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U.S. House of Representatives  
Committee on Homeland Security  
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**TESTIMONY OF CONGRESSMAN BENNIE G.  
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RANKING MEMBER OF THE COMMITTEE ON  
HOMELAND SECURITY  
U.S. HOUSE OF REPRESENTATIVES**

**BEFORE THE  
U.S. SENATE  
COMMITTEE ON SMALL BUSINESS AND  
ENTREPRENEURSHIP**

**NOVEMBER 8, 2005**

**Thank you Chairwoman Snowe and Ranking Member Kerry for inviting me to testify on the critically important issue of the role of small businesses in the recovery and rebuilding of the Gulf Coast areas devastated by the one-two punch of Hurricanes Katrina and Rita.**

**I come here today wearing two hats. First, I am the Congressional Representative of the Second District of Mississippi, an area which was affected by Hurricane Katrina. While we were spared the brunt of Katrina's force, the winds and rain which accompanied the hurricane caused major interruptions of electricity and telephone service for several weeks. After the storm hit, many of our Mississippi and Louisiana neighbors just south of us whose lives were completely uprooted came to the District seeking shelter.**

**I am proud to say that the people of the 2<sup>nd</sup> District, like others across the country, opened their hearts and homes to provide food, clothing, shelter and financial support to those who had lost homes, possessions and loved ones to this storm.**

**I want to take this opportunity to express my appreciation for those small and large acts of generosity from individuals and companies. But I also want to assure those who have been displaced by this storm that they should not be disheartened.**

**I also wear a second hat. As you know, I am Ranking Democrat of the Homeland Security Committee. The Homeland Security Committee in the House of Representatives is charged with oversight jurisdiction over the Department of Homeland Security. In that capacity, I have had a first-hand perspective of the Department's response to disasters and suspected terrorist events.**

**When the Department of Homeland Security was created, the Federal Emergency Management Agency (FEMA) was merged into the new agency. Within the new agency, FEMA was to lead the charge on our natural disaster preparedness AND terrorism preparedness effort.**

**Based on FEMA's failings in its response to Hurricanes Katrina, Rita, and Wilma of which we had notice, I do not believe that it is capable of responding to an event that brings no notice--such as a terrorist attack. Simply stated, we have not reached the level of preparedness or response that this nation needs and deserves.**

**Once tragedy struck and the ineptness of FEMA and the Department of Homeland Security became obvious, Congress responded immediately to the needs of our stricken citizens and communities by appropriating \$62 billion to FEMA to provide disaster response, humanitarian relief, and recovery assistance to the victims of this tragedy.**

**Given the inability of the Department and FEMA to prepare and respond to Hurricane Katrina, I was concerned that they would continue their sub-par performance with regard to contracts that were awarded as a part of the response and recovery process. As such, it became obvious to me that oversight and accountability were critical and should be an integral part of the contracting process.**

**Now, oversight is not an academic exercise. As Members of Congress, it is our Constitutional duty to assure that the taxpayers' money is spent wisely and well. Those of us on the Homeland Security Committee have been given the additional responsibility of assuring that the Department of Homeland**

**Security and its components are not engaged in mismanagement, waste, fraud, or abuse.**

**In the case of hurricane-related contracting, it was also necessary to assure that the Stafford Act was followed by the Department of Homeland Security. This Act provides a preference to locally owned businesses in contracting following a natural disaster. The Act recognizes that contracts awarded to small, disadvantaged and local businesses stimulate the local economy.**

**These contracts help to re-charge the engine of local economic development, not only by providing jobs to residents, but also by creating a multiplier effect through spurring business-to-business transactions. In turn, transactions between businesses increase job growth. So, assuring that local, small businesses get contracts in the wake of a disaster is not only good policy it is good economics. Unfortunately, the preference afforded under the Stafford Act has been disregarded by the Department of Homeland Security. Indeed, in certain instances, it appears that the agency has purposefully gone out of its way to avoid the small business requirements.**

**Let me provide you with a few examples that I and other Members of the Homeland Security Committee have uncovered:**

- 1) There was a contract for \$39 million given to an Alaskan Native Corporation (ANC), based in North Carolina, to provide portable classrooms in Mississippi. The government agreed to pay \$88,000 per classroom to this out-of-state business. Not only is this price about double the going rate, there is a small business in Mississippi that offered to provide these same classrooms for about one-half of that price. This small business was sent by the government to the ANC. The local small business was told that it would be considered a subcontractor but then ignored as the ANC circumvented the small company. The Government Accountability Office is currently investigating this case.**
- 2) There is also the case of a company incorporated in the Netherlands, with businesses in over 17 countries and a net worth of billions of dollars, that had been awarded a contract as a part of Katrina relief. This huge multinational had won a**

**contract under a small business designation. When questioned about the accuracy of this designation, a company representative indicated that there had been a clerical error. It is my understanding that the Department of Homeland Security Inspector General has referred this deal to the Small Business Administration Inspector General. I look forward to hearing from that office.**

**These are but a few examples of contracting run amok at the Department. While it is too early to deliver a report card on the recovery, I can tell you that at the 60 day point, the federal government, especially FEMA and the SBA, must make a major shift in both policy and implementation if the lives of the people of the Gulf Coast are to be effectively rebuilt and restored.**

**It seems I read almost daily of sole source, no-bid, multi-million dollar contracts that are awarded to large corporations. And we know that the work required under those contracts will only be possible through subcontracting.**

**We also know that the subcontractor who is on the ground doing the hard work will only get a fraction of the amount paid to the large business that gets the contract. We also know that because these small subcontractors are not directly linked to the government, they will not be able to benefit from many federal legal protections, such as assuring that they are paid a fair and agreed upon price by the contractor.**

**Senators, let me say, I am from Mississippi and I know sharecropping when I see it.**

**The Small Business Act states that the Federal Government should “aid, counsel, assist, and protect...the interest of small business concerns.”**

**The Federal Government has well-established policies designed to bring about inclusion. Steps must be taken to ensure that federal agencies responsible for rebuilding the Gulf meet the government wide procurement goal of assuring that 23% federal procurement awards are given to small, disadvantaged and minority owned businesses.**

**Currently FEMA’s performance falls far short of that goal. FEMA has awarded almost 1,600 contracts worth over \$4 billion for Hurricane Katrina**

recovery. Less than 3% of those contract dollars are going to small disadvantaged, minority or women owned businesses.

Like many of you, I was initially heartened to learn of FEMA's announcement to award 15 contracts worth \$1.5 billion to small and minority businesses. But unfortunately, the devil is in the details. There are several problems with this announcement. First, each of these contracts will be for \$100 million. This is a rather large award for a small business to handle without partners or subcontractors. So we may end up with small businesses merely serving as "fronts" for large businesses. Second, these contracts are for a very limited class of work—maintaining and dismantling trailers that served as temporary homes. Third, these contracts will not be awarded until February. I know there are contracts awarded everyday that small businesses can perform effectively. They only need a fair chance from a government that is truly concerned about their survival, stability and ultimate prosperity.

Senators, I think I have outlined many of the major problems that we have seen on the ground and through our oversight. But we must not focus on the problems without arriving at solutions.

Here are a few solutions we could implement quickly and efficiently:

- 1) We must require FEMA to immediately set forth and implement a strategy to award contracts for small and disadvantaged businesses. Although they announced their intention to put forth a strategy almost a month ago, it still has not occurred. This should be the top priority of FEMA's procurement office.
- 2) Second, we must require that the SBA take stringent steps to assure that businesses that gain contracts under a small business designation are authentically small businesses. We must end the system of self-certification that allows large foreign corporations to pose as small businesses.
- 3) We must require the Department of Homeland Security to establish a permanent database of small, disadvantaged business that can be used as prime contractors in the response and recovery phase of every disaster. I am introducing a bill tomorrow that will require that the Department establish such a database to effectively implement the Stafford Act.

**I believe that these solutions are an easy first-step. I hope you will work with me to assure that they are implemented.**

**Again I want to thank you for inviting me here today and for your long-standing leadership on these issues. The people and small businesses of my district and the Gulf Coast depend on what we do to help them rebuild their lives. I will be happy to take your any questions.**