

United States Senate

WASHINGTON, DC 20510

August 14, 2006

The Honorable R. David Paulison
Director
Federal Emergency Management Agency
500 C Street S.W.
Washington, D.C. 20472

Dear Mr. Paulison:

We are writing to express our grave concern about the contracting practices of the Federal Emergency Management Agency (FEMA) that were highlighted August 9th in the *Washington Post*. According to the *Post*, four no-bid contracts awarded to house Hurricane Katrina evacuees have ballooned in value from \$400 million to about \$3.4 billion.

In private meetings with us on December 15, 2005 and May 17, 2006, you expressed similar concerns about the use of no-bid contracts and promised that FEMA would employ non-competitive procedures rarely and only when absolutely necessary to avoid unacceptable disruption to critical services.

You also have made similar public statements to our Senate colleagues. In testimony before the Senate Homeland Security and Governmental Affairs Committee on October 6, 2005, you stated:

I've been a public servant for a long time, and I've never been a fan of no-bid contracts. Sometimes you have to do them because of the expediency of getting things done. And I can assure that you we are going to look at all of those contracts very carefully. All of those no-bid contracts, we are going to go back and re-bid.

Given your strong statements in opposition to no-bid contracts, we were greatly troubled to learn that FEMA is continuing to extend these contracts to the point that their value is now more than eight times the original contract value. Since we are nearing the one-year anniversary of Hurricane Katrina, we question whether any emergency remains that would justify a continued reliance on no-bid procedures.

Indeed, just yesterday, we learned that the four contractors – Bechtel, CH2M Hill, Fluor, and Shaw – who received the original no-bid contracts were awarded new contracts to provide temporary housing. Each of these new awards has a contract ceiling of \$250 million. And while the congressional advisory announcing the awards indicates that these contracts were awarded “through a full and open process,” concerns have been raised about the adequacy of the competitive process.

We cannot express to you in strong enough terms how serious this issue is to us and our Senate colleagues. On four separate occasions over the past year, the Senate has unanimously approved amendments to limit the use of non-competitive procedures in contracting.

The American people deserve the benefits of competition in government contracts. Competition is good for American business, and it's good for the government. It helps to ensure high quality and low costs. Competition is what the American people have a right to expect, and that's what we intend to achieve.

In order for us to assess whether additional Senate action is necessary, we request that you respond to the following questions by August 31, 2006:

- What efforts, if any, have you made to stop the use of no-bid procedures?
- What procedures were used for the latest \$250 million contracts awarded to Bechtel, CH2M Hill, Fluor, and Shaw?
- What, if any, additional resources or authority do you need to stop the use of no-bid procedures?

Sincerely,



Barack Obama
United States Senator



Tom Coburn, M.D.
United States Senator