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House of Representatives

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March 20, 2006

The Honorable Tom Davis
Chairman
Committee on Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Davis:

I am writing to call on the Committee on Government Reform to hold legislative and oversight hearings to protect taxpayers from massive waste in government contracting in the Hurricane Katrina recovery.

Exactly six months ago, Minority Leader Nancy Pelosi and I, along with other members, introduced the Hurricane Katrina Accountability and Contracting Reform Act (H.R. 3838). The bill would have created an anti-fraud commission to prevent wasteful spending, banned abusive contracting practices, and increased contracting transparency. As I stated at the time, this legislation was introduced because of concerns that the Administration was repeating the same mistakes in Hurricane Katrina contracting that led to widespread waste, fraud, and abuse in contracting for Iraq reconstruction.

It now appears that these concerns were well founded. Last Thursday, the Government Accountability Office issued a congressional briefing on agency oversight of contractors responding to Hurricane Katrina.¹ GAO found extensive waste due to poor contract management by FEMA and the U.S. Army Corps of Engineers. As the GAO report documents, the same problems and incompetent contract management that caused widespread waste in Iraq are now occurring in our own country in the Gulf Coast.

Today's *Washington Post* provides further evidence of Administration incompetence and mismanagement in Katrina contracting.² According to the *Post's* investigation, "millions are

¹ Government Accountability Office, *Agency Management of Contractors Responding to Hurricanes Katrina and Rita*, GAO-06-461R (Mar. 16, 2006).

² *Multiple Layers Of Contractors Drive Up Cost of Katrina Cleanup*, Washington Post (Mar. 20, 2006).

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paid to contractors who get a cut of the profits from a job performed by someone else,” and “the difference between the job’s actual price and the fee charged to taxpayers ranged from 40 percent to as high as 1700 percent.” Under Operation Blue Roof, for example, under which contractors nail plastic tarps onto damaged roofs, the *Post* found that prime contractors received \$1.75 per square foot, while second-tier subcontractors received \$0.75 per square foot, third-tier subcontractors received \$0.35 per square foot, and the contractors who actually performed the work received only \$0.10 per square foot. As Benny Rousselle, the president of Plaquemines Parish, told the *Post*, “The federal government ought to be embarrassed about what is happening.”

I urge you to schedule an oversight hearing on Hurricane Katrina contracting without delay. In conjunction with this hearing, I propose that the Committee request unredacted copies of all audits, reports, or other assessments that raise questions about contractor cost estimates, billings, accounting or estimating systems, or performance under Hurricane Katrina recovery and reconstruction efforts. This request should encompass documents created by the Department of Homeland Security and the Department of Defense, as well as any of their elements, such as the Inspectors General, the Defense Contract Audit Agency, or contractors examining contracts on behalf of these departments.

I also urge you to exercise the Committee’s legislative jurisdiction and schedule a hearing and markup on H.R. 3838. The legislation was referred to the Committee on Government Reform on September 20, 2005 — six months ago today — but the Committee has taken no action on the bill.

I hope we can work together to rein in this wasteful spending so that funds can be properly spent for the benefit of Gulf Coast residents.

Sincerely,



Henry A. Waxman
Ranking Minority Member