

Senate Democratic Policy Committee Hearing

“An Oversight Hearing on Post-Katrina Reconstruction: Has the Federal Government Left Gulf Coast Residents and Businesses Behind?”

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Mr. Chairman, members of the committee, I want to thank the all of the Members of Congress who have been to visit our state and to thank you all for all of your financial support for the Gulf Coast. I also want to thank you for giving me the opportunity to speak to you today regarding the FEMA trailer maintenance contracts and the related bidding process.

I am a lifelong resident of Louisiana, and in particular of the New Orleans area. I have many friends and relatives who have been displaced because of Hurricanes Katrina and Rita. I had firsthand experience with both hurricanes, as they have changed forever our homes, our families and our lives.

In December 2005, based on my prior government contracting experience, I was employed by a Louisiana and Mississippi small business to explore the feasibility of bidding for one of the 36 trailer maintenance contracts that FEMA promised to award to small businesses, with a preference for businesses based in the region.

I studied the solicitations, read all of the attached materials that FEMA posted for the solicitation, and concluded that a preference for “local small businesses” would give the locals who were already on the ground an opportunity to participate in such contracts. (Eventually there was a modification to define “local small businesses,” including a cap of \$30 million in annual revenue.)

The original solicitation was in keeping with the best contract award processes that I have participated in: it explicitly defined the scope of work, and gave all the necessary details to determine the magnitude of what needed to be done. From my experience, I knew that many of the small Louisiana businesses, especially in the Greater New Orleans area, had been wiped out by flooding. But they were back on the ground and successfully working in debris removal and levee stabilization, as well as the many facets of trailer hauling, set-up and maintenance. The 36 FEMA contracts were a tremendous opportunity for all of us.

Bidders were required to complete an Excel worksheet and to receive confidential ratings from agencies that had previously contracted with them, particularly if it was to provide the same type of services. We were also required to submit a 50-page technical proposal, separate from the pricing. Again, FEMA provided a very detailed outline as to what the technical proposal should include.

I did, however, have several concerns with the solicitation. I was concerned with the worksheet that we were required to fill out: it was for 6,700 trailers for 5 years, but the contract was only for \$100 million. That would come to \$20 million per year, which was simply not feasible on a contract of this size.

I was also concerned about the repeated warnings that winning bidders would need to handle and respond to numerous phone calls from trailer residents. The outline anticipated not just regular maintenance calls, but also emergency phone calls that would require response within a set time limit.

Another cause for concern was the Contract Line Item Number 1000, or CLIN 1000, which was a catch-all in which bidders were instructed to put any non-itemized costs covering the five-year duration of the contract — but with a note that we would have to incur and bill those costs during the first 30 days of the contract. That might include, for example, establishing a call center. Again, this is not something that I have ever seen in government contracting. Over five years, that one line item could add up to millions, and the contract's wording was ambiguous as to when winning bidders would be paid for those expenses. (When repeatedly pressed on this issue, FEMA told us simply to bid as stated in the solicitation.)

With all of my notes on the solicitation, I attended the two mandatory meetings for prospective bidders, one in New Orleans for Louisiana contracts and one in Gulfport for Mississippi contracts. The response and turn out at the meetings was over whelming, and in both states FEMA had to schedule multiple meetings to accommodate the crowd. But the FEMA panelists were informative and cooperative. They allowed a considerable question-and-answer period, and told us that we would receive a copy of the transcript, which we later did. There were a lot of questions still unanswered, but we were given e-mail addresses for FEMA points of contact.

As questions arose, FEMA put out contract modifications on a regular basis, and at one point had to extend the filing date for bids. More questions arose, and FEMA issued more modifications.

After receiving as much information as we could from FEMA, my colleagues and I worked on the ground in the New Orleans area, talking to the occupants of the trailers, meeting with people who would potentially be occupying trailers, and observing several existing FEMA call centers.

It was all overwhelming. It is staggering to imagine that many people living in areas that they are totally unfamiliar with, next door to people they did not know only

months before, and with limited access to transportation, food and medical help. I personally spent days reviewing the list of trailer addresses that FEMA provided — the contracts covered a tremendous geographical area — and trying to see, logically, how this was going to work.

I took the sign in sheets from the FEMA meetings, then looked up every company that signed in through the Louisiana Secretary of State, Dunn and Bradstreet (D&B), and the Central Contractor Registration database (CCR). To participate in the FEMA contracts, a company had to be duly registered with CCR. We narrowed down who was local and qualified as a small business.

Having identified qualified local bidders, our company invited all of them to a series of meetings to pull together an experienced team of companies who were already doing trailer work. We brought to the table our expertise as contract specialists and call center specialists. We knew that whoever won would need to hire staff to meet the contract's demands, and were first and foremost concerned with getting the job done right.

To that end we sought the help of many agencies, including the Louisiana Technical College in Hammond for call center training. The contract and dialogue with FEMA repeatedly addressed the question of professionalism in responding to calls from trailer residents, including the need to understand the plight of the occupants, and “right of entry,” domestic violence and sexual harassment issues. We worked with the local state employment agencies to find people who were unemployed as a result of the storm and could qualify for many jobs that we would have to offer.

Throughout the bidding process, we continued to interact with other Louisiana small businesses and to share information; we did not see one another as competitors, but instead developed joint “asset management plans” in case of bad weather. With the onset of the next hurricane season, we knew that whoever won the contract would also need a hurricane plan, with resources distributed and staged accordingly.

Once the bids were submitted, we continued to fine tune our logistical plans, including the call center and the many other contract requirements. Our work did not end on the day we submitted the bid.

After the award date was delayed, finally a letter was sent to the bidders stating the “apparent winner.” From then on, the winners were listed on the FEDBIZOPPS website. None of the local companies that had attended our meetings won a contract. We immediately began researching those companies that did win contracts, based on their addresses — many of which were out-of-state — and discovered that we could not locate them on any of the databases we searched.

At that point, several of the winning bids began to show as much as a \$100 million dollar difference to perform the same work. As more awards were posted, they eventually ranged from \$84 million to \$280 million, a huge difference. It was like nothing I have ever seen in contract awards, given the explicit nature of the FEMA solicitation.

Based on the FEMA spreadsheets, you simply cannot fill in all of the line items and stay under \$175 million, at the least. If you have any experience in trailers, and know the distances between the sites that FEMA listed, it is impossible to do the work for less than that amount.

Several of the businesses that did not win began to receive phone calls from winning bidders. I received one that was particularly disturbing, but unfortunately not unique. The call was from a representative who claimed that her company had won one of the contracts; she was calling to ask if my company would like to do the “pest and termite control” portion of the contract. I asked her for the name of the company, its physical address, and exactly what work they wanted us to bid on. She emphatically refused to give me any information about the company, and told me to just bid the termite portion according to how many cans it would take to treat a trailer. “Just like roaches,” she said, “the \$2.00 can treatment.” She refused to give me a phone number, but gave me a fax number in the Hammond area. I believe it was a local Office Depot.

As anyone from Louisiana knows, you can’t treat termites with an off-the-shelf \$2 can of bug spray. The very question gave me pause; it made me suspect that I was dealing with a contract winner who didn’t know the first thing about Louisiana — and it made me wonder how much more they didn’t know.

Many of us who bid on the trailer maintenance contracts have been in contact in recent weeks, as more companies have been listed as winning bidders, and we are all concerned both by the unrealistically low bids and by our inability to identify companies as “local.”

An agency that awards a government contract normally holds a de-briefing after the award is made, through a series of meetings with those companies that bid unsuccessfully. Before the winning bidders proceed with the contract, the losing companies would have access to the details of their bids — their line items figures, their qualifications, and other relevant information. Despite repeated requests, FEMA has yet to announce any plan for such meetings.

As a native of Louisiana, I am very concerned about the impact on my neighbors of putting trailer maintenance in the hands of a company that has never cared for a trailer, that is not from Louisiana, that underbid the contract. Furthermore, their performance will be considered a reflection on Louisiana, even though they came from — and will return to — other parts of the country.

If the Louisiana companies truly lost on price, that’s what America’s free market system is all about. At this time, however, I am deeply concerned that FEMA and the winning bidders underestimate what a toll it will take on an already devastated area of this country if these contracts are not performed successfully.

Thank you again for your time and consideration.