



Department of Homeland Security Office of Inspector General

Management Advisory Report:

Permanent Housing Construction on American Samoa





March 30, 2010

MEMORANDUM FOR: The Honorable W. Craig Fugate
Administrator
Federal Emergency Management Agency

FROM: *Richard L. Skinner*
Richard L. Skinner
Inspector General

SUBJECT: *Management Advisory Report: Permanent Housing
Construction on American Samoa (OIG-10-74)*

My office dispatched a team of investigators and auditors to American Samoa following the disaster on that island to promote accountability in the actions of federal emergency professionals and to serve as an independent entity for oversight of disaster response and recovery activities. We conducted interviews of Federal Emergency Management Agency (FEMA) officials and reviewed task orders, contracts, interagency agreements, and other documentation. In the course of this work, we concluded that FEMA's plan to build permanent housing on American Samoa, and the costs involved in such construction, need to be carefully considered. Given the unprecedented nature and projected expense of building these homes, we recommend that you determine whether the current plan is the most efficient and economical solution available before the plan expands beyond the initial building stage.

Background

American Samoa is a territory of the United States located in the South Pacific. It is slightly larger than Washington, DC and has a population of approximately 65,000. A magnitude 8.3 earthquake occurred about 140 miles southwest of Pago Pago, the nation's capital, on September 29, 2009, and created a tsunami that impacted American Samoa less than an hour later. The President issued a disaster declaration that day.

The Unique Circumstances of American Samoa

American Samoa is remotely located, just east of the International Dateline and more than 3,000 miles from Hawaii. Very few rental resources exist, and the communal nature of the culture does not support relocating survivors into rental properties. Building materials and skilled labor are in limited supply. Temporary housing units do not exist on the island, and transporting units to such a remote location may not be cost effective or culturally acceptable. Families have lived for generations in their villages, so relocation off-island does not appear to be an acceptable housing alternative to survivors, the community, or the American Samoan government.

Because temporary housing units were not a feasible solution, tents are currently providing temporary shelter for survivors who did not move in with relatives. By early December, more than 450 newly purchased Celina tents, costing approximately \$4,300 each,¹ had been distributed to Samoans who had lost their homes.

After weighing the relevant factors, FEMA officials determined that building permanent homes to replace those lost was the most practical long-term solution to the housing problem.

Disaster Housing Assistance

Section 408 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended, authorizes the President to provide financial assistance to homeowners to rebuild or repair their homes. Currently, the maximum amount of financial assistance that may be provided is \$30,300 (44 CFR 206.110 (b)).

Section 408 also authorizes FEMA to provide direct assistance to individuals or households in the form of construction of permanent housing in insular areas outside the continental United States in cases in which no alternative housing resources are available or types of temporary housing assistance are unavailable, infeasible, or not cost-effective (44 CFR 206.117 (b)(4)).

In November 2009, FEMA began what it designated a permanent housing construction pilot program to provide assistance to eligible applicants whose homes were destroyed. Applicants could choose either (1) financial assistance up to \$30,300 or (2) direct assistance. Those electing direct assistance would receive either a 2 or 3 bedroom home, depending on family size. The homes were to be functional and appropriate to the needs of each applicant and of average quality, size, and capacity based upon the community in which they were built. As of February 16, 2010, 179 American Samoans had chosen to receive financial assistance and 56 had selected direct assistance. (Thirteen applicants had been found ineligible for either financial or direct assistance and their cases had been closed.)

¹ Transportation costs per tent were approximately \$2,100.

Permanent Housing Construction Cost Estimates

According to a FEMA disaster housing strategy document developed in late 2009, the Development Bank of American Samoa loans applicants approximately \$40,000 to build a 2 bedroom home and approximately \$60,000 for a 3 bedroom home.² According to a response for data received on March 5, 2010, the United States Army Corps of Engineers' independent government cost estimate for the 2 bedroom model (920 square feet) is \$139,801 and for the 3 bedroom model (1262 square feet) is \$166,316. These estimates do not include appliances, the cost of demolition or site preparation, the cost of elevating homes located in flood zones, or the specific costs associated with movement of utilities or installation of septic fields. FEMA provided us with its own cost estimate on March 23, 2010. This estimate stands at \$341,543 per home, which includes site demolition and preparation, and overhead and profit for the contractor, but does not include the costs of the interagency agreement with the U.S. Army Corps of Engineers, contract monitoring by FEMA employees, or monthly on site operating expenses.

Housing Construction

FEMA determined that no local business was qualified to serve as the prime contractor for the home construction. FEMA decided to use Partnership for Temporary Housing (PaTH),³ its Individual Assistance-Technical Assistance Contract (IA-TAC) contractor for the region, notwithstanding that according to FEMA officials and to the best of our knowledge, IA-TAC contracts had never been used to build permanent housing, and the PaTH corporation had never built a home. On January 8, 2010, FEMA gave PaTH a Notice To Proceed⁴ to build up to eight homes for up to \$3.9 million, or \$487,500 per home. Costs incurred during the building of the initial eight homes would serve as the basis for an independent government cost estimate, and be used in negotiating a firm fixed price for the PaTH task order to build the remaining homes (possibly a total of 70 homes). In a recent interview, a FEMA official said that three homes (rather than eight) would be built in three distinct areas of American Samoa, and the costs of each of those homes would be used to set the contract cost for all homes built in each of those three sections of the island.

In addition to the construction costs, there are other associated costs: (1) the interagency agreement with the U.S. Army Corps of Engineers, for \$3.7 million over nine months, to provide program management that requires home-building expertise; (2) the salaries and expenses of FEMA Headquarters employees and Disaster Assistance Employees (DAE), who will monitor PaTH's contract performance; and (3) maintenance of a FEMA field office until construction is complete.

² The designs for these homes do not reflect current building codes to which FEMA is subject.

³ PaTH is a limited liability corporation formed by DynCorp International, LLC, Dewberry, and Parsons Corporation.

⁴ This Notice To Proceed authorized PaTH to commence services on up to eight homes based on PaTH's proposed terms, on the understanding that some issues were in dispute and would be resolved during upcoming contract negotiations for construction of the remaining homes.

Concerns

We have multiple concerns with FEMA's pilot project to build permanent housing on American Samoa. Permanent housing is a new responsibility for FEMA, and officials admit there are few, if any, staff with home construction expertise. The current cost per home is very expensive, and oversight of the construction is costly. There are no per home and total home cost ceilings, and timelines have been unrealistic. For example, FEMA management presented the contractor with a completion date of the one year anniversary of the disaster, but as of March 22, 2010, not one home has been built. Past experience indicates that major cost overruns are also possible.

There may be internal and external pressures to expand the pilot program to more than the initial three to eight homes without a proper assessment of such an undertaking. Additionally, the process to date has not been transparent; who made the final decision to proceed with permanent housing and the amount of funding authorized is unclear. Lastly, the structure of the proposal from PaTH, including handling of contingencies, such as shipping and weather delays and costs caused by archeological and environmental matters, as well as the use of subcontractors, is of concern.

Recommendation

Before proceeding to a firm fixed price task order with PaTH, we recommend that you determine whether the current plan is the most efficient and economical solution given the issues cited in this report and the logistical problems associated with the island's remoteness. This determination should include consideration of (a) the total disaster lifecycle cost per unit, including the cost of site demolition and preparation, materials and labor, overhead and profit for PaTH, the interagency agreement with the U.S. Army Corps of Engineers, contract monitoring by Headquarters employees and DAEs, and monthly on site operating expenses, and (b) realistic timeframes for completion of the pilot.

The nature and brevity of this inquiry precluded the use of normal auditing standards. Therefore, it was not conducted according to generally accepted government auditing standards.

We hope our recommendation will be of assistance in improving the effectiveness of FEMA's ongoing response and recovery activities in American Samoa. Should you have any questions, please call me, or your staff may contact Matt Jadacki, Deputy Inspector General for Emergency Management Oversight, at (202) 254-4100.



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