



# Department of Homeland Security Office of Inspector General

## FEMA's Temporary Housing Unit Program and Storage Site Management



*Office of Inspector General*

**U.S. Department of Homeland Security**  
Washington, DC 20528



**Homeland  
Security**

June 29, 2009

### Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the strengths and weaknesses of the Federal Emergency Management Agency's (FEMA) Temporary Housing Unit Program site management and oversight. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner  
Inspector General

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## Abbreviations

COTR	Contracting Officer’s Technical Representative
DHS	Department of Homeland Security
EHU	Emergency Housing Unit
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
FPS	Federal Protective Service
GCRO	Gulf Coast Recovery Office
LMD	Logistics Management Directorate
IFMIS	Integrated Financial Management Information System
OIG	Office of Inspector General
OMB	Office of Management and Budget
THU	Temporary Housing Unit

# OIG

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## **Executive Summary**

The logistics function of the Federal Emergency Management Agency (FEMA) has undergone dramatic changes following a Congressionally-mandated reorganization in 2007. As part of that reorganization, the new Logistics Management Directorate (LMD) has strengthened operations, property management, and coordination with other emergency providers, and has increased staffing with experienced logisticians.

Notwithstanding the initiatives that have been introduced, there are issues with the LMD field staging areas that need to be addressed. At the time of our fieldwork in mid-2008, LMD did not have an accounting system that adequately tracked field sites' expenses. Consequently, field managers reported difficulty in overseeing their sites' finances. Field managers were also dissatisfied with the staging area contracts for security and grass cutting services.

The contracts for security guards and for grass cutting services were managed by remotely located contracting officials, without on-site task monitors to oversee contractor performance. Because FEMA did not have adequate contract controls in place, it overpaid for services that, in some instances, hindered operations and posed potential safety hazards.

We conducted this review at the request of FEMA senior management, who asked us to examine several issues that occurred prior to the creation of LMD. This report focuses on conditions at the field sites at the time of our visits in 2008, and contains three recommendations to assist FEMA in its management and oversight of the field staging areas. FEMA has concurred with the reports' findings and has agreed to take corrective actions, some of which are already underway.

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## Background

In 2007, the Federal Emergency Management Agency (FEMA) requested the Office of Inspector General (OIG) to review certain inconsistencies that had come to the agency's attention involving the management of the hundreds of thousands of travel trailers and mobile homes that had been purchased to shelter displaced disaster victims following Hurricane Katrina. Those concerns involved actions taken by the predecessor office of the current Logistics Management Directorate (LMD).

This audit represents the third and final phase of our comprehensive review of the Temporary Housing Unit<sup>2</sup> (THU) program in response to FEMA's request. In this most recent phase, we reviewed the agency's management of the THU program at headquarters and at nine temporary housing staging areas in Louisiana and Mississippi. The previous phases addressed FEMA's (1) use of proceeds from the sale of trailers,<sup>3</sup> and (2) acquisition of two warehouses.<sup>4</sup> During the course of our field work on the three OIG reviews, the logistics function was undergoing a transformation in connection with FEMA's reorganization that was mandated by the *Post-Katrina Emergency Management Reform Act of 2006* (Public Law 109-295), and included the formation of LMD.

The reorganization has introduced initiatives and management controls that were absent in FEMA's logistics program prior to 2007. What had been an improvised logistics operation before the reorganization has been replaced by an organized unit, staffed by experienced logisticians. The previous organization's operations were marked with fiscal irregularities and unauthorized spending, as we previously reported. The new organization has increased staffing at headquarters and the field, issued standardized policies and procedures, and put in place an organization that emphasizes management control. Field sites previously managed by the Gulf Coast Recovery Office (GCRO) came under the direct control of LMD in 2008.

LMD has taken steps to strengthen operations, property management, and coordination with partners outside the agency.

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<sup>2</sup> The THU originally was referred to as EHU (Emergency Housing Unit); it was changed in 2008.

<sup>3</sup> OIG-08-23, *Review of FEMA's Use of Proceeds from the Sales of Emergency Housing Units*, dated February 2008.

<sup>4</sup> OIG-09-77, *FEMA's Acquisition of Two Warehouses to Support Hurricane Katrina Response Operations*, dated June 2009.

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Some of the shortcomings we are reporting are remnants of the “old” FEMA. However, they have continued since 2007, and therefore, are the responsibility of LMD. We are currently conducting a review of how the logistics reorganization has prepared FEMA to respond to catastrophic disasters.

## **Results of Review**

Notwithstanding the initiatives that have been introduced, the LMD field staging areas face challenges that need to be addressed by FEMA headquarters. Those issues include oversight of the field budgeting and contracting. Each site we visited was led by experienced managers, and staffed by individuals who focused on administration, security, maintenance, and property accountability. Staffing issues that did arise involved the contractor workforce.

The nine staging areas we visited contain more than 75,000 temporary housing units that FEMA plans to eventually dispose. Until a number of issues are resolved, including formaldehyde contamination, those sites will remain open and collectively will cost FEMA more than \$50 million each year to operate.

## **Budget Development and Oversight**

One issue that surfaced in the field and at headquarters was the inability of THU managers to access the staging area sites’ budget and accounting data. As part of the logistics transformation, field sites that had previously been managed by the GCRO came under the direct control of LMD headquarters, and in the process, lost access to the GCRO’s off-the-shelf budget and accounting system.

At the time of our site visits, LMD did not have adequate visibility over expenses and could not identify incurred costs by site. Similarly, the field managers did not have visibility over their own site expenses and budget balances, and thus had difficulty managing the sites’ finances with the headquarters-produced budget reports. Those budget reports that were produced without field input were unreliable and contained erroneous information. Examples included construction-related costs at sites that had no construction projects, and electric utility expenses at a site that operated on government-furnished generators.

Starting in late 2008, FEMA took steps to address the conditions on which we reported. Those initiatives included enhanced budget tracking for headquarters and the field and providing bi-weekly

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budget reports to the field. There are plans to enable field coordinators to have real-time visibility over the status of their budgets by 2010.

## **Contract Management**

Site managers were dissatisfied with the contract security guard service provided under a Federal Protective Service (FPS) contract. The managers reported over-staffing at some sites, including round-the-clock guard service at gates that are not being used. Furthermore, managers were unable to tell if the guards were fulfilling the terms of the contract because they had never been provided a copy of the contract. Also, the site managers did not have copies of the “post orders” issued by a remotely-located contracting official that delineate the guards’ duties. Without these documents, site managers could not oversee the guards, or determine if they were performing according to the contract. Although the sites were in relatively low-risk areas, with only occasional trespassing reports, FEMA could not determine if it was getting what it paid for under the contract.

Subpart 37.5 of the Federal Acquisition Regulation (FAR), and the implementing guidance in the Office of Management and Budget’s (OMB) Office of Federal Procurement Policy Letter 93-1<sup>5</sup> requires clearly-defined contract requirements, performance standards, and effective management oversight. Occasional site visits by the remotely-located contracting officer’s technical representative (COTR) and FEMA task monitors do not provide adequate oversight. FEMA needs to designate technical monitors at each site to monitor and ensure that the contract terms and conditions are followed.

Another common concern among site managers was the poor performance of the contractor for grass cutting service. This service falls under the multi-million dollar contract FEMA has with Alutiiq Global Solutions, of which grass cutting at the sites is only a small part. FEMA pays more than \$4 million a year at those 9 sites to a contractor that does a poor job cutting the grass. Site managers have complained to headquarters, citing that the previous arrangement, which used disaster assistance employees for grounds maintenance and other tasks, was more effective and cost less than the current contract. We observed tall grass at several of the sites we visited, where managers expressed their concern that the tall

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<sup>5</sup> OMB Office of Federal Procurement Policy Letter 93-1, *Management Oversight of Service Contracting*, dated May 18, 1994.

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grass complicates activities and provides a haven for poisonous snakes that may have contributed to a snakebite incident at one of the Louisiana sites. Furthermore, the tall, un-cut grasses present a potential fire hazard during the dry-weather season.

Mississippi site managers provided headquarters with a cost analysis that indicated FEMA could contract with a local grass cutting service that would be more reliable and save the government more than \$1 million each year at the THU sites in that state. Headquarters took no action on the site managers' suggestions.

FEMA needs to stop using the grass cutting contract as a personal services contract. The services provided were (1) performed at the government-controlled site; (2) integral to the program's mission; and (3) carried out using government-furnished tools and equipment. Furthermore, FEMA requested specifically-named Alutiq employees for tasks at FEMA sites. Unless explicitly authorized by statute, personal services contracts are prohibited by FAR 37.104.<sup>6</sup>

Without a COTR or a task monitor at the sites, FEMA does not have assurance that the tasks paid for were actually performed. The FEMA program office relied on contractor-provided documents to support the contractor's invoices, instead of on-site verification. FEMA program officials claimed to be unaware of problems with this contract, despite the fact that the field site managers had communicated the problems on numerous occasions.

This lack of contractual control is contrary to Subpart 37 of the FAR, and inconsistent with OMB Circular A-123's<sup>7</sup> guidance on management controls, and needs to be addressed.

Some of these contract deficiencies might have been avoided if the contract had been submitted for a legal review as required by the Homeland Security Acquisition Manual.<sup>8</sup> This contract was not presented to FEMA counsel for review, and is another example of situations we have observed with large-dollar FEMA contracts being awarded without required legal review.

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<sup>6</sup> FAR, subpart 37.104(b) provides that federal agencies shall not award personal services contracts unless specifically authorized by statute to do so. FEMA was not specifically authorized to award this personal services contract.

<sup>7</sup> OMB Circular A-123, *Management's Responsibility for Internal Control*, dated December 2004.

<sup>8</sup> Homeland Security Acquisition Manual subsection 3004.7003(c) (1) requires a legal review of all contracts in excess of \$500,000.

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FEMA has taken a number of steps to address the contract-related issues. It initiated the acquisition process and anticipates awarding a contract by June 2009 to replace the Alutiiq contract that is in its last option year. The new contract, which will not include grounds maintenance services, has already been reviewed and approved by FEMA's Office of Chief Counsel, and will provide for task monitors at each site. A separate grounds maintenance contract that will use local vendors for the field sites is also expected to be awarded in June 2009. That contract requires COTRs at each site. Through training and monitoring, FEMA will ensure that the new contracts will not be used as personal services contracts.

Regarding the security contract, post orders have been requested from FPS for each location, and FEMA has appointed an individual at each site to assist with invoice certification. FEMA has had discussions with FPS regarding the security contract compliance, and has requested modifications to change the level of guard support at some locations.

## **Conclusion**

LMD has undergone significant changes since it was reorganized in 2007. As part of that reorganization, LMD has strengthened operations, property management, and coordination with other emergency providers, and has augmented staffing with experienced logisticians. The reorganization also transferred to LMD several field sites previously managed by the Gulf Coast Recovery Office.

The transfer of those field sites introduced management control issues, including inadequate budget and accounting data, and lack of technical monitors to provide oversight of contracts that furnish security and grass cutting services, the latter which was used as a personal services contract.

FEMA has taken corrective actions or plans to address the issues discussed in this report. It is developing a detailed corrective action plan, including timeframes, to address those issues.

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## Recommendations

We recommend that the Administrator, Federal Emergency Management Agency:

**Recommendation #1:** Provide budget and accounting information in periodic reports to THU site management.

**Recommendation #2:** Designate a technical monitor for each THU site for security and grass cutting service contract oversight; and provide each site with copies of the contract, post orders, and other necessary documents.

**Recommendation #3:** Cease using the Alutiiq contract as a personal services contract, and improve management controls over contractors.

## Management Comments and OIG Analysis

FEMA concurs with the report's findings and has agreed to take corrective actions to address the recommendations; some actions have already been initiated. Those initiatives include enhanced budget tracking; bi-weekly field budget reports; and plans for real-time visibility over site budgets.

Furthermore, FEMA has taken a number of steps to address contractual issues, including initiating two new acquisitions to replace the Alutiiq contract that have already cleared required legal review, and will provide for on-site monitoring to ensure compliance with regulations and with contract terms. Security contract post orders have been requested from FPS for each location, and FEMA has appointed an individual at each site to assist with invoice certification. FEMA has discussed contract compliance with FPS and has requested modifications to change the level of guard support at some locations.

FEMA has promised to provide us with a detailed corrective action plan, including timeframes, to address those issues. FEMA's described actions meet the intent of the three recommendations, which are considered resolved, pending receipt of the detailed corrective action plan. We will close the recommendations upon verification of implemented corrective action.

## Appendix A

### Purpose, Scope and Methodology

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This audit was the third phase of a comprehensive review of LMD's Temporary Housing Unit program that we performed at FEMA's request. The first phase examined the agency's use of proceeds from the sale of trailers and mobile homes, and the second phase focused on the acquisition of two warehouses. The current audit assessed field operations management.

Specifically, we reviewed the agency's management of the program at nine temporary housing staging areas in Louisiana (Baton Rouge, DeRidder, Lottie, and Melville) and Mississippi (Carnes, Columbia, Hickory Grove, Lumberton, and Purvis), and at two regional coordination centers (Biloxi and Baton Rouge). Program costs at those sites exceed \$50 million annually. We observed field operations and discussed issues with site management and with headquarters officials. Our review did not include a test of the validity and reliability of any computer-generated data as we did not rely on any computer-generated data as part of this audit.

At the time of our field visits in mid-2008, management of the sites had recently transferred to FEMA headquarters. Previously, the Gulf Coast Recovery Office managed those sites. That transition posed certain complications on which we focused, including staffing, budget oversight, maintenance, contracting, and security issues.

This audit was performed under the authority of the *Inspector General Act of 1978*, as amended, and according to Generally Accepted Government Auditing Standards for performance audits. Audit fieldwork was conducted from April through October 2008, in the Washington, DC, area and at several field sites.

Appendix B  
Management Comments to the Draft Report

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U.S. Department of Homeland Security  
Washington, DC 20472



FEMA

MAY 19 2009

MEMORANDUM FOR: Matt Jadacki  
Deputy Inspector General  
Office of Emergency Management Oversight  
Office of Inspector General

FROM:   
Robert A. Farmer  
Acting Director  
Office of Policy & Program Analysis

SUBJECT: Comments on OIG Draft Report, *FEMA's Temporary Housing Unit Program and Storage Site Management*

Thank you for the opportunity to review and comment on the Office of Inspector General's (OIG's) subject draft audit report. As the Federal Emergency Management Agency (FEMA) works toward refining its programs, the OIG's independent analysis of program performance greatly benefits our ability to continuously improve our activities.

FEMA concurs with the draft report's three recommendations and has been diligently working to correct the issues identified in your audit. While we will be providing a detailed corrective action plan with timeframes in our 90-day response, we provide the following information relative to the three recommendations:

**Recommendation 1:** Provide reliable budget and accounting information in periodic reports to Temporary Housing Unit (THU) site management.

**Response:** THU management currently provides THU budget reports to the field coordinators on a bi-weekly basis.

The THU sites transitioned from Transitional Recovery Office-managed to FEMA Headquarters (HQ) Logistics Management Directorate (LMD)-managed in the summer of 2008. At that point, the FY2008 budget was executed by lean staff at LMD Headquarters who put together a projection for the FY2009 budget.

While LMD Headquarters had received adequate funding to support the sites, they also had to establish positions and then hire against those positions both at Headquarters and at the sites to provide adequate management and oversight of a budget in excess of \$100M. By late 2008, most of

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## Appendix B

### Management Comments to the Draft Report

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the Headquarters and field positions were filled, allowing LMD to begin better management and oversight of the THU budget and contracts. Overall financial management was centralized at Headquarters.

By early 2009, LMD had refined its processes for review of the THU budget and contracts and conducted weekly senior management reviews. The initial focus of the meetings was to determine the status in terms of funding levels and contract expiration dates for over 200 contracts that were resident in the field, as well as the overall obligation rate of funding received. THU management at Headquarters held several conference calls with THU field coordinators and their staffs to ensure that all contracts and the current status of each had been captured and was being managed. By the end of January 2009, both THU leadership and field managers were comfortable with the status of their contracts; however, overall financial management was still largely centralized at Headquarters. Financial reports were not provided to the field; however, Integrated Finance Management Information System (IFMIS) viewing rights were granted to certain field coordinator staff members.

Simultaneously, THU management began planning for the FY2010 budget input, and determined that the program needed to complete a zero-based budgeting exercise. That exercise required each of the field coordinators to develop their FY2010 budgets from the ground up. Field coordinators presented their budgets to THU senior leadership in February 2009, and the THU FY2010 budget was submitted to the LMD Business Management Division in March 2009.

As of May 2009, THU budget and contract management processes are continuing to mature. Overall management of the THU budget is still largely centralized at Headquarters. THU has developed tools and reports to better track and manage the budget, and the locally-developed tools and reports provide more current data than is currently available in IFMIS. The tools provide information at the program office level; however, by the beginning of the upcoming fiscal year, they will be expanded to enable field coordinator offices to have real-time visibility over the status of their budget and contracts. Not later than October 1<sup>st</sup>, 2009, THU management will flow more budgeting responsibilities to the field coordinator level, including tracking of expenditures against the approved FY2010 budgets.

**Recommendation 2:** Designate a technical monitor for each THU site for security and grass cutting service contract oversight; and provide each site with copies of the contracts, post orders, and other necessary documents; and

**Recommendation 3:** Cease using the Alutiiq contract as a personal services contract, and exercise better management control over the contractor.

**Response to Recommendations 2 and 3:** THU leadership has directed that each site will have a technical monitor for the new THU Workforce Contract and a Contracting Officer's Technical Representative (COTR) for the new grounds maintenance contract. Additionally, the new Workforce Contract will reside in the THU Program office. THU leadership will hold quarterly training sessions with field COTRs and technical monitors after both of these new contracts are awarded, which should ensure that contracts are not treated as "personal services" contracts. This will also lead to better overall management of the contractors.

As LMD HQ gained responsibility for management of the THU sites, it also had to assess the current contract support at each of the sites. The Alutiiq contract that was in place was in its last option year

## Appendix B

### Management Comments to the Draft Report

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and was the contract that was providing day-to-day site support, to include grounds maintenance, at the THU sites in the West and Central locations. LMD HQ recognized that technical monitors were needed at each of the sites and designated technical monitors at each of the sites for the Alutiiq contract. At the request of the field coordinators, THU leadership set up a conference call with all technical monitors in February 2009 to address questions or concerns they might have and review their responsibilities as technical monitors.

As LMD began working with FEMA acquisitions on preparing for a new THU Workforce Contract, THU management incorporated feedback from the field on concerns with current grounds maintenance through the Alutiiq contract and requested the option to leave grounds maintenance out of the new contract and use local vendors to supply this service.

The Request for Proposal (RFP) for the new THU Workforce Contract does not include grounds maintenance. THU management sent a draft statement of work for a grounds maintenance contract to FEMA Acquisitions the week of May 4th. THU leadership will work with FEMA Acquisitions to develop and post a solicitation for grounds maintenance contracts at THU sites.

The THU Workforce Contract RFP was reviewed and approved by Office of Chief Counsel in March 2009. The solicitation was posted and FEMA Acquisitions anticipates award of both the THU Workforce Contract and grounds maintenance contracts by mid-June.

With regard to the Federal Protective Service (FPS) contract, THU leadership was made aware of several of the challenges the sites were encountering with FPS support during site visits in December 2008 and January 2009. THU leadership has met several times with FEMA Security leadership to address these issues. Unfortunately, the FPS Contract is not managed by FEMA Security, nor is there a local COTR for this contract. FEMA Security leadership continues to work with the FPS regarding compliance with the support Memorandum of Agreement and Agency Technical Representative (ATR) insight regarding billing. There is an ATR for the Central and West region associated with the respective TRO, and they currently visit the THU sites to check on FPS compliance. Due to the distances between sites and the technical representatives, the ATRs can not provide routine visits to these sites. LMD has appointed an individual at each of our sites to assist in the certification of the invoices.

As a result of THU and FEMA Security discussions, HQ Security provided a comprehensive guide to security operations to THU leadership in March 2009. The guide included general responsibilities of FPS guards, generic posting orders for FPS, emergency contact information and other helpful information. The guide also discusses the expectations of the LMD person at each site who is facilitating the certification of invoices. The guides were distributed to the field electronically in March 2009.

FEMA Security has been requesting copies of the post orders from the FPS contract for each site. The post orders are the documents that FEMA needs to ensure that both the contractor and the government are complying with the terms of the contract at each site. Additionally, THU leadership has formally requested modifications and/or cost estimates to make changes to FPS support at some THU locations in response to what was observed during site visits.

Thank you again for the opportunity to comment on this draft report and we look forward to working with you on other issues as we both strive to improve FEMA.

**Appendix C**  
**Major Contributors to this Report**

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Gina Smith, Director  
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**Appendix D**  
**Report Distribution**

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