




Homeland Security

February 23, 2006

MEMORANDUM FOR: Patricia English
Senior Procurement Executive
Federal Emergency Management Agency

FROM: Matt Jadacki 
Special Inspector General for Gulf Coast Hurricane Recovery

SUBJECT: *Management Advisory Report on Armed Guard Services provided by Blackwater Security Consulting, LLC under Contract HSCEFC-05-J-F00002 - Report Number GC-HQ-06-17*

The purpose of this memorandum is to inform you of the results of our inquiry regarding the Federal Protective Service's (FPS's) contract, number HSCEFC-05-J-F00002, awarded to Blackwater Security Consulting, LLC (Blackwater Security) for Katrina-related security services. We initiated this review based on questions raised during congressional hearings on September 28, 2005. Our objectives were to determine whether the Blackwater Security contract was appropriate and the costs were reasonable. FPS has reported paying Blackwater \$41.9 million through December 31, 2005, for guard services in Louisiana.

We reviewed the Blackwater Security contract and related correspondence and interviewed officials from FEMA, the FPS, and the State of Louisiana.

FPS' contractor selection process for armed guard services was appropriate and the contract prices were reasonable. FEMA established a number of field offices for its response and recovery missions and these facilities required protection. FPS officials said that the services that Blackwater Security provided satisfied the security needs at the FEMA operational facilities. However, security requirements have changed from the initial response period and there may be opportunities to reduce costs by soliciting competitive proposals using a mix of armed and unarmed security personnel.

Shortly after Hurricane Katrina hit New Orleans, FEMA requested guard services from the FPS for FEMA facilities (disaster response centers, disaster medical assistance teams, and the New Orleans and Louisiana field offices). FPS officials said that they customarily use contract guard services for static guard posts at FEMA facilities during disaster assistance operations so that FPS and other police officers can remain mobile to respond to requests for law enforcement assistance. FPS solicited offers from two companies listed on the General Services Administration (GSA) Federal Supply Schedule (FSS) to provide armed guard services for the facilities. Blackwater Security offered services at \$950 per staffday which was a five percent discount from its FSS rate and lower than the rate from the other solicited vendor. FPS considered this the best value to the government and believed that Blackwater Security's past performance under other contracts and current

performance under contracts with the Department of State demonstrated its capability to perform under the conditions of this contract.

Under the circumstances, there was not sufficient time for FPS to conduct a comprehensive needs assessment, issue an invitation for bids, and conduct an open competition. The action that FPS took, i.e., obtaining already approved offers from FSS listings, was an accepted method of obtaining goods or services and generally superior to the often-used option of a sole source contract. Moreover, FPS obtained a negotiated rate that was lower than Blackwater's FSS rate. Consequently, the contracting methodology and price were appropriate under these urgent circumstances.

However, there may now be opportunities to reduce the cost of guard services. FEMA expects that guard services will be required for two to five years for some facilities. It is possible that lower-cost guard services can be obtained through the use of full and open competition. In addition, armed guards at all locations may not be required. Security requirements may be met by a mixture of armed and unarmed guards. Unarmed guards generally cost less than armed guards. A needs assessment should be performed to determine the proper numbers and mix of armed and unarmed guards.

Recommendations

We recommend that FEMA:

1. Conduct a needs assessment of guard services required by FEMA facilities, including the need for armed and unarmed guards.
2. Conduct a full and open competition to meet all long-term requirements for armed and unarmed guard services.

We encourage FEMA to take these steps as soon as possible; however, we recognize the implementation process will require some time to complete.

The nature and brevity of this assessment precluded the use of our normal audit protocols; therefore, this review was not conducted in accordance with generally accepted government auditing standards. Had we followed such standards, other matters might have come to our attention.

This review was conducted in conjunction with the President's Council on Integrity and Efficiency (PCIE) as part of its examination of relief efforts provided by the Federal government in the aftermath of Hurricanes Katrina and Rita. As such, a copy of the report has been forwarded to the PCIE Homeland Security Working Group which is coordinating Inspectors General review of this important subject.

Please advise us by March 10, 2006, of the actions taken or planned to implement our recommendations, including target completion dates for any planned actions. Should you have any questions, please call me at 202-254-4100.

cc: Under Secretary for Management
Acting Director, FEMA
DHS Audit Liaison