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Page 17A

After the storm, FEMA accused of wastefulness

In making up for
Katrina, critics say,
agency spending wildly

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When Mike Hohnstein's employer got a Federal Emergency Management Agency contract to deliver a load of ice to Mississippi after Hurricane Katrina, he expected a fairly routine job.

The logistics manager at Integrated Express, a small Omaha, Neb., trucking company, Mr. Hohnstein lined up a driver to carry the load. On Sept. 7, the truck headed south from Dubuque, Iowa, carrying 2,200 bags of ice.

Twelve days and thousands of miles later, the truck returned to Iowa, the bags of ice still inside. The driver tried to deliver his load to federal emergency officials in Meridian, Miss., but was redirected to Barksdale, La. There he was

told to take the ice to Columbia, S.C. Once there, he was sent to Cumberland, Md. After sitting in Maryland a week, earning \$900 a day, he headed home to Iowa.

Total cost to the government: \$15,000 for \$5,000 worth of ice.

"I've been in the business for 20 years and I've never seen a load like this," said Mr. Hohnstein. "The money the government is spending is just incredible."

New FEMA concern

Such stories reveal how much FEMA is struggling as it hires hundreds of contractors to assist in the Katrina cleanup and reconstruction. And Hurricane Rita, bearing down on the Texas-Louisiana coast, could compound FEMA's problems.

With the agency scrambling to contract for everything from ice to ambulances, Congress and government oversight groups are asking whether the agency is overpaying for emergency supplies and services because it wasn't prepared to handle such a disaster.

Under congressional pressure to improve its response, FEMA is trying to make sure Rita's victims will have fast access to ice, water, food, temporary housing and other emergency items.

"There is absolutely a consensus that FEMA is not up to the task," said Danielle Brian, executive director of the Project on Government Oversight, a private group that tracks government contracting.

To cope with Katrina's aftermath, FEMA spread some of its contracting work to other government agencies, such as the Federal Aviation Administration and the U.S. Army Corps of Engineers.

Since Katrina devastated the Gulf Coast in late August, FEMA has awarded more than \$1.2 billion in contracts.

The largest post-Katrina contracts were awarded to manufacturers of travel trailers and manufactured housing. Big winners included companies such as Circle B Enterprises, Gulfstream Coach and Dallas-based Morgan Buildings, Spas & Pools.

Contracts audited

FEMA says that it is seeking proven suppliers and that the Department of Homeland Security Inspector General is auditing contract awards.

"We are watching that very closely," said FEMA spokeswoman Kathryn Cable.

But the agency has been criticized for bypassing competitive bidding in some Katrina contracts.

"There are a series of rescue and relief and refugee type of goods that FEMA should have anticipated the need for," said Joshua Schwartz, co-director of the Government Procurement program at George Washington University and a member of the federal Acquisition Advisory Panel.

"If you don't prepare in advance, you pay more."

That appears to be what happened with the ice contract.

"The situation on the ground changed and the ice was no longer needed," said Robert Holland, a spokesman at the Army Corps of Engineers, which is assisting FEMA with the distribution of ice.

FEMA canceled some ice contracts and put some ice in cold storage for future disasters. Some truck drivers were directed to warehouses far from the Gulf Coast, Mr. Holland said, where many had to wait for storage space to become avail-

able.

"In a perfect world, it probably would have been done with a lot more perceived efficiency, but it isn't a perfect world," he said.

Some contracts have been more competitive than others.

Guy Morgan, president and one of the owners of Morgan Buildings, said his company had to bid against 10 to 15 other firms in order to win

two contracts with FEMA to supply travel trailers and mobile homes.

One, for more than 10,000 travel trailers, is worth \$258 million. Mr. Morgan said the company could get four times the profit margin for trailers sold to retailers, but the large number of trailers FEMA is buying sweetens the deal for Morgan Buildings.

Another temporary-housing

contract awarded by FEMA also has received scrutiny: Carnival Cruise Lines is leasing three cruise ships to FEMA for six months for \$192 million and \$44 million in contingency fees.

It's still not clear in many cases whether taxpayers are getting a good deal.

For example, in the wake of Katrina, a subsidiary of Jacksonville,

Fla.-based Landstar System Inc. amended its government contract to provide emergency transportation services. The annual maximum amount of its contract was raised to \$400 million, up from \$100 million.

The Landstar subsidiary said it is arranging, coordinating, monitoring and controlling emergency-relief shipments. It isn't clear how

much it is charging.

A Landstar spokeswoman didn't return a telephone call seeking comment. The Federal Aviation Administration said it is handling the amended contract for FEMA and only the agency could discuss it. But FEMA referred questions to the FAA.