



**Homeland
Security**

April 21, 2006

MEMORANDUM FOR: Patricia English
Senior Procurement Executive
Federal Emergency Management Agency

FROM: *for Dennis R. White*
Matt Jadacki
Special Inspector General
Gulf Coast Hurricane Recovery

SUBJECT: *Cannibalization of Travel Trailers by Bechtel
Report Number GC-HQ-06-35*

We reviewed an allegation that Bechtel National, Inc. was cannibalizing travel trailers at its forward staging areas in Mississippi. Bechtel is one of FEMA's technical assistance contractors responsible for delivering and installing travel trailers in response to Hurricanes Katrina and Rita. The allegation was that Bechtel was removing parts from travel trailers to repair other travel trailers and not informing FEMA. This could prevent FEMA from being eligible for warranted repairs and having an accurate accounting of mission capable trailers. Our objective was to determine whether the allegation was founded.

We interviewed FEMA officials from the Baton Rouge Joint Field Office, the contracting officer's technical representative for the Bechtel contract, Bechtel employees, and conducted site visits at two of Bechtel's forward staging areas in Mississippi. We performed other procedures, as necessary, to achieve our objectives.

FEMA officials told us that 51 trailers had been cannibalized at Bechtel forward staging areas. We visited two of the three staging areas and found 36 cannibalized trailers, as well as other trailers that were not mission capable. The cannibalized trailers were missing batteries, propane tanks, and other small items.

Bechtel officials said that some trailers arrived at the staging area damaged or missing parts. They removed parts from some of the damaged trailers and used them on other trailers to make them mission capable. They said that immediately after the disaster, replacement parts were not available. Cannibalization was a way to make at least some of the damaged trailers mission capable to meet the needs of evacuees. However, both Federal Acquisition Regulations and the Bechtel contract require that Bechtel notify FEMA of any property received in a condition not suitable for its intended use.

FEMA officials said that Bechtel did not report the damaged trailers and trailers with missing parts, nor did FEMA inspect the trailers before accepting them. Consequently, trailers that were not mission capable were listed in FEMA's inventory as being mission capable. In addition, some of the

deficient trailers may have been eligible under the manufacturer's warranty, but Bechtel's decision to cannibalize damaged trailers may have voided the manufacturer's warranty.

Some trailers at the staging areas had structural damage, such as damaged frames, missing tires, and dents in the body of the trailer. FEMA officials said the structural damage was consistent with damage that might occur in transit. The transporter's insurance should cover such damage. We asked for documentation on the damaged trailers to see whether Bechtel had determined who was responsible for the damage, or whether anyone had submitted insurance claims. We have not received the documentation.

We recommend that FEMA require contracting officer's technical representatives to physically inspect contractor storage sites to ensure that contractors report damaged and non-mission capable trailers. FEMA should also determine responsibility for the damaged trailers and take appropriate action to return or repair damaged trailers or recover costs through the warranty.

The nature and brevity of this assessment precluded the use of our normal audit protocols; therefore, this review was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters might have come to our attention.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the federal government in the aftermath of Hurricane Katrina. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group, which is coordinating Inspectors' General review of this important subject.

Please advise us within two weeks of the actions taken to implement the recommendation. Should you have any questions concerning this report, please call me or Dennis White, Deputy Special Inspector General, at 202-254-4100.

cc: Under Secretary for Management
Acting Under Secretary for Emergency Preparedness and Response
Acting Chief Financial Officer, DHS
Chief Procurement Officer, DHS
Audit Liaison, DHS
Audit Liaisons, FEMA
Chief Financial Officer, FEMA
Deputy Director, Gulf Coast Recovery