

## **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 and members of the committee, I want to thank you for holding today's hearing and for your interest in helping to rebuild the Mississippi Gulf Coast. I am grateful to have the opportunity to appear before you today. I am hopeful that with efforts like this, we can bring some order to the out-of-control situation that we have been experiencing with FEMA.

I come before you as a former fourth-tier FEMA contractor and a bidder on one of FEMA's 36 \$100 million small business contracts for maintenance and deactivation of travel trailers in the Gulf Coast region. My overall feeling about FEMA is that the agency is just as out-of-control now as it was during its initial response to the hurricanes. While Americans have been overcharged millions of dollars for the hurricane relief effort, what is worse is that some of the companies that have been contracted to maintain FEMA travel trailers are making little or inept attempts to do the work, but are still getting paid.

This experience with FEMA is also personal to me because my family members' homes, businesses and everything they owned were destroyed by Hurricane Katrina on August 29, 2005.

It has been my goal to help my family rebuild their homes that were lost on the Gulf Coast. In an attempt to do this, my father, brother and I joined forces to subcontract for a Louisiana company, which was in turn subcontracting for a second Louisiana company, which had in turn received a contract from the Shaw Group for hauling and installing FEMA travel trailers. We were contracted for this project because my family and I have 95 combined years experience in the sale, installation and service of manufactured homes. Unfortunately the companies we were working for had absolutely no previous experience in this industry. As a fourth-tier contractor, our company performed the work and fronted all the money to pay the laborers, the insurance, and other related expenses of actually doing the work. To date we have not been fully paid, on the grounds that FEMA has not paid Shaw and Shaw has not paid the sub-contractors above us.

On our first day on the job, we were given 20 task orders. When we attempted to pick up trailers, we were told that the task order forms we presented were not approved for picking up a trailer. I took all 20 task orders to the trailer pick-up yard for someone to review. Of the 20, only four were on the correct form, and of those four only two had been approved by FEMA as having an acceptable home sites. Problems and issues like these were almost an every day occurrence.

After working with three different subcontractors that had no experience with this type of work, we felt like we could better serve the victims of Hurricane Katrina by obtaining a contract directly with FEMA. In an effort to offer a strong proposal, we attended a pre-bid conference sponsored by FEMA in Biloxi, Mississippi. During this meeting we were told that the focus was to award bids to local disaster-area companies. Guidelines as to which companies would be considered local were established, and we were told that non-local companies would have a 30% upward adjustment in order to give local firms preference. These contracts were to be 100% small business and minority-owned, disadvantaged small business set-aside contracts. In the State of Mississippi, five contracts were to be awarded to small business, and another five to so-called "8A" small businesses. We were told that technical experience would be first criteria, then price. After leaving the pre-bid conference we truly felt like the small businesses in the disaster area were finally going to have a fair opportunity to be awarded a FEMA trailer maintenance and deactivation contract.

In the preparation of our bid, we found many conflicting items in the solicitation. For example, the length of the contract was to be for a period of five years, but occupants were told they would only have the travel trailers for 18 months. Additionally the proposal was suppose to be for 6,700 units, but the pricing spreadsheet proposed 6,700 travel trailers and 6,700 manufactured homes, including park models, for a total of 13,400. These are just two examples of the solicitation's inconsistencies.

While calculating our pricing, we used our 95 years of experience to determine the cost for totally fulfilling the scope of work required. We also based our bid on the costs for actually doing the work.

My company received a letter from FEMA on March 24, 2006, which contained a list of the apparently successful offerors. Of the five listed, only two were from Mississippi. I was disappointed that my company was not awarded one of the bids, and shocked when I read that only two Mississippi companies did receive awards. We immediately began to gather information about the apparent winners, so that we could solicit work through them. While researching these companies, we found details that did not follow the rules and guidelines that FEMA had established.

First, the company PRI/DJI, from San Diego, an apparent award winner, was not registered with the Central Contractors Registry (CCR) as a small business. I also visited their website and found numerous U.S. Federal Government contracts that they had received totaling \$994.1 million. Of these, they listed \$200 million in Mississippi and

\$200 million in Louisiana for maintenance and deactivation. On March 30, 2006, I filed a formal challenge with FEMA concerning the size of PRI/DJI. After filing my challenge with Nancy Costello, FEMA's point of contact for this contract, I learned that "DJI" stands for Del-Jen Industries, a wholly owned subsidiary of Flour Enterprises Inc. Fluor is one of the four prime contractors who had already received a no-bid, \$500 million contract, and had also received, in early 2006, additional contracts totaling approximately \$518 million, according to Hurricane Contracting Information Center's website at [HCIC.gov](http://HCIC.gov).

Here we were bidding against a massive, Texas-based government contractor, when supposedly the contracts were designed for small businesses. I would also like to note that after PRI/DJI was notified of our challenge, their website suddenly changed to eliminate and references to their sizable existing contracts. Ultimately, it appears that FEMA has awarded not one, but four \$100 million contracts to PRI/DJI — two for Mississippi and two for Louisiana.

Secondly, another out-of-state company, Doug Boyd Enterprises of Knightdale, North Carolina, received an award, yet according to CCR, his company was formed on December 2, 2005. It turns out that Mr. Boyd is the Mayor of Knightdale, and apparently has ties to FEMA from working with the North Carolina division of Emergency Management.

On April 25, 2006 I received a copy of the SBA's ruling on PRI/DJI as a small business. It is the SBA's position that PRI/DJI falls under a special mentoring/protégé program that PRI/DJI has been approved for since February 22, 2001, and that they are therefore eligible to bid on Small Business and 8a contracts. Nevermind that they did not claim to be a small business on CCR, nor that it makes no sense to award four \$100 million contracts to a supposedly small business. Maybe what FEMA did was legal, but I have difficulty understanding how it meets the stated objectives of awarding these contracts to small, local businesses.

On a personal note, my family was issued a FEMA travel trailer on November 18, 2005. Only yesterday, for the first time, were they contacted by Gill and Associates regarding maintenance of their travel trailer. When my mother inquired why they had not called or visited earlier, the service person said her cell phone was "too expensive." It is my understanding that some of these trailer maintenance contractors are being paid as much as \$350 per month, per trailer. I have heard from numerous other travel trailer occupants that this same scenario is being repeated over, and over. As hurricane season approaches, and as the travel trailers age, problems will only continue to grow.

My conclusion is that far too many of these awards have questionable relationships. Technical guidelines were compromised, which will, in the end, only continue the hardship of the hurricanes' victims.

I stand ready to answer any questions that you may have about my experience with the Hurricane Katrina relief effort.