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**Highlights**

Highlights of [GAO-08-106](#), a report to the Committee on Homeland Security and Governmental Affairs, U.S. Senate

**Why GAO Did This Study**

Hurricane Katrina destroyed or damaged 134,000 homes and 10,000 rental units in Mississippi alone. The Federal Emergency Management Agency (FEMA) in part responded by providing displaced individuals with temporary housing in the form of mobile homes and travel trailers, placed on both private property and at FEMA-constructed group sites. In 2006, FEMA awarded 10 contracts in Mississippi to maintain and deactivate (MD) the housing units and 5 for group site maintenance (GSM). GAO was asked to investigate whether there were indications of fraud, waste, and abuse related to FEMA's oversight of these 15 contracts. GAO analyzed FEMA's issuance of task orders, tested a representative sample of monthly maintenance inspections payments, prepared case studies detailing the costs related to trailers placed at group sites, and investigated improper activity related to the contracts.

**What GAO Recommends**

FEMA should take six actions to improve the oversight of the contracts, including placing a greater emphasis on issuing task orders to the companies with the lowest costs, designing controls to test invoices, and reevaluating the allocation of work at the group sites. GAO has also referred all criminal matters identified to the Department of Justice for further investigation. FEMA concurred with all six recommendations and stated it had taken actions to address them.

To view the full product, including the scope and methodology, click on [GAO-08-106](#). For more information, contact Gregory D. Kutz at (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

**HURRICANE KATRINA**

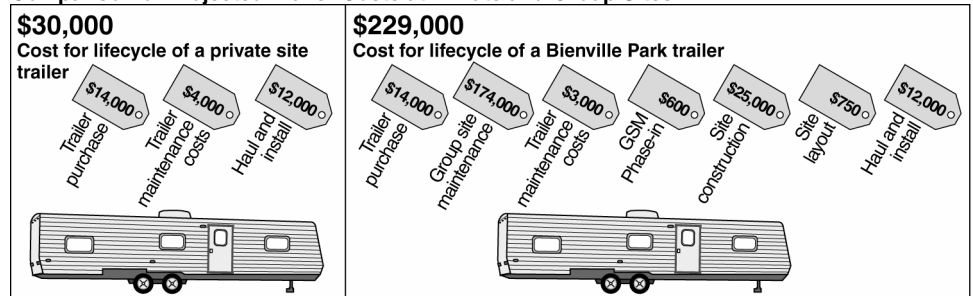
**Ineffective FEMA Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud**

**What GAO Found**

FEMA's ineffective oversight resulted in an estimated \$30 million in wasteful and improper or potentially fraudulent payments to the MD contractors from June 2006 through January 2007 and likely led to millions more in unnecessary spending beyond this period. For example, FEMA wasted as much as \$16 million because it did not issue task orders to the contractors with the lowest prices. In addition, GAO estimates that FEMA paid the contractors almost \$16 million because it approved improper or potentially fraudulent invoices. This amount includes about \$15 million spent on maintenance inspections even though there was no evidence that inspections occurred and about \$600,000 for emergency repairs on housing units that do not exist in FEMA's inventory.

Furthermore, FEMA's placement of trailers at group sites is leading to excessive costs. As shown below, FEMA will spend on average about \$30,000 on each 280 square foot trailer at a private site through March 2009, the date when FEMA plans to end temporary housing occupancy. In contrast, expenses for just one trailer at the Port of Bienville Park case study site could escalate to about \$229,000—the same as the cost of a five bedroom, 2,000 square foot home in Jackson, Mississippi.

**Comparison of Projected Trailer Costs at Private and Group Sites**



Source: GAO analysis of FEMA data.

Part of the reason for this expense is that FEMA placed only eight trailers at the Bienville site. FEMA wastes money when it operates sites with such a small number of trailers because GSM costs are fixed whether a site contains 1 or 50 trailer pads. At Bienville, FEMA spends over \$576,000 per year—\$72,000 per trailer—just for grounds maintenance and road and fence repair.

GAO also found evidence of improper activity related to the contract award process. For example, FEMA awarded GSM contracts to two companies that did not appear to have submitted independent bids, as required. These companies shared pricing information prior to submitting proposals to FEMA and also shared the same president and accountant. Personnel at both companies also misrepresented their job titles and functions, a potential violation of the False Statements Act. In another case, FEMA's contracting officer awarded a \$4 million contract to make the temporary housing units disabled-accessible; the contracting officer allegedly had a previous relationship with the awardee's subcontractor. GAO licensed engineers estimated that the work should have only cost about \$800,000, or one-fifth of what FEMA ultimately paid.