

Inspector General

United States
Department *of* Defense



Report Documentation Page				Form Approved OMB No. 0704-0188	
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1. REPORT DATE 22 DEC 2006		2. REPORT TYPE		3. DATES COVERED 00-00-2006 to 00-00-2006	
4. TITLE AND SUBTITLE U.S. Army Corps of Engineers				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) ODIG-AUD (ATTN: Audit Suggestions),Department of Defense Inspector General,400 Army Navy Drive (Room 801),Arlington,VA,22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 28	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

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Acronyms

ACI	Advanced Contracting Initiatives
DCAA	Defense Contract Audit Agency
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
IDIQ	Indefinite-Delivery, Indefinite-Quantity
IG	Inspector General
NRP	National Response Plan
RFP	Request for Proposal
SSET	Source Selection Evaluation Team



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

December 22, 2006

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
COMMANDER, UNITED STATES ARMY CORPS
OF ENGINEERS

SUBJECT: Report on the U.S. Army Corps of Engineers' "Operation Blue Roof" Project
in Response to Hurricane Katrina (Report No. D-2007-038)

We are providing this report for information and use. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Deborah L. Culp at (703) 604-9335 (DSN 664-9335) or Mr. John G. LaBelle at (703) 604-9336 (DSN 664-9336). See Appendix D for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Richard B. Jolliffe".

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

Department of Defense Office of Inspector General

Report No. D-2007-038

(Project No. D2006-D000CG-0081.000)

December 22, 2006

U.S. Army Corps of Engineers' "Operation Blue Roof" Project in Response to Hurricane Katrina

Executive Summary

Who Should Read This Report and Why? U.S. Army Corps of Engineers contracting officials, emergency management personnel, technical evaluation teams, and others involved in emergency management should read this report. This report discusses the award process and the administration of the temporary roofing contracts used in emergency situations.

Background. Congressmen Bennie G. Thompson and Bill Pascrell Jr. requested the U.S. Army Corps of Engineers Inspector General to review the contracts awarded for temporary roofing repairs (Operation Blue Roof) following Hurricane Katrina. Due to a lack of resources, the U.S. Army Corps of Engineers requested that the DoD Office of Inspector General perform the review. Congressmen Thompson and Pascrell requested a review of specific issues including: the U.S. Army Corps of Engineers' Request for Proposal for temporary roof repairs in Louisiana and Mississippi; the responses detailing the winning bid submissions from the Shaw Group, LJC Construction, Simon Roofing, and their subcontractors; documentation concerning complaints or negative performance evaluations of the prime contractors; and efforts to use small, minority, or locally owned firms as prime contractors.

This report will be followed by a second report that addresses other issues identified in the administration of temporary roofing repairs contracts that were not part of the original request. These reports are part of a series of reports that the DoD Office of Inspector General will issue discussing the use of DoD resources in response to Hurricane Katrina recovery efforts.

The Operation Blue Roof program provides a free temporary roof for residential structures, schools, daycares, and all publicly owned facilities. These temporary roofs provide short-term relief until the owner can make permanent repairs. The U.S. Army Corps of Engineers manages the Operation Blue Roof program for the Federal Emergency Management Agency.

Results. We performed this review to determine whether the U.S. Army Corps of Engineers properly awarded and administered contracts for temporary roofing repairs in response to Hurricane Katrina. We determined that, overall, the procurements were properly solicited and awarded. The U.S. Army Corps of Engineers properly reviewed responsive proposals and conducted the source selection according to the methodology

stated in the solicitation. As of August 2006, the U.S. Army Corps of Engineers had not completed performance evaluations of the prime contractors; however, the U.S. Army Corps of Engineers' Internal Review Teams, Defense Contract Audit Agency auditors, and homeowner inquiry and complaint forms identified contractor performance issues. The U.S. Army Corps of Engineers did not initially award prime contracts to small, minority, or locally owned firms because those firms were not among the top five most technically qualified responders. However, the U.S Army Corps of Engineers did award two contracts for temporary roofing repairs to small disadvantaged businesses in October 2005. The U.S. Army Corps of Engineers St. Louis District office internal controls were adequate in that we identified no material internal control weaknesses in the award of temporary roofing repairs contracts.

Management Comments. We provided a draft of this report on November 30, 2006. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

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Background

This is the first of two reports discussing the procurement of temporary roofing repairs for emergency situations. This report is in response to Congressman Bennie G. Thompson's and Congressman Bill Pascrell Jr.'s request (Appendix C). The second report will address other issues identified during the review. Both reports are part of a series of planned audit reports the DoD Office of Inspector General (IG) will issue discussing the use of DoD resources in response to the Hurricane Katrina recovery efforts.

2004 National Response Plan. The 2004 National Response Plan (NRP) was designed to provide structure for effective and efficient incident management among Federal, State, and local emergency management agencies. The 2004 NRP requires all Federal departments and agencies to cooperate with the Department of Homeland Security in emergency and disaster situations. The Department of Homeland Security is the primary Federal department responsible for responding to emergencies and under Public Law 107-296, the "Homeland Security Act of 2002," is required to coordinate with personnel from other Federal departments and agencies to accomplish its mission with the President's approval. The Federal Emergency Management Agency (FEMA), part of the Department of Homeland Security, is responsible for coordinating the Federal response to emergencies and disasters.

The NRP includes 15 emergency support functions, which establish responsibilities from immediate disaster mitigation to long-term recovery from a disaster. The U.S. Army Corps of Engineers (the Corps) is primarily responsible for one of the 15 functions, namely Emergency Support Function Number 3, "Public Works and Engineering," and is a support agency for Emergency Support Function Number 6, "Mass Care." Emergency Support Function Number 6 includes temporary roofing repairs in emergency situations.¹

Mission Assignments. FEMA is authorized by the 2004 NRP to issue mission assignments. FEMA uses mission assignments to support Federal operations during major disasters or emergency declarations, when local and State governments are overwhelmed by the events. FEMA issued a temporary roofing repairs mission assignment to the Corps for \$375 million to be used for the Hurricane Katrina recovery efforts in Louisiana and Mississippi.

U.S. Army Corps of Engineers. The Corps delegates the FEMA mission assignments to Corps districts, which provide overall coordination of the mission assignments and stand up Recovery Field Offices. The Recovery Field Offices, which typically are located in, or adjacent to, the disaster area, provide functional support to FEMA recovery efforts by providing contracting, contract

¹ Prior to the 2004 NRP, temporary roofing was covered under Emergency Support Function Number 3. Although temporary roofing is covered under Emergency Support Function Number 6 in the 2004 NRP, FEMA assigned the mission under Emergency Support Function Number 3 again in 2005.

administration, real estate, logistics, and resource management. In addition, satellite Resident Engineers Offices primarily focus on contract administration in the field and quality assurance.

Advanced Contracting Initiative. In order to execute a quick response to emergencies and disasters, the Corps developed the Advanced Contracting Initiative (ACI). Under ACI, requirements contracts are awarded pre-disaster and provide Corps contracting personnel the ability to place delivery orders against the contracts after a disaster at the pre-negotiated rate for supplies and services. In 1999, the Corps developed ACI requirements contracts for ice and water, and requirements/indefinite-delivery, indefinite-quantity (IDIQ) contracts for power, debris removal, and temporary roofing.

Operation Blue Roof. The Corps manages the Operation Blue Roof program, which is a priority mission, for FEMA. FEMA funds the Operation Blue Roof program through mission assignments. FEMA procures and delivers the blue plastic sheeting to staging areas where the Corps then manages distribution and installation.

The Operation Blue Roof program provides a free temporary roof for residential structures, schools, daycares, and all publicly owned facilities. These temporary roofs provide short-term relief until the owner can make permanent repairs. The temporary roofs also prevent additional damage from occurring to the building and its contents and may be the difference between a resident remaining in the structure versus seeking temporary shelter. Following Hurricane Katrina, the Corps oversaw the installation of more than 62,000 temporary roofs in Louisiana and more than 47,000 temporary roofs in Mississippi.²

² The Corps also oversaw the installation of an additional 18,000 temporary roofs in Louisiana in response to Hurricane Rita.



Source: U.S. Army Corps of Engineers

Objective

Our overall objective was to review the award and administration of Operation Blue Roof contracts for the Hurricane Katrina recovery effort. Specifically, we reviewed Requests for Proposals (RFP), contractors' responses to the RFPs, customer complaints, and efforts by the Corps to award to small, minority, or locally owned businesses as prime contractors. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objectives.

Review of Internal Controls

The Corps St. Louis District office internal controls we reviewed were adequate; we identified no material internal control weaknesses.

Temporary Roofing Repair Contracts

The Corps generally followed Federal and DoD acquisition regulations when awarding seven contracts for temporary roofing repairs for the Hurricane Katrina recovery efforts. The total disbursed value of the contracts was about \$258 million as of December 4, 2006.

- On June 23, 2005, the Corps St. Louis District office issued the RFP for temporary roofing repairs in Louisiana and Mississippi. The Corps advertised the RFP on the current Government point of entry on the Internet at www.fedbizopps.gov and the Corps' Web site. The RFP anticipated competitively awarding one requirements/IDIQ contract with a total contract capacity of \$10 million and a period of performance through December 2005.
- The Corps St. Louis District office received 22 proposals, and the source selection board determined the top 5 technical proposals. On July 8, 2005, prior to Hurricane Katrina, the Corps awarded one requirements/IDIQ contract with a total estimated contract value not to exceed \$10 million to the contractor with the best technical proposal. After Hurricane Katrina struck the Gulf Coast, the Corps awarded contracts to each of the remaining four top technically qualified responders.
- The Corps included a requirement in the RFP for subcontracting plans, which encouraged prime contractors to use local and small businesses. Further, in separate procurements in October 2005, the Corps awarded two small business set-aside contracts to small disadvantaged businesses for temporary roofing repairs.
- As of August 2006, the Corps had not completed performance evaluations on any of the seven contractors. However, the contract files contained homeowner complaints and inquiries as well as Corps Internal Review and Defense Contract Audit Agency (DCAA) reviews.

Overall, the Corps properly acquired temporary roofing repair capacity in response to Hurricane Katrina for Louisiana and Mississippi. The Corps openly competed the procurement, properly solicited and reviewed proposals, and properly evaluated and awarded contracts according to the criteria specified in the solicitation and the source selection plan.

Operation Blue Roof Contracts

The Corps awarded seven contracts for temporary roofing repairs in Louisiana and Mississippi. The Corps St. Louis District office awarded the first contract on July 8, 2005, and awarded four additional contracts in September 2005, immediately after Hurricane Katrina made landfall. Additionally, in October 2005, the Corps St. Louis District office awarded a small disadvantaged business set-aside contract for work in Louisiana, and the Corps Vicksburg District office awarded a small disadvantaged business set-aside contract for work in Mississippi.

Pre-Hurricane Katrina. Between 1999 and 2001, the Corps awarded 12 temporary roofing ACI contracts for roofing repairs in 21 states, Puerto Rico, and the Virgin Islands. Due to low hurricane activity, 11 of the 12 contracts expired in 2002 without being used, including the contract for Louisiana and Mississippi. In 2004, however, four hurricanes struck Florida, and as a result, the Corps awarded contracts for temporary roofing to repair the damage. Following the Florida hurricanes, FEMA officially tasked the Corps with the temporary roofing repair mission for the United States, and the Corps decided to reinstate the temporary roofing repair ACI contracts. The Corps signed an interagency agreement with FEMA on April 15, 2005, for the Corps to develop and award four to six temporary roofing repair ACI contracts for the Southeastern United States for the 2005 hurricane season.

The Corps Omaha District. After FEMA and the Corps signed the interagency agreement in April 2005, the Corps Omaha District office began work on the ACI temporary roofing repair procurement. The Corps Omaha District office planned to award five requirements/IDIQ contracts for separate geographic areas. Each contract would be structured with two phases. Phase I would be the award of a requirements contract in the amount of \$100,000 in the event of a declared mission and Phase II would be the award of an IDIQ contract to include a minimum guarantee in the amount of \$100,000 with a capacity of up to \$49.9 million each year. According to Corps personnel, after the start of hurricane season in June 2005, responsibility to award temporary roofing repair contracts shifted from the Corps Omaha District office to other Corps district offices with responsibility for specific coastlines. The Corps St. Louis District office assumed responsibility for awarding temporary roofing repairs contracts for Louisiana and Mississippi.

The Corps St. Louis District. With responsibility for Louisiana and Mississippi, the Corps St. Louis District office planned to award one requirements/IDIQ contract with a total contract capacity of \$10 million for the period from July 15 through December 2005. The Corps posted solicitation number W912P9-05-R-0715 on the Corps Web site on June 23, 2005, with responses due by July 5, 2005. In order to award a contract on or about July 11, 2005, the Corps approved a Justification and Approval for Unusual and Compelling Urgency in

the Government's Interest. On July 8, 2005, the Corps awarded Shaw Constructors, Inc., a contract with a total estimated contract value not to exceed \$10 million for temporary roofing repairs.

When Hurricane Katrina struck the Gulf Coast on August 29, 2005, the Corps St. Louis District contracting officer, concerned about the extent of damage, awarded four additional temporary roofing repair contracts. One of the four additional temporary roofing repair contracts was for a contract capacity up to a total estimated contract value of \$10 million. Three of the four additional temporary roofing repair contracts were for an amount not to exceed \$10 million each. The contracting officer awarded the four contracts from solicitation number W912P9-05-R-0715 citing unusual and compelling urgency. The Corps subsequently increased the capacity on each of the five contracts from an estimated contract value of \$10 million to as much as \$70 million through contract modifications. In October 2005, the Corps Vicksburg District office awarded an IDIQ contract with a total estimated contract value for an amount not to exceed \$12 million to S&M and Associates, Inc., a small disadvantaged business, and the Corps St. Louis District office awarded an IDIQ contract with a total contract capacity of an amount not to exceed \$50 million to Ystueta, Inc., also a small disadvantaged business. The temporary roofing repair contracts were in closeout as of August 2006. See Table 1 for a list of the temporary roofing repair contracts.

Table 1: Temporary Roofing Contracts Awarded

<u>Contract Number</u>	<u>Contractor</u>	<u>Award Date</u>	<u>Period of Performance</u>	<u>Award Value (in millions)</u>
W912P9-05-D-0515	Shaw Constructors, Inc.	July 8, 2005	July 8, 2005 – Dec. 31, 2005	\$10.0
W912P9-05-D-0518	Carothers/Aduddell, A Joint Venture	Sept. 2, 2005	Sept. 2, 2005 – Dec. 31, 2005	10.0
W912P9-05-D-0520	Ceres Environmental Services, Inc.	Sept. 4, 2005	Sept. 4, 2005 – Dec. 31, 2005	10.0
W912P9-05-D-0521	LJC Defense Contracting, Inc.	Sept. 4, 2005	Sept. 4, 2005 – Dec. 31, 2005	10.0
W912P9-05-D-0522	Simon Roofing and Sheet Metal Corp.	Sept. 4, 2005	Sept. 4, 2005 – Dec. 31, 2005	10.0
W912EE-06-D-0001	S&M and Associates, Inc.	Oct. 4, 2005	Oct. 4, 2005 – Dec. 31, 2005	12.0
W912P9-06-D-0505	Ystueta, Inc.	Oct. 18, 2005	Oct. 18, 2005 – Dec. 31, 2005	50.0
Total				\$112.0

Congressional Issues and DoD IG Responses

Congressmen Thompson and Pascrell requested the Corps IG to review the temporary roofing repairs contracts awarded for Hurricane Katrina. Due to resource constraints, the Corps requested the DoD IG conduct a review and respond when completed. Specifically, Congressmen Bennie G. Thompson and Bill Pascrell Jr. raised four issues that are addressed in this report. The issues were:

- the Corps' RFP for the temporary roofing repairs in Louisiana and Mississippi;
- the contractors' responses to the RFP;
- complaints or negative performance evaluations of prime contractors of Hurricane Katrina Operation Blue Roof; and
- the rationale by which the Department determined that Operation Blue Roof contracts could not be awarded to small, minority, or locally owned firms as prime contractors.

The four issues raised by Congressmen Thompson and Pascrell Jr. are discussed as follows:

Issue 1. The RFP for the temporary roofing repairs in Louisiana and Mississippi.

DoD IG Response. The Corps St. Louis District office generally complied with Federal and DoD guidance when issuing the RFP for temporary roofing repairs for structures damaged by natural disasters in the states of Louisiana and Mississippi. The Corps intended to award one requirements/IDIQ contract with a total contract capacity of \$10 million for Louisiana and Mississippi. The Corps stated in the solicitation that the acquisition would be conducted under full and open competition and was open to both large and small businesses. The Corps amended the solicitation to add a statement that the Government reserved the right to mobilize additional contractors if necessary to meet disaster response mission requirements. The Corps advertised the RFP through the appropriate Government-wide point of entry, www.fedbizopps.gov. Federal Acquisition Regulation (FAR) Part 4, "Administrative Matters," requires one Government-wide point of entry for public access to all Federal procurement opportunities for more than \$25,000. The Corps St. Louis District office, however, advertised the RFP with less than the required amount of time for responses.

RFP Advertisement. The Corps issued solicitation number W912P9-05-R-0715 on June 23, 2005, and requested contractor proposals by July 5, 2005. This allowed only 13 days for responses, which the Corps justified citing Unusual and Compelling Urgency in the Government Interest. FAR Part 5.2, "Publicizing and Response Time," requires agencies to allow at least a 30-day response time for receipt of proposals. Although the Corps did not allow sufficient time for responses, according to the FAR, the shortened time frame did not appear to

adversely affect competition, and by July 5, 2005, the Corps had received 22 proposals.

Acquisition Planning. The Corps St. Louis District office did not prepare a formal acquisition plan for the temporary roofing repairs procurement. According to the Army Federal Acquisition Regulation Supplement Part 5107, “Acquisition Planning,” acquisition plans must be approved by the Principal Assistant Responsible for Contracting when the dollar value of contracts covered by the plan is estimated to exceed \$15 million for any fiscal year or \$30 million for all years including the options for all non-Program Executive Officers acquisitions. The Corps Omaha District office had prepared, but Corps Headquarters had not approved, a formal acquisition plan for the estimated \$50 million temporary roofing repair procurement. When the procurement was halted and the Corps St. Louis District office was tasked to award a temporary roofing repairs contract with a total contract capacity of \$10 million for Louisiana and Mississippi, a formal acquisition plan was no longer required because the amount of the acquisition was now valued at less than \$15 million. However, following Hurricane Katrina, the Corps St. Louis District office awarded five contracts, each with a maximum capacity of \$10 million, that were modified several times to increase capacity. In addition, the Corps awarded the two set-aside contracts. The procurement grew from an acquisition that would not exceed \$10 million to an acquisition of more than \$200 million for the five contracts awarded under the solicitation.

Issue 2. The contractors’ responses detailing their winning bid submissions from the Shaw Group, LJC Construction, Simon Roofing, and their subcontractors.

DoD IG Response. The Corps received 22 proposals in response to the temporary roofing repairs solicitation, and the Source Selection Evaluation Team (SSET) evaluated the 20 proposals that were responsive. The Corps intended to award a requirements/IDIQ temporary roofing contract based upon best value to the Government. The Corps emphasized in both the solicitation and the source selection evaluation plan the importance of technical competence, placing emphasis on the contractor’s ability to quickly mobilize in order to minimize the damage to homes. Price was considered only as a subjective factor after technical rankings were established. The Government intended to evaluate proposals and award a contract without discussions with offerors. Therefore, each proposal should have contained the offeror’s best terms from a cost or price and technical standpoint.

The Corps St. Louis District office conducted the source selection according to the methodology stated in the solicitation and the source selection evaluation plan. We did not review subcontractor proposals because the solicitation did not require responders to include subcontractor proposals; therefore, documentation for review purposes was unavailable.

Source Selection. The SSET evaluated the proposals based on the proposals' technical merit and overall best value to the Government using a trade-off approach. The trade-off approach allowed the SSET to choose the most technically responsive proposal and then evaluate the price based on reasonableness. The five main areas that the SSET rated to determine technical ranking were: mobilization and strategic management plans, experienced personnel and specialized experience, capacity, past performance, and subcontracting. The SSET identified the five responders with the most technically responsive proposals:

- Shaw Constructors, Inc.;
- Carothers/Aduddell, A Joint Venture;
- Ceres Environmental Services, Inc.;
- LJC Defense Contracting, Inc.; and
- Simon Roofing and Sheet Metal.

After determining the technical rankings, the Corps St. Louis District contracting officer further determined that the proposed prices for all five contractors were fair and reasonable based on adequate competition. Even though Shaw's proposal was not the lowest priced, the contracting officer determined that Shaw's proposal represented the best value to the Government. On July 8, 2005, the Corps St. Louis District office awarded a contract to Shaw Constructors, Inc.

Subsequent Awards. Subsequent to the July 8, 2005, award to Shaw Constructors, Inc., the Corps St. Louis District office awarded contracts to each of the remaining four contractors with technically responsive proposals. According to solicitation number W912P9-05-R-0715, the Government had the right to make multiple awards if it was determined to be in the Government's best interest and was necessary to meet the disaster response mission requirements. Therefore, on September 2, 2005, the Corps awarded a contract to Carothers/Aduddell, A Joint Venture.

The Corps also awarded three additional contracts to Ceres Environmental Services, Inc.; LJC Defense Contracting, Inc.; and Simon Roofing and Sheet Metal on September 4, 2005. In addition, the Corps Vicksburg District office awarded an IDIQ contract with a total estimated contract value for an amount not to exceed \$12 million to S&M and Associates, Inc., a small disadvantaged business; and the Corps St. Louis District office awarded an IDIQ contract with a total contract capacity of an amount not to exceed \$50 million to Ystueta, Inc., also a small disadvantaged business. Table 2 shows the actual contract usage for the temporary roofing repairs contracts.

Table 2: Temporary Roofing Contract Usage

<u>Contract Number</u>	<u>Contractor</u>	<u>Price Per Square Foot</u>	<u>Obligated Amount *(in millions)</u>	<u>Disbursed Amount **(in millions)</u>
W912P9-05-D-0515	Shaw Constructors, Inc.	\$1.75	\$ 63.8	\$ 54.5
W912P9-05-D-0518	Carothers/Aduddell, A Joint Venture	1.65	60.0	54.7
W912P9-05-D-0520	Ceres Environmental Services, Inc.	1.87	60.0	49.4
W912P9-05-D-0521	LJC Defense Contracting, Inc.	1.49	50.3	47.2
W912P9-05-D-0522	Simon Roofing and Sheet Metal Corp.	1.72	45.3	37.1
W912EE-06-D-0001	S&M and Associates, Inc.	1.14	12.2	11.5
W912P9-06-D-0505	Ystueta, Inc.	0.74	<u>4.1</u>	<u>4.0</u>
Total			\$ 295.7	\$ 258.4
* Source: U.S. Army Corps of Engineers Finance Center as of June 20, 2006.				
** Source: U.S. Army Corps of Engineers Finance Center as of December 4, 2006.				

Issue 3. Complaints or negative performance evaluations of Hurricane Katrina Blue Roof prime contractors.

DoD IG Response. As of August 2006, the Corps had not completed contractor performance evaluations for any of the Operation Blue Roof contractors. However, we reviewed the contractor prior performance evaluations for the Operation Blue Roof contractors that Corps personnel obtained as part of the pre-award process. We also reviewed the Corps Internal Review and DCAA field reports as well as homeowner complaints and inquiries.

Past Performance. The Corps St. Louis District SSET considered contractor past performance as part of the source selection process. The pre-award contract files contained past performance information in response to the RFP for Carothers Construction, Inc./Aduddell Roofing and Sheet Metal, Inc (Carothers/Aduddell, A Joint Venture); Ceres Environmental Services, Inc.; LJC Defense Contracting, Inc.; Shaw Constructors, Inc.; and Simon Roofing and Sheet Metal Corps. However, the pre-award contract files did not contain formal assessments for Aduddell Roofing and Sheet Metal, Inc. or Shaw Constructors, Inc.

Corps Internal Review and DCAA Field Reports. The Corps Internal Review personnel conducted field reviews of the Operation Blue Roof program and other Hurricane Katrina cleanup efforts as part of the Corps' internal control process.

These reports addressed issues such as subcontractor safety practices, verification of contractor-completed work, and payment of subcontractor employees. DCAA auditors were also on site and performed similar reviews. The DoD IG plans to issue a second report that will discuss more specifically the issues raised in those reports, as well as any corrective actions the Corps took in response.

Homeowner Complaints. The Corps collected Homeowner Complaint and Inquiry forms from homeowners requesting temporary roofing repairs and from those who had received a temporary blue roof. We were unable to determine the total universe of homeowner complaints; however, we judgmentally sampled Homeowner Complaint and Inquiry forms for more than 1,700 roofs in Louisiana and Mississippi. The inquiries that we reviewed included homeowner requests for information regarding the status of the temporary roof installation. Homeowner complaints cited problems with the quality of the blue roof plastic, the quality of the workmanship, or reported damage to personal property during the roof repairs. In addition, some homeowners complained that contractors had not installed a blue roof despite the homeowners' requests. Based on the available documentation, we could not determine whether the Corps took corrective actions in all cases.

Issue 4. The rationale by which the Department determined that Operation Blue Roof contracts could not be awarded to small, minority, or locally owned firms as prime contractors.

DoD IG Response. The Corps did not preclude small, minority, or locally owned businesses from being awarded prime contracts for temporary roofing repairs. The initial temporary roofing solicitation was open to both large and small businesses, and small businesses were encouraged to form joint ventures. According to the Corps personnel, the rationale for the unrestricted solicitation without set-asides stemmed from concerns over small businesses' ability to mobilize and provide the level of logistical support required at the onset of a disaster. The Corps received 20 responsive proposals to the initial solicitation, of which 13 were from small businesses. However, the SSET did not rate the proposals from small businesses among the top five technically qualified responders. As a result, the Corps did not initially award a contract to a small business. However, the Corps awarded two of the five prime contracts to locally owned firms.

The Corps subsequently awarded two prime contracts for temporary roofing repairs to small businesses. The Corps Vicksburg District office awarded an IDIQ contract with a total estimated contract value for an amount not to exceed \$12 million to S&M and Associates, Inc., a small disadvantaged business on October 4, 2005; and on October 18, 2005, the Corps St. Louis District office awarded an IDIQ contract with a total contract capacity of an amount not to exceed \$50 million to Ystueta, Inc., a small disadvantaged business.

The Corps also required and encouraged the use of small and local businesses as subcontractors. Large business responders were required to submit with their proposal a small business subcontracting plan that identified goals for subcontracting with small businesses. The solicitation also stated that any contract awarded was subject to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, which includes a provision for contracting for major disasters or emergency assistance activities. Specifically, the Stafford Act directs that businesses or individuals who live or work in the area that is affected by a disaster be given preference, to the extent practicable. The five initial prime contractors extensively subcontracted with small and minority businesses as well as local businesses.



Source: The U.S. Army Corps of Engineers

Post-Hurricane Katrina

The Corps and FEMA began receiving requests for temporary roofing repairs during the first week of September 2005, and contractors began work within days. The majority of the repairs were completed by the end of December 2005. Following Hurricane Katrina, Blue Roof contractors repaired about 109,000 roofs in Louisiana and Mississippi. As of August 2006, Corps personnel were in the process of closing out the temporary roofing contracts awarded for Hurricane Katrina. Following the Corps St. Louis District office's 2005 temporary roofing repairs contract awards, the Corps Mobile District office was assigned the

responsibility for procuring temporary roofing repair capacity through the Contingency Contract Initiative.³

Mobile District. On November 30, 2005, the Corps Mobile District office issued solicitation W91278-06-R-0007 for IDIQ contracts for Contingency Contract Initiative Temporary Roof Repairs in 10 states: Maryland, Virginia, North Carolina, South Carolina, Georgia, Florida, Alabama, Mississippi, Louisiana, and Texas. The Corps planned to make multiple contract awards: three unrestricted awards; one Historically Underutilized Business Zone set-aside contract; one Service-Disabled Veteran-Owned Small Business; and two contracts per state to small disadvantaged businesses, with the business being certified in the state in which the contract is awarded. The estimated maximum dollar value of the five contracts awards to other than small disadvantaged businesses was \$100 million per contract. Those five contracts have provisions allowing for an increase in total award value, if warranted, due to the magnitude of storm devastation experienced.

Between March 17 and May 24, 2006, the Corps Mobile District office awarded 12 contracts for temporary roofing. Six contracts were 8(a) set-asides, four contracts were unrestricted, one contract was a Service-Disabled Veteran-Owned Small Business award, and one contract was a Historically Underutilized Business Zone set-aside award.

Other Matters of Interest

This report responded to specific issues raised in the congressional request that involved the Corps' contract award of temporary roofing contracts in response to Hurricane Katrina. During the audit we also identified issues related to contract administration and contractor performance. Those issues include determining how the Corps followed up on DCAA and the Corps Internal Review recommendations, and the adequacy of Government oversight of contractor invoicing.

These issues may have raised the cost to the Government for hurricane recovery efforts. The second report will discuss issues related to the administration of temporary roofing contracts.

³ The Contingency Contract Initiative is similar to the ACI.

Appendix A. Scope and Methodology

We conducted this audit to review the award of the temporary roofing contracts at the request of Congressmen Thompson and Pascrell Jr. We met with the Corps' Principal Assistant Responsible for Contracting to discuss the overall contract award and administration process for temporary roofing procurement.

We reviewed FAR Part 4, "Administrative Matters"; FAR Subpart 4.11, "Central Contractor Registration"; FAR 5.203, "Publicizing and Response Time"; FAR Part 15, "Contracting by Negotiation"; FAR Subpart 16.5, "Indefinite-Delivery Contracts"; FAR Subpart 19.7, "The Small Business Subcontracting Program"; Army Federal Acquisition Regulation Supplement Part 5107, "Acquisition Planning"; Engineer Federal Acquisition Regulation Supplement Subpart 7.1, "Acquisition Plans"; the "2004 National Response Plan" and "Emergency Support Function #6-Mass Care, Housing, and Human Services Annex"; and documentation pertaining to Hurricane Katrina recovery efforts.

We reviewed contract files for the temporary roofing repair contracts for the initial five contracts that were awarded by the Corps St. Louis District office during the period from July 8, 2005, through September 4, 2005. Specifically, we reviewed contract W912P9-05-D-0515 to Shaw Constructors, Inc., dated July 8, 2005, with an obligated value of \$63.8 million; contract W912P9-05-D-0518 to Carothers/Aduddell, A Joint Venture, dated September 2, 2005, with an obligated value of \$60 million; contract W912P9-05-D-0520 to Ceres Environmental Services, Inc., dated September 4, 2005, with an obligated value of \$60.0 million; contract W912P9-05-D-0521 to LJC Defense Contracting, Inc., dated September 4, 2005, with an obligated value of \$50.3 million; and contract W912P9-05-D-0522 to Simon Roofing and Sheet Metal Corp., dated September 4, 2005, with an obligated value of \$45.3 million. We also reviewed 8(a) set-aside contract W912EE-06-D-0001 to S&M and Associates, Inc., dated October 4, 2005, with an obligated value of \$12.2 million; and 8(a) set-aside contract W912P9-06-D-0505 to Ystueta, Inc., dated October 18, 2005, with an obligated value of \$4.1 million. The total obligated value of the contracts was about \$296 million as of June 20, 2006.

We obtained and reviewed the acquisition plans, RFPs, contractor proposals, contractor past performance documentation, source selection and evaluation documentation, Right of Entry forms, and invoices dated from September 18, 2005, through February 11, 2006. We also reviewed field reports prepared by DCAA and Corps Internal Review personnel as well as Homeowner Complaint and Inquiry forms in Louisiana and Mississippi. We could not determine a total universe of homeowner complaints, but we took a judgmental sample of Homeowner Complaint and Inquiry forms for more than 1,700 roofs, including 645 roofs in Mississippi and 1,097 roofs in Louisiana. We cannot

project the results of our review. In addition, we could not determine whether the Corps took corrective actions in all cases, based on the available documentation.

We interviewed personnel at seven Corps office locations (Corps Headquarters, Washington, District of Columbia; Omaha District office, Omaha, Nebraska; St. Louis District office, St. Louis, Missouri; Vicksburg District office, Vicksburg, Mississippi; Louisiana Recovery Field Offices, Baton Rouge and New Orleans, Louisiana; and Mississippi Recovery Field Office, Gulfport, Mississippi) to determine their involvement and understanding of the Operation Blue Roof contracts. Contacts included contracting, emergency management, internal review, legal, and finance personnel.

We performed this audit from November 2005 through November 2006 in accordance with generally accepted government auditing standards. For this report, the audit scope was limited to the congressional request.

Use of Computer-Processed Data. We used information from the Corps of Engineers Financial Management System for informational purposes. We did not assess the reliability of computer-processed data because the data were not a basis for a conclusion or finding.

Government Accountability Office High Risk Area. The Government Accountability Office (GAO) has identified several high-risk areas in DoD. This report provides coverage of the DoD Contract Management high-risk area.

Appendix B. Prior Coverage

During the past 5 years, GAO has published testimonies and the DoD IG, the Army Audit Agency, and the Naval Audit Service have issued reports relating to the contracts for Hurricane Katrina recovery efforts. Unrestricted GAO testimonies can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG, Army, and Navy reports can be accessed at <http://www.dodig.mil>, <http://www.hqda.army.mil/aaaweb/>, and <http://www.hq.navy.mil/NavalAudit>, respectively.

GAO

GAO Testimony No. GAO-06-714T, “Improving Federal Contracting Practices in Disaster Recovery Operations,” May 4, 2006

GAO Testimony No. GAO-06-622T, “Planning for and Management of Federal Disaster Recovery Contracts,” April 10, 2006

DoD IG

DoD IG Report No. D-2006-116, “Ice Delivery Contracts Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers,” September 26, 2006

DoD IG Report No. D-2006-109, “Response to Congressional Requests on the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers,” August 29, 2006

Army Audit Agency

Army Audit Agency Report No. A-2007-0016-FFD, “Debris Removal Contracts,” November 9, 2006

Army Audit Agency Report No. A-2006-0198-FFD, “Contracts for the Hurricane Protection System in New Orleans,” August 22, 2006

Naval Audit Service

Naval Audit Service Report No. N2006-0015, “Chartered Cruise Ships,” February 16, 2006

Appendix C. Congressional Request

PETER T. KING, NEW YORK
CHAIRMAN



BENNY G. THOMPSON, MISSISSIPPI
RANKING MEMBER

One Hundred Ninth Congress
U.S. House of Representatives
Committee on Homeland Security
Washington, DC 20515

November 1, 2005

Mr. Frank Ellis
Engineer Inspector General
U.S. Army Corps of Engineers
Office of the Engineer Inspector General
Kingman Building
7701 Telegraph Road
Alexandria, VA 22315-3863

Dear Inspector General Ellis:

Since Hurricane Katrina made landfall on August 29, 2005, families all over the country have been inundated with images of its utter devastation. Of the buildings still standing, many have significant roof damage or no roofs at all. As you may know, the Army Corps of Engineers was delegated the authority from FEMA to ensure that Katrina-damaged roofs are repaired, and to procure the necessary contracts to attain this end.

From the project's onset, "Operation Blue-Roof" as the program has been named by FEMA, was designed to dispatch construction crews to repair damaged homes. News reports estimate that "as many as 300,000 homes in Louisiana alone may need roof repairs... [And] the bill could reach hundreds of millions of dollars"¹. With a project of such great importance and potential expense, strong management and oversight is essential.

Yet, this doesn't seem to be the case. According to the same news report, contractors are being paid in excess of what the commercial value of their work is worth. Published reports indicate that the government is paying \$2,980 to \$3,500 to nail blue plastic tarps in place on damaged roofs, a job that would normally cost \$300. In essence, if these reports are accurate, it appears that the government is paying nearly ten-fold the market rate for this type of work. In many instances, the cost of applying a temporary plastic covering is equal to the cost of affixing a permanent roof. Moreover, reports indicate that contractors are not paying any costs for materials, thereby increasing their profit margin.

¹ "U.S. pays a premium to cover storm-damaged roofs" KRT News Service, October 16, 2005.

In addition to the troubling news of exorbitant payments, I have been informed that some of Katrina's prime contractors also worked on similar roof tarping projects after Hurricane Ivan. Given the investigation by the U.S. Attorney for the Northern District of Florida into issues surrounding Operation Blue Roof in Florida following Hurricane Ivan, I am concerned that the Department is not conducting adequate oversight of Operation Blue Roof in the post-Katrina recovery period

Therefore, I urge your office to ensure that there is accountability and oversight of the current Operation Blue Roof contracts. Specifically, I request that you provide to my office any and all information that you and FEMA may have regarding the following:

- The Request for Proposal (RFP) for the "blue-roof" project.

The responses, detailing their winning bid submissions from The Shaw Group, LJC Construction, Simon Roofing, and their subcontractors.

- Any documents you may have concerning complaints or negative performance evaluations of prime contractors of Katrina's "Blue-Roof."
- The rationale by which the Department determined that Operation Blue Roof contracts could not be awarded to small, minority or locally owned firms as prime contractors.

I look forward to your response by December 12, 2005. If you have any questions, please do not hesitate to contact Jessica Herrera-Flanigan, Democratic Staff Director, at 202-226-2616.

Sincerely,



Bennie G. Thompson
Ranking Member
House Committee on Homeland Security



Bill Pascrell, Jr.
Ranking Member,
Subcommittee on Emergency
Preparedness, Science and
Technology

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Director, Program Analysis and Evaluation

Department of the Army

Auditor General, Department of the Army
Commander, United States Army Corps of Engineers

Department of the Navy

Auditor General, Department of the Navy

Department of the Air Force

Auditor General, Department of the Air Force

Non-Defense Federal Organizations and Individuals

Office of Management and Budget
Government Accountability Office

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Finance, and Accountability,
Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International
Relations, Committee on Government Reform
House Committee on Homeland Security
House Subcommittee on Emergency Preparedness, Science, and Technology

Team Members

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Inspector General Department of Defense

