

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6315

April 4, 2007

NOTICE

TO: Members of the House Committee on Small Business
FROM: The Honorable Nydia M. Velázquez, Chairwoman
SUBJECT: Field Hearing on "Participation of Small Businesses in Hurricane Katrina Recovery Contracts"
DATE: April 12, 2007
TIME: 2:00 p.m.
LOCATION: 400 Royal St., New Orleans, LA 70130

The House Committee on Small Business will hold a Congressional field hearing entitled, "Participation of Small Businesses in Hurricane Katrina Recovery Contracts," that will examine small business participation in federal contracting as part of the rebuilding of the Gulf Coast in the aftermath of Hurricane Katrina. The hearing will take place on **Thursday, April 12, 2007 at 2:00 p.m., at the Louisiana Supreme Court, 400 Royal St., New Orleans, LA 70130.**

The committee will hear testimony from representatives of federal agencies that account for 95% of the federal contracts that will be awarded as part of the relief effort. The hearing will examine the efforts of these agencies to ensure local small businesses are receiving adequate opportunities for federal contracts in the Gulf Coast recovery. The committee will also hear from local small business owners to discuss their experience in securing federal work in the recovery process. If you or your staff have any questions concerning the hearing, please contact Melody Reis, Professional Staff, at extension 54038.

HOUSE COMMITTEE ON SMALL BUSINESS

**Full Committee Hearing on
"Participation of Small Businesses in Hurricane Katrina Recovery Contracts"**

2:00 p.m. Thursday, April 12, 2007

Louisiana State Supreme Court

WITNESS LIST

Panel I

The Honorable Steven Preston

Administrator
U.S. Small Business Administration

The Honorable Lurita Doan

Administrator
U.S. Government Services Administration

The Honorable Paul Schneider

Under Secretary for Management.
U.S. Department of Homeland Security

The Honorable Dr. James I. Finley

Deputy Under Secretary of Defense for Acquisition and Technology
U.S. Department of Defense

The Honorable Lieutenant General Carl A. Strock

Commander and Chief of Engineers
U.S. Army Corps of Engineers

The Honorable Admiral Patrick Dunne

Assistant Secretary for Policy, Planning, and Preparedness
U.S. Department of Veterans Affairs

Panel II

Mr. William Shear

Director, Financial Markets and Community Investment
U.S. Government Accountability Office

Mr. Ian Alexander Dreyer

Vice President
Perez, APC

Mr. Edwin Jones

President
EJES, Inc.

Mr. Ricardo Pequeno

Owner, Mid-South Plumbing

Mr. Kenneth Edmonds

Owner, River Parish RVs

Mr. Charles Priestley

Managing Member, Director of Operations
Hummingbird Aviation, LLC

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**COMPLETE STATEMENT OF
LIEUTENANT GENERAL CARL A. STROCK
CHIEF OF ENGINEERS**

U.S. ARMY CORPS OF ENGINEERS

DEPARTMENT OF THE ARMY

BEFORE THE

Committee on Small Business

HOUSE OF REPRESENTATIVES

April 12, 2007

Madam Chair and Members of the Committee, I am Lieutenant General Carl A. Strock, Chief of Engineers. Thank you for the opportunity to testify before you today concerning small business participation in the rebuilding of the Gulf region in the aftermath of Hurricane Katrina.

The U.S. Army Corps of Engineers is continuing to work primarily in support of the Federal Emergency Management Agency, carrying out a wide variety of missions in response to Hurricane Katrina. The Corps of Engineers practices the principle of openness. We strive to maintain transparency in our contracting activities and welcome oversight of our activities.

I fully recognize the value that small businesses play in our national economy, and I am personally committed to using small businesses in performing our work, both in the normal course of business, and in times of major natural disaster. We strive to use Small, Small-Disadvantaged, Women-Owned, HUBZone, Veteran-Owned, and Service-Disabled Veteran Owned firms to the maximum extent possible, and typically, the Corps of Engineers awards more than 40 percent of its prime contract dollars to small firms.

My statement will address four areas; pre-disaster planning, Katrina subcontracting, the GAO-07-205 Report, entitled "Hurricane Katrina, Agency Contracting Data Should Be More Complete Regarding Subcontracting Opportunities for Small Businesses," and finally my thoughts on the "Way Ahead".

PRE-DISASTER PLANNING

Under the National Response Plan, the Corps is assigned as the "Coordinator" for Emergency Support Function (ESF) #3, Public Works and Engineering. During disasters, the Corps is the primary agency for response activities such as ice, water and temporary power. The Federal Emergency Management Agency (FEMA) is the primary agency for ESF #3 recovery activities and assigns the Corps to assist in the execution of debris missions. The Corps is also a support agency to other ESFs, for example, the Corps supports ESF #6, Mass Care and Housing, by executing missions to provide temporary roofs. Having these responsibilities, the Corps has created a program called the Advanced Contracting Initiative, or ACI. Under the ACI program, we competitively award contracts for future use in the areas of water, ice, power, temporary roofing, and debris removal. Having these contracts in place allows the Corps to rapidly respond to emergency situations. In fact we used our ACI contracts not only to support the Katrina recovery, but also to support recovery efforts in those areas impacted by Hurricanes Rita and Wilma as well. The ACI program has been in place for about six years.

Due to the magnitude of Katrina and the wide-spread devastation, the Corps needed to award debris contracts in excess of those contracts pre-placed under the ACI program. Based on the large scale of the work to be accomplished, we awarded four more contracts following the emergency to remove debris in Mississippi and Louisiana. Each contract was valued at \$500 million with an option to increase each contract by an additional \$500 million. This requirement was open to any company, under a shortened advertisement and proposal period. The Corps received 22 proposals in response to the advertisement. The contracting officer awarded the contracts on a best value to the government basis.

Prior to Hurricane Katrina making landfall, the Corps had competitively awarded several contracts in the Gulf region for temporary roofs. A full and open competition was conducted during the Summer of 2005 for the anticipated roofing effort in Mississippi and Louisiana. The Corps received 23 proposals and made a best value selection in July resulting in a \$10 million Indefinite Delivery, Indefinite Quantity contract. Given the magnitude of the damage during the 2005 hurricane season, four additional contracts were awarded by the Corps after FEMA tasked the Corps to install over 190,000 temporary roofs in Florida, Louisiana, Mississippi and Texas. The four additional contracts were awarded under Urgency procedures utilizing the ranked proposals from the original competition. Additional urgency increases brought the total of these five contracts to \$330 million. The contractors furnish and install structural panels, joists and rafters, make small roof repairs and install government furnished plastic and furring strips. The temporary roofs allow disaster victims that are living in shelters or other temporary facilities to return to their homes to begin the recovery process.

For the four additional debris removal contracts awarded to deal with the devastation of Katrina, small business set asides were not conducive due to the extensive scope of work. However, the Corps realized that the successful execution of these new debris removal contracts would require substantial subcontracting by the prime contractor. Market research revealed a large pool of small businesses capable of performing as subcontractors. The Corps included aggressive small business subcontracting goals in these four additional debris removal contracts. The Corps negotiated a small business subcontracting goal of seventy-three (73%) percent with three of the debris removal contractors and sixty (60%) percent for the remaining one. The Corps standard small business subcontracting goal is fifty-two (52%) percent.

KATRINA SUBCONTRACTING DATA

Data the Corps compiled of small business subcontracting during the period of September 2005 through March 2007 shows that small businesses have played an important role in the Corps' Gulf region recovery efforts. As of March 28, 2007, eighty-eight (88%) percent of all subcontracted dollars went to small businesses in Louisiana and eighty-four (84%) in Mississippi.

To assure that small businesses were included in this massive effort, the Corps instituted high goals with reporting requirements for small business subcontracting to keep the prime contractors focused on achieving high levels of small business subcontracting for all small business categories. The contractors are required to report their sub-contracting efforts to the Corps weekly for the first 90 days of the response, and monthly thereafter instead of every six months which is the typical reporting requirement. The contracts also include clauses citing the preference for use of local subcontractors. The millions of dollars of revenue received as subcontracting dollars allowed these small businesses to continue to grow.

Subcontractor Paid Totals in Louisiana

Team	\$ Obligated	Total sub \$	Large subs \$	Small subs \$	# Small subs	% SB
Debris	\$1,951,668,557	\$1,007,164,529	\$99,347,219	\$907,817,310	671	90%
Roofing	\$166,376,374	\$60,341,753	\$9,394,209	\$50,947,544	58	84%
QA	\$33,650,290	\$1,386,364	-	\$1,386,364	14	100%
UnWatering	\$40,000,000	\$31,611,505	\$17,445,102	\$14,166,403	15	45%
CPF	\$22,886,141	\$5,794,075	\$4,211,039	\$1,583,036	23	27%
Total	\$2,214,579,362	\$1,106,298,226	\$130,397,569	\$975,900,657	781	88%

Subcontractor Paid Totals in Mississippi

Team	\$ Obligated	Total sub \$	Large subs \$	Small subs \$	# Small subs	% SB
Debris	\$742,261,226	\$345,500,000	\$59,559,816	\$285,927,319	843	83%
Roofing	\$132,000,000	\$48,700,000	\$1,300,000	\$47,400,000	58	97%
QA	\$50,876,891	\$17,000,000	\$5,100,000	\$11,900,000	8	70%
UnWatering						
CPF						
Total	\$925,138,116	\$411,200,000	\$65,959,816	\$345,227,319	909	84%

Note: Small subcontracting percentages are based on total subcontracted dollars and not on total obligated dollars. Small business data include dollars from all small business socio-economic categories (small, small disadvantaged, women-owned, HUBzone and service disabled veteran-owned small businesses).

GAO REPORT (07-205)

As well as the Corps is doing with the disaster recovery subcontracting efforts, there is room for improvement. The GAO-07-205 report stated that the Corps could not explain why subcontracting plans were not required for \$102 million worth of contracting dollars. I will be the first to say that we should have had better accountability. I acknowledge that we may have missed placing some subcontracting opportunities into the small business community. We owe it to the small business community to maximize their contracting opportunities. There have been valuable lessons

learned in association with our subcontracting practices and procedures for emergency/disaster contracting. I am committed to ensuring that the Corps maintains complete and accurate subcontracting information for all applicable contracts. We will hold our large business partners accountable in fulfilling their small business obligations as well. Our contracting officers and small business specialists will ensure that proposed subcontracting goals, from large businesses, are realistic and attainable, but challenging. Our large business partners who demonstrate their commitment to the small business community will be awarded higher scores during proposal evaluations. When subcontracting plans are not required, the contracting officer will ensure proper justifications are contained in the contract file. Our Small Business Program Office is developing a formal subcontracting training module to be delivered Corps-wide. Some of our field small business specialists have already discussed subcontracting plan requirements with their program offices. In addition, the new Federal Procurement Data System – Next Generation (FPDS-NG) has been implemented. The new system came on line in 2006 and is still being improved upon in order to simplify and increase data reporting accuracy over the previous data system.

To ensure that we are compliant with subcontracting statutes, I will continue to encourage and welcome independent reviews of our small business program. To illustrate this commitment, in January 2007, I directed the Corps' Inspector General to conduct an evaluation of our Small Business Program Office. At the end of this inspection, the Inspector General will provide a report to me containing their findings, observations and recommendations for any corrective actions. Corrective actions are implemented immediately to address problems or weaknesses identified by these teams.

Part of being a Learning Organization is implementing actions to correct our mistakes and strengthen our weaknesses. Several years ago the Corps instituted a formal procedure, our Remedial Action Program, to capture lessons learned and adjust our processes for future events. Simply put (although this is not a simple process) for each emergency event we prepare After Action Reports which include issues and weaknesses identified from all sources during our response efforts. We attempt to correct or strengthen our procedures and adjust supporting Standard Operating Procedures (SOPs).

THE WAY AHEAD

As mentioned above, I am committed to improving subcontracting procedures and practices at the Corps. However, my commitment to the small business community is not limited to subcontracting opportunities. I am also committed to expanding our base of small business prime contract awards. We are currently working on the Acquisition Plan for the re-competition of the ACI Debris Removal contracts. This new Acquisition Plan works to include small disadvantaged businesses as prime contractors and is more friendly to small business firms. This Plan will have several competitively awarded small business disadvantaged business and HUBZone pools and competitively awarded unrestricted contracts. The current ACI Debris Removal contract is 100% large business. With this new business model, after initial planning, the Corps will first consider the small disadvantaged business and HUBZone pools when debris removal is required in a suburban area and in urban areas when possible. Subcontracting goals will be higher in all small business categories. The Louisiana Recovery Field office has identified approximately 16 new small business prime contract opportunities worth over \$150 million for this fiscal year alone. These contract opportunities include: demolition contracts, filling of swimming pools, recouplement of architecture features and Asbestos Containing Materials testing. These future initiatives are an ever evolving issue for us and are dependent upon FEMA requirements. The Corps of Engineers will continue to work with the Small Business Administration as it pursues opportunities for small businesses.

ONGOING AND FUTURE WORK

The Corps is in the process of repairing and restoring the hurricane protection system in the New Orleans area. The Corps has developed an acquisition plan as it moves forward in execution of this mission. Of the total \$5.8 billion appropriated for this work, the acquisition plan includes approximately 34% of this work (prime contract) or (\$1.98 billion) for small, small disadvantaged, HUBZone and service disabled veteran-owned small businesses. The approximate number of planned contract awards is 150 with a total of 101 of these contracts being set aside for the small business categories described above. Of the 43 contracts awarded to date, all but three have been awarded to small businesses. Finally, of the \$236 million obligated on these contracts, \$137 million has been obligated on the small business prime contracts. The Corps continually evaluates its acquisition plan and looks for ways to improve. In the future, as additional cost estimates are developed, the plan will also be adjusted as necessary. The numbers provided above only address prime contracts. In addition to the prime contract plan discussed above, each unrestricted prime contract that is awarded to a large firm will require a subcontracting plan and goals that include small businesses.

The Corps will continue to always consider small businesses first as we develop our Acquisition Plans.

SUMMARY

The success of the federal small business program is a shared responsibility and I applaud the House Committee on Small Business for holding agencies accountable to their small business obligations.

To close, I would like to thank you once again, Madam Chair, for allowing the Corps of Engineers the opportunity to appear before this Committee to discuss Hurricane Katrina subcontracting procedures during times of emergencies. Many Corps personnel have served our Nation by helping in the response to natural disasters in Texas, Louisiana, Mississippi, Alabama, Florida, or elsewhere in the nation or the world. We are proud to do so. I would be happy to answer any questions Members of the Committee may have.

Thank you.

LOUISIANA HOUSE OF REPRESENTATIVES

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MVA
Commerce
House and Governmental Affairs
Labor and Industrial Relations

JUAN A. LaFONTA
State Representative ~ District 96

April 9, 2007

Mr. Michael Park
Director, LA-RFO
US Army Corps of Engineers
525 St. Charles Street
New Orleans, LA 70130

Dear Mr. Park:

I would like to commend the US Army Corps of Engineers and especially one of your contractors for actively engaging in the hiring of local businesses in the city of New Orleans during the post hurricane clean-up efforts.

ECC, one of USACE's prime contractors engaged in the debris and demolition efforts, has done an outstanding job in helping the local communities and businesses. They have reached out to the local community and helped many businesses to the extent impacted by the hurricane to get back on their feet. ECC has mentored local businesses to the extent where they can pursue contracts directly with agencies such as the Corps of Engineers. It is my understanding that currently some of the local firms subcontracting with the ECC are being considered for direct contracts with USACE. Just their mere consideration speaks to the success of the ECC in helping these businesses to grow after the impact of the hurricane. ECC has demonstrated their commitment to the local community by actively and aggressively engaging in the hiring and using resources from the local communities that had been impacted by the storm. They hired, trained and provided opportunities for many local personnel and businesses, and provided food and lodging for displaced individuals.

I would like to personally commend USACE in their hiring and contractors and establishing goals that would encourage contractors to seek local participation. Your contractor, ECC, has been a role model to be used in the future, please convey our deepest appreciation to ECC and thank you for all of your efforts in the recovery of New Orleans.

Sincerely,

A handwritten signature in cursive script that reads "Juan A. Lafonta".

Juan A. Lafonta
State Representative

LOUISIANA HOUSE OF REPRESENTATIVES

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MD
Natural Resources, Vice Chairman
Agriculture, Forestry, Aquaculture,
and Rural Development
Appropriations
Joint Legislative Committee on the Budget

JACK D. SMITH
State Representative ~ District 50

March 8, 2007

Brigadier General Robert Crear
Commander, Mississippi Valley Division
1400 Walnut Street
Vicksburg, MS 39180

RE: Letter of Appreciation for ECC Operating Services, LLC

Dear General Crear:

I would like to express my appreciation for the efforts of US Army Corps' Contractor ECC Operating Services LLC. ECC has taken extensive strides to employ local individuals and businesses from Louisiana, and has provided assistance and mentoring to large numbers of Louisiana's local business community. Throughout the Hurricane Katrina reconstruction and cleanup ECC has been accessible and eager to work with local businesses that had been impacted by the storms of 2005.

Other Louisiana State Representatives and I were obviously concerned about the impact of the storm and its effects on our businesses and our economy. ECC minimized the potential losses by actively engaging the local business community – they sought out local businesses, searched for qualified companies with whom to subcontract, hired local residents and even provided food and lodging for many. They researched and removed, or avoided, many companies who were not from Louisiana but claimed to be, who were attempting to take work away from our local companies. Thankfully ECC did not allow this to happen.

ECC worked with local, minority owned businesses to aid them gearing up for submitting proposals directly to the Army Corps of Engineers, in order to see good companies rewarded for their efforts, and to help USACE get competition for reputable firms who are new to the government contracts field.

ECC has been an integral part of Louisiana's recovery and reconstruction. It has been my pleasure to observe their efforts and impact on Louisiana and I extend my thanks to them and USACE for their efforts.

Sincerely,

A handwritten signature in cursive script that reads "Jack D. Smith".

Jack D. Smith