and we might get more information. We just have to figure out as a committee or your subcommittee what information we would ask for, but I would ask that be done.

Mr. SHAYS. I would think we could meet that need and I think that would be very constructive. Let me ask Mr. Pickering, my Staff Director is in the corner wondering what have I committed

to but we need to take a good look at FEMA and this process in general.

Mr. Pickering.

Mr. PICKERING. Thank you, Mr. Chairman. I just want to comment on some of the discussion for Mr. Taylor. What we are looking at was several different models. Mr. Necaise looked at the model where the Corps contracted in Hugo and that was one model. Usually in natural disasters it is done by local entities. If you look at the Florida model which has been held up as probably the most efficient, they have a State wildlife emergency plan in place which includes pre-storm contracts for debris removal. So if a city like Waveland is wiped out and does not have the capacity, you have the contract in place, but you also have the State compliance assistance to help comply with any requirements to meet all FEMA standards as they achieve that. There is a public policy objective here.

Now, Mr. Perkins, would advocate that there should be and I do not say this in the pejorative, there should be a storm chasing industry and that is that you pay a premium to have somebody with a capacity that can be mobilized to meet any storm at any time. That premium is built into his price and into his profit. And in a second I will give you a chance, Mr. Perkins, if you disagree with that.

But one of the reasons you have a higher price than the Corps and through a national company like AshBritt is they would argue that they have to have the resources, they have to store them, and there are a lot of downtimes where they are not in use, unlike Mr. Necaise, who is not only there for debris removal but he is doing local projects, construction work all the time.

It is clear from the first panel, General Riley did not disagree and the Inspector General did not disagree with the $31 per cubic yard. Mr. Perkins has said it is $23 and then if you add five it is $28, so somewhere between $28 and $31 for cubic yardage cost of the national Corps model in Katrina. Now we are all entitled to our opinions but we are not all entitled to our facts.

So what I would like to do, Mr. Chairman, is ask that we have a full transparency of what the facts are, and I believe the only way we can do that is to ask the Corps and Mr. Perkins and other major contracts to go ahead and lay on the table for us their books, to give us what the cost was in Katrina so that we will know which model is most cost effective, the Florida model, which is a State-local model or the national Corps model. I think that what we will find is that no one disputed the average cost of debris in the local communities in Mississippi.

Mr. Chairman, AshBritt did 21 million cubic yards of debris removal. Local counties and local contractors did 21 million cubic yards in Mississippi. This is going to be a very equivalent comparison of what is the most cost effective way for us to do this for the taxpayer.

Now from a macro question, do we want a storm chasing industry and pay that premium or is our job objective to recover local economies? And what Congress has said not only in the Stafford Act but what it just said unanimously in the House in the legisla-

tion that was passed and what it said unanimously in the Senate is that local recovery is our highest policy priority.

Now the Corps tried to carry that out and, Mr. Perkins, I do not fault you for playing by the rules and winning the contract in 2001, building a company up successfully over a number of different hurricanes and disasters. But what I do have a problem with is that when the Corps of Engineers tried to meet their Stafford Act requirements and to help the local economy by having a geographic set-aside for Mississippi companies that was protested.

Now, the GAO rejected your first protest on the geographic set-aside, and I want the committee to understand they rejected that. Then when the award was given to Mr. Necaise, you protested the award of that and they did not say that was the preferred outcome. They said that the only way to finish the job and the fact that they expect to finish by the end of May and the protest would last to 100 days, that they had no other choice but to withdraw the contract from Necaise that they had won. They had met all the criteria. They had been in the area. They were performing in the highest standard and the best value of those contracts.

Now on a going forward basis, Mr. Chairman, I hope that the model, and as I see some in the audience from the Corps of Engineers, we can go to the Florida model, which is a complete State local. Or we can go to a Corps model where you continue what you did in Mississippi in doing geographic set-asides for pre-storm local-State contracts on a competitive basis. And I have always advocated even if it is a geographic preference that it should be done competitively. And I think that the evidence is very clear that the Mississippi companies and the competitive, even when it was limited, were a lower cost.

Mr. Necaise, it was my understanding in your bid to do the work that you had a lower cost of what you were offering to do the work for in your contract. Is that correct?

Mr. NECAISE. That is correct.

Mr. PICKERING. So again the lowest cost and local is precluded and denied because of protests from an out of State company.

Now the other question, Mr. Perkins, you had two options. You could have protested the geographic set-aside and you could have protested the award of the contract or you could have partnered with the Corps and with Mississippi companies in a transition. Is that correct?

Mr. PERKINS. I do not understand your question. What exactly are you asking?

Mr. PICKERING. If they made a decision to transition the prime from AshBritt to Necaise or any other Mississippi company, you could have with your resources continued to partner in a way that there would have been no disruptions to the work, the schedule and the cleanup; is that correct?

Mr. PERKINS. Had the Corps been able to award the contract to Necaise then we would have assisted with the transition.

Mr. PICKERING. But you were the reason they could not award by your protest.

Mr. PERKINS. If following Federal procurement rules and regulations and due process and my rights as an American citizen and businessman prevented that, then I guess I am guilty. Remember

the bill that you sponsored part of that language tried to take the judicial appeal rights away from AshBritt and any other contractor in the country. And luckily there were some congressional members that realized how damaging that would be and pulled that from the bill. So as we sit here today I still have the rights of an American citizen.

Mr. PICKERING. Mr. Perkins, you do have those rights to protest and litigate and you also refused to come to this committee, did you not, voluntarily?

Mr. PERKINS. You subpoenaed me, that is correct.

Mr. PICKERING. Is there a reason you would not come after winning $500 million and making tens of millions of dollars of profit from taxpayer dollars that you would not come before a congressional committee to give testimony when asked?

Mr. PERKINS. Specifically as to you, Congressman Pickering, I do not have a problem being here. I am here. Obviously I was subpoenaed so I didn't have a choice. I do not have a problem with the question asked, is FEMA broke? No, FEMA is cracked. It's not broke. It can be fixed. These problems that we are talking about here today go back, it is not a party issue. It's been going on the last 10 years. They happen. The committees get together. Everybody talks about it. Are there any changes in the last 10 years? There hasn't been any changes.

The problem here is I've been criticized for not hiring Mississippi companies is wrong. It's false. We spent hundreds of millions of dollars hiring Mississippi companies. We've created over 500 very high paying jobs in administrative, clerical, project management. The problem here, Congressman Pickering, is I didn't hire the right Mississippi companies. I didn't hire the four or five Mississippi companies who employed their lobbyists to badger me on a day-to-day basis, who employed your office to call me along with some other delegation members from your State to call me and demand that I do things that I'm not going to do. It's my contract. I'll administer it however I felt was best for my company in the recovery mission of the State of Mississippi.

So this isn't about Mississippi companies. This is about a select handful of companies who wanted my contract and didn't get it. That's what this is about.

Mr. PICKERING. Mr. Perkins, if you would like I can have the Corps of Engineers release all information, any communication, any contact my office has ever had with them and they will clearly show that I never advocated for one single company. I have advocated for Mississippi companies and the GAO——

Mr. PERKINS. That is not true, sir.

Mr. PICKERING. It is very true.

Mr. PERKINS. I'm just telling you it's not true.

Mr. PICKERING. It is extremely true.

Mr. SHAYS. Will both gentleman suspend? I felt that this has been an aggressive and informative hearing. I felt that the Member of Congress allowed you to make a very long statement of which you are pointing a real strong finger and I would like him to be able to make his comments.

Mr. PERKINS. OK. I'm sorry.

Mr. SHAYS. That is all right. I realize you are a little bit under the gun. I think you have done a fine job. I think you all have. We will get to the bottom of this. You have the floor, Mr. Pickering.

Mr. PICKERING. Mr. Chairman, it is clear I have advocated for Mississippi companies, no specific. I have advocated for a competitive process. I have advocated for a form of the Stafford Act so we will have local geographic priority given. It is with the broad mission and objective of recovering local economies.

Again, 100 percent of the House and 100 percent of the Senate agree with that position and that policy. We have clarified the Stafford Act so that the Corps of Engineers could fight off protests that you filed so that geographic set-asides could go into effect.

As we go into the next season we will need to do additional reform to make sure that the congressional intent, the Stafford Act objectives give preference to the recovery of local economies and that we move away from the most costly and inefficient models of recovery, and that is my sole objective here.

Now, Mr. Perkins, did you have any conversations with your subcontractors concerning whether they should file protests as well?

Mr. PERKINS. Did I have any conversations with my subcontractors? There were three protests filed on this latest protest of award, ourselves, D and J, and Hempill/Uteah joint venture out of Mississippi. We talked about the protest procedures. They asked me because of my experience in the Federal contracting process how it works, what they need to do, etc. I gave them some advice.

Mr. PICKERING. Did you encourage them to do so?

Mr. PERKINS. Absolutely not to answer your question.

Mr. PICKERING. That is fine. Thank you, Mr. Perkins.

Mr. PERKINS. I have 3 minutes of a couple of things I would like to address if that's OK.

Mr. SHAYS. Let me say this. I unfortunately have a need to make an airplane or I am stuck here for a while. I would like Mr. Taylor to make a point. I would like each of you to just have a minute or two to just summarize any point you want to make. And Mr. Perkins, this isn't your first time here, correct? I think you've been here before.

Mr. PERKINS. No, it's my first time. I'll come voluntarily next time.

Mr. SHAYS. I know you will. There are people I know who say you are a fine gentleman and I think all of you have conducted yourself well, and I think everybody here has a point to make that is valid and it comes a little bit in conflict, frankly.

Mr. Taylor.

Mr. TAYLOR. Thank you, Mr. Chairman. Seated in the back of the room is Colonel, and I hope say it properly, Vesay of the Corps of Engineers, who has actually handled this contract on a day-to-day basis in south Mississippi. It has been a tough task and they have moved millions of cubic yards of material. And at this point things are looking a heck of a lot better than when they started and they deserve credit for that.

I think everyone is concerned that we spent too much money. That is universal and we want to do better next time. I think there are a heck of a lot of south Mississippians of limited means who wish they had had a better shot of participating on these contracts.

That is also fair to say. So with that in mind, Colonel, we are going to ask you to appear before this committee. I am not a member of the committee, the chairman has agreed to do so. We are going to ask you to appear before the committee and give us your recommendations of how do we reach those goals. And I sure as heck don't wish a hurricane on anyone, but the Navy is saying that we're in for 10 years of this and I am taking their word for it. So when the next storm hits how do we do a better job of giving the local average Joe a shot at it? How do we do a better job of through this competition getting the cost per cubic yard down for the taxpayer? And I would really, you are a smart guy, I would ask you to give us your personal thoughts as someone who has witnessed what has happened because I value your opinion. And I think all of us want to see us do a better job as a Nation next time.

So we are giving you some notice and some time to think about it. I very much welcome the chairman's willingness to have you back, and I very much welcome your willingness to come back and speak to us.

Mr. SHAYS. I thank the gentleman. Is there any comment? Let me start from my right going this way. Any comment that you wish that you had an opportunity to make a point of? From Mr. Necaise over. Is there any point that you wish to make that needs to be made before I adjourn this hearing.

Mr. NECAISE. I'll let Mr. Machado answer that.

Mr. MACHADO. The biggest deficiencies that we see with the Corps is just there are inefficiencies in order to perform the work. As we stated earlier, we performed all the debris cleanup for the city of Long Beach and I think it was in February we made the last pass to clean up debris there. And as many other cities, Gulfport, Biloxi, there are numerous others that are already done. The Corps is the last one. They are the last one. There is just so many different things that slow down their progress. It is just unfortunate because it just affects the citizens there. And all the way around, it is the slowest. It is the most expensive. There's just numerous problems with it. So the biggest thing I think was touch on——

Mr. SHAYS. Mr. Machado, that will be touched on. Mr. Fox. I don't mean to say we will take a look at it, we are going to take a look at it because we get it.

Mr. Fox.

Mr. FOX. I listened as a lot of good points were made during this hearing on keeping competition in the mix at all times, about ensuring local vendors are brought into this procurement process and kept in the procurement process as early as possible as well to avoid the need for large prepositioned contracts. That is all what FedBid can offer in the way of reform, a transformational process that is now available to Federal Government contracting. FEMA has reached out to FedBid seeing that and I applaud FEMA doing that. The young blood you saw here from FEMA and DHS, the people who unfortunately had to take the heat, they are the next generation and they are looking for new processes and they see FedBid as one of those new processes.

Mr. SHAYS. The bottom line message is that things are pretty archaic and need to be updated.

Mr. FOX. That's true. In 26 years I spent on the Federal procurement process not a lot changed unfortunately. We have new processes, we have new capabilities that companies like FedBid have to offer.

Mr. SHAYS. Mr. Schnug, any comment?

Mr. SCHNUG. I have basically two comments that we are here for. No. 1, we didn't have a contract. We basically treated this like it was walk in off the street business would do with any of our warehouses. Our point that we're trying to make is that what made us unique was the fact that we could give the government total asset visibility so if it was at one of our warehouses or someone else's warehouse, we actually used a couple of other warehouses that were not ours to store the material. But that's something you got to have. You have to have some way of knowing I've got a pile of ice here, it's got to go here. That was our point of we're just general business guys.

We also did the same thing with transportation. We used 200 different transportation carriers. Anybody who qualified with us, DOT license, secure, insured, etc., we were basically putting requests for transportation out on a bid board. You do that at a very low margin business. Load A has to go from this facility to that facility. And those were another thing that we brought to the committee was you can generally do these things, things that go on in daily commerce every day. We do 220,000 dispatches a year. We don't have a fleet. We use all different type of carriers. ConAgra, for example, stores with us in 40 different locations, always knows where the materials are. So that was what we had brought to the committee was the concept that you don't need a long term contract. You don't need major funding for supersystems. Those systems and supply chain management exist today and that is our speciality. Thank you.

Mr. SHAYS. Thank you very much. Mr. Perkins.

Mr. PERKINS. A couple of things. Congress Pickering had noted the Florida model. And he's right on that. We hold more preposition contracts in the State of Florida than any other company in the State of Florida. It works. It also works because the State of Florida, the local governments, have much more money for planning and training. Those are some of the things that need to be looked at. States like Mississippi, they don't have the tax base, the tourism base. If you don't give them the money to preplan you cannot expect them to be prepared to evacuate and handle their own—especially with situations like Katrina. Their problems are much broader and you can't figure them out sitting here at a table.

As far as, 30 seconds, the Mississippi Department of Transportation put out bids that went 100 percent to Mississippi DOT contractors. Those prices in a competitive bid situation were two and a half to three times higher than the rate the Corps of Engineers paid us for almost identical services. Also, 85 percent of the work performed by those six big MDOT contractors went to companies from out of State. Fact.

Mr. SHAYS. You get me concerned that you may get people wanting to jump in, and I do have to get a plane. How about more general comments? Your point about Florida, any other comment that you would like to make?

Mr. PERKINS. I just want to set the record straight on one thing and the question that Congressman Pickering asked me about his perceived—I need to set it straight because I need to finish it.

Mr. SHAYS. Then I'm going to allow Mr. Pickering to respond. So if you want to speak in general terms you may.

Mr. PERKINS. I will speak in direct terms because I have to. The question was asked to me, did I influence or try to strong arm any other contractors into protesting. The contractor he is referring to is Hempill/Uteah. They were a partner of ours. They continue to be a partner of ours on the job. We sat down as partners because we're working together to talk about strategy and why we should continue to work and what we could do about it. Ultimately, they had a debriefing of the U.S. Army Corps of Engineers and felt that they should have been awarded the contract and their decision to protest was solely based on that debriefing.

Mr. SHAYS. My final word is I would understand if you won a contract why you would want to keep it and I could understand if I was a Member of Congress why I would want the people I know the best and most to have it. Both sides are very explainable to me.

I appreciate all of you being here. The pledge that we're making at this hearing is either the full committee will do it or my subcommittee or a combination of both, but we're going to get into more details. We will have some panelists who will be very keen on those particular issues.

We thank you for being here. We know a lot is at stake and appreciate your patience. Thank you very much.

Mr. PICKERING. Mr. Chairman, I want to thank the committee for letting me participate and I want to thank all the members who have worked with us from the select committee. I hope that we can find the reforms. I never said "strong arm influence." I said did you encourage, and your testimony was absolutely not. Is that still your testimony?

Mr. PERKINS. I think I corrected it. Strong arming, storm chaser——

Mr. SHAYS. The bottom line is when you look at it from the outside I think we know where both of you are coming from. We totally understand it honestly. With that I would say the record remains open for 7 days and we will get to the bottom of this, and God bless America. This hearing is adjourned.

[Whereupon, at 3:55 p.m., the committee was adjourned.]

[The prepared statements of Hon. Dennis J. Kucinich and Hon. Charles W. Dent and additional information submitted for the hearing record follow:]

Rep. Dennis Kucinich
Committee on Government Reform
"Sifting Through Katrina's Legal Debris:
Contracting in the Eye of the Storm"
May 4, 2006

Good morning. Thank you, Chairman Davis, for holding this important oversight hearing to examine federal contracting for Hurricane Katrina relief. I appreciate that you have kept your promise to hold a series of hearings on the subject of Hurricane Katrina as you said you would in September of last year. I am grateful for your leadership in this regard.

Since this Administration has come into office, we have witnessed multiple federal contracting sprees, which have all been reckless and wasteful. After 9/11, and the establishment of the Department of Homeland Security, a variety of security functions were contracted out to private companies. The Iraq war and reconstruction brought the next round of federal contracts, and

finally, after Hurricane Katrina, several contracts were administered to aid in relief and reconstruction.

Contracts awarded have consistently been cost-plus and no bid contracts, have lacked oversight and transparency, and have led to costly waste, fraud and abuse.

Despite the waste, fraud and abuse, which have been well documented by government oversight bodies, including this Committee, the federal government has refused learn its lesson and change its contracting practices. The contracts handed out for Katrina relief and reconstruction were just as flawed as those for Homeland Security functions and Iraq reconstruction.

Halliburton, for example, which has been the target of investigations for robbing the American taxpayer blind in its Iraq contracts, was one of the first companies awarded no-bid contracts

after Katrina hit the Gulf Coast, to repair 3 different Navy facilities in Mississippi.

Furthermore, measures put forward immediately following Hurricane Katrina to help ensure proper contracting, such as Ranking Member Waxman's bill, the "Hurricane Katrina Accountability and Clean Contracting Act," were disregarded.

Now, eight months later – eight months too late – we are here in this Committee examining what went wrong. Our government should have known better.

Today's hearing will reveal how FEMA, the U.S. Army Corps of Engineers, and other federal agencies entered into at least eight major contracts, worth over $5.6 billion, that have resulted in significant waste, fraud and abuse.

We will also hear some familiar testimony: how full and open competition has been the exception, not the rule, in awarding Katrina contacts; how lack of contract management and oversight were missing in Katrina contracts; and how these flawed contracting procedures lead to significant cost or performance problems in nearly every major contract related to Hurricane Katrina.

Far too much taxpayer money has been squandered on important jobs that aren't getting done. I look forward to the testimonials from the witnesses today. Despite the federal government's record, it is my sincere hope that this hearing will lead to concrete reforms in contracting practices. Thank you.

Government Reform Committee- Congressman Dent
May 4, 2006
Full Committee Hearing: "Sifting Through Katrina's Legal Debris: Contracting in the Eye of the Storm"

Opening Remarks:

Thank you, Chairman Davis, for holding this important hearing to examine the Federal government's contracting policies, preparations, and general response to Hurricane Katrina. It is important to take a look back and critically evaluate the federal response in order to determine if proper procedures were enacted in meet the challenges of such a catastrophe.

It is imperative that we examine the contracts and procedures that were in place before Hurricane Katrina made landfall. Acknowledging the urgent necessities required in such a disastrous circumstance, we must review the processes by which contracts were awarded to hasten relief and recovery efforts. That said, we must prepare for the possibility of future catastrophic occurrences in order to facilitate relief in a more effective and efficient manner, greatly decreasing the opportunity for fraud and mismanagement.

I look forward the testimony of these knowledgeable witnesses and applaud the Chairman for his commitment to seeking methods in which we can continue to improve upon the recovery efforts in the Gulf Coast, while at the same time, readying our Nation and heightening preparedness for possible future disasters.

GENE TAYLOR
4TH DISTRICT, MISSISSIPPI

COMMITTEE ON ARMED SERVICES

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

http://www.house.gov/genetaylor

Congress of the United States
House of Representatives
Washington, DC 20515–2404

2311 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–2404
(202) 225–5772

DISTRICT OFFICES:

2424 14TH STREET
GULFPORT, MS 39501
(228) 864–7670

701 MAIN STREET
SUITE 215
HATTIESBURG, MS 39401
(601) 582–3246

1314 GOVERNMENT STREET
OCEAN SPRINGS, MS 39564
(228) 872–7950

527 CENTRAL AVENUE
LAUREL, MS 39440
(601) 425–3905

February 7, 2006

90 days

Honorable Michael Chertoff
Secretary
Department of Homeland Security
Washington, DC 20528

Dear Secretary Chertoff, Mr. Secretary

I am writing to request specific data regarding the performance of FEMA and its contractors providing temporary housing in Mississippi.

While I understand that Hurricane Katrina presented all of us with unprecedented challenges, I am very bothered by the inefficiency and bureaucracy that continues to delay the delivery of trailers. We are in the sixth month after the hurricane and the installation of trailers is no faster or more efficient in February than it was in November. I urge you to request a full accounting of the costs and contracts so that FEMA can implement better procedures before the next major hurricane or other disaster.

The lack of urgency to provide temporary housing for people who have lost their homes is particulary disturbing. Temporary housing within the disaster area is the essential bridge in the transition from the relief phase to the recovery phase. The slow delivery of trailers and other temporary housing prolongs the period when residents, local governments, and businesses must depend on federal assistance.

Mississippi residents have suffered long delays awaiting approval of their trailer applications, more long delays awaiting trailer delivery to their homesites, and still more long delays before their trailers are ready for occupancy. The answers to the following questions will prove valuable in identifying the bottlenecks in the current process.

Please provide both the average and the range (high and low) for the cost, period of time, or other value requested for each question.

- How much does FEMA pay for travel trailers and mobile homes?
- How much does FEMA pay to deliver trailers to the staging areas in Arkansas?

- How long are the trailers kept in Arkansas, and what actions and inspections are conducted there?
- How much does FEMA pay to deliver trailers from Arkansas to the Purvis, MS staging area?
- How long are trailers kept at Purvis, and what actions and inspections are conducted there?
- How much does FEMA pay to deliver trailers from Purvis to county staging areas?
- How much does FEMA pay to deliver trailers from the county staging areas to homeowners' properties?
- How many days or weeks pass after trailers are delivered to the homesites before they are ready for occupancy?
- How much does FEMA pay contractors for each service required to make trailers ready for occupancy, and how many work crews are tasked per installation?
- How much does FEMA pay for repairs on new trailers and are the manufacturers required to bear any of the cost?

Thank you for your attention to this request. This data will enable Congress and FEMA to be much better prepared for future disasters.

Sincerely,

Gene

GENE TAYLOR
Member of Congress

GT:jbm

CC: FEMA Director David Paulison
Comptroller General David M. Walker

○