Congress of the United States
Washington, DC 20515

September 13, 2005

The Honorable David M. Walker
Comptroller General of the United States
Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. Walker:

We are writing with an urgent request. Immediate and intensive GAO oversight is essential to protect the interests of the taxpayer and to ensure that hurricane relief funds actually reach the victims of Hurricane Katrina.

Federal funds will soon be flowing into New Orleans and the Gulf region in enormous sums. To date, Congress has approved over $62 billion in emergency funding for Hurricane Katrina recovery.[1] Ultimately, costs are expected to rise to over $100 billion or more.[2]

We fully support these hurricane relief efforts. The federal government should act quickly and generously to meet the needs of the hurricane victims and their communities. Our concern is that, based on its track record, the Administration may be incapable of spending these federal funds effectively or responsibly.

The history of this Administration's handling of federal contracts is one of persistent and costly mismanagement. Under this Administration, the value of no-bid contracts has skyrocketed.[3] Oversight of federal contracts has been turned over to private companies with blatant conflicts of interest.[4] And when government auditors and whistleblowers do flag abuses, their recommendations are often ignored.[5]

In Iraq, billions have been appropriated for the reconstruction effort, yet oil and electricity production remain below prewar levels.[6] Waste, fraud, and abuse appear to have

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[1] *Congress Approves $51.8 Billion for Victims*, Washington Post (Sept. 9, 2005).

[2] *Costs of Recovery Surges, As Do Bids to Join in Effort*, New York Times (Sept. 9, 2005).

[3] Minority Staff, House Committee on Government Reform, *Noncompetitive Contracts Increase Under the Bush Administration* (May 27, 2004).

[4] Minority Staff, House Committee on Government Reform, *Contractors Overseeing Contractors: Conflicts of Interest Undermine Accountability in Iraq* (May 18, 2004).

[5] Minority Staff, House Committee on Government Reform, *Halliburton's Questioned and Unsupported Costs in Iraq Exceed $1.4 Billion* (June 27, 2005).

[6] Minority Staff, House Committee on Government Reform, *GAO Reveals Iraq Reconstruction Is Failing* (July 28, 2005).

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squandered hundreds of millions of taxpayer dollars.[7] The contracting strategy adopted by the Administration suppressed competition on thousands of reconstruction projects, while favored companies like Halliburton received special treatment and lucrative monopoly contracts.[8]

Domestically, the record is no better. The FBI spent $170 million on a "Virtual Case File" system that does not work.[9] The Department of Homeland Security has spent another $200 million on a border-monitoring system of cameras and sensors that reportedly doesn't work.[10] And the contract to hire federal airport screeners has been plagued by poor management and flagrant abuses.[11]

Already there are danger signs involving the contracts for recovery and rebuilding of the devastated Gulf Coast. Last week, the Administration signed two $100 million contracts with the Shaw Group, a client of former FEMA Director Joe Allbaugh, to assist in recovery efforts.[12] Halliburton, which has repeatedly overcharged the taxpayer in Iraq, has already received contracts for repair work at three Navy facilities in Mississippi.[13] And the emergency relief bill passed last week allows federal officials to make purchases worth up to $250,000 per transaction on government-issued credit cards.[14]

Moreover, the first set of contracts relating to Hurricane Katrina was awarded without competition and on a cost-plus basis.[15] This is the same flawed contracting strategy that produced disastrous results in Iraq.

Compounding these problems are contracting weaknesses at FEMA. In March 2004, the Department of Homeland Security Inspector General found that FEMA's "numerous deficiencies in its recording keeping" may have adversely impacted the agency's "ability to adequately account for new contracts awards and other acquisitions."[16] The Inspector General also

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[7] Minority Staff, House Committee on Government Reform, *Halliburton's Questioned and Unsupported Costs in Iraq Exceed $1.4 Billion* (June 27, 2005).

[8] Letter from Rep. Henry A. Waxman and Rep. John D. Dingell to Rear Admiral David J. Nash (ret.), Director, Iraq Program Management Office (Dec. 18, 2003).

[9] *New FBI Software May Be Unusable*, Los Angeles Times (Jan. 13, 2005).

[10] *Probe Faults System for Monitoring U.S. Borders*, Washington Post (Apr. 11, 2005).

[11] Letter from Rep. Henry A. Waxman to Rep. Tom Davis (June 30, 2005).

[12] *Shaw Awarded Contracts from U.S. Army Corps of Engineers for Hurricane Recovery and Rebuilding*, Businesswire (Sept. 8, 2005).

[13] *No-Bid Contracts With Katrina Work*, Wall Street Journal (Sept. 12, 2005).

[14] Letter from Rep. Henry A. Waxman to Rep. Jerry Lewis (Sept. 8, 2005).

[15] *No-Bid Contracts With Katrina Work*, Wall Street Journal (Sept. 12, 2005).

[16] Office of Inspector General, Department of Homeland Security, *An Audit of FEMA's Acquisition Workforce* (Mar. 2004).

concluded that "FEMA had inadequate controls to ensure that its acquisition workforce … can function according to federal regulations."[17] In May 2005, the Inspector General testified before Congress about these deficiencies in FEMA's contract oversight procedures.[18]

Aggressive and independent oversight will be essential if the interests of the taxpayer are to be protected. That is why we are supporting the creation of an anti-fraud commission to oversee the federal spending and protect against waste, fraud, and abuse. We are also asking GAO to do its part. We urge you to take the extraordinary step of establishing a team of experienced auditors and investigators to monitor the contracts and spending for the recovery, relief, and reconstruction of the Gulf Coast in real time. We ask that this team be directed to report evidence of wasteful spending, abuse, or poor contract management as it occurs — not after the fact — so that Congress can intervene as needed.

Thank you for your attention to this request.

Sincerely,

Henry A. Waxman
Ranking Minority Member
Committee on
Government Reform

Nancy Pelosi
Democratic Leader

Steny H. Hoyer
Democratic Whip

James L. Oberstar
Ranking Minority Member
Committee on Transportation
and Infrastructure

Bennie G. Thompson
Ranking Minority Member
Committee on
Homeland Security

David R. Obey
Ranking Minority Member
Committee on Appropriations

John D. Dingell
Ranking Minority Member
Committee on Energy and
Commerce

George Miller
Ranking Minority Member
Committee on Education and
the Workforce

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[17] *Id.*

[18] Senate Committee on Homeland Security and Governmental Affairs, Statement of Richard Skinner, Acting Inspector General, Department of Homeland Security, *FEMA's Response to the 2004 Florida Hurricanes: A Disaster for Taxpayers?* (May 18, 2005).

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Nydia M. Velázquez
Ranking Minority Member
Committee on
Small Business

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[17] *Id.*

[18] Senate Committee on Homeland Security and Governmental Affairs, Statement of Richard Skinner, Acting Inspector General, Department of Homeland Security, *FEMA's Response to the 2004 Florida Hurricanes: A Disaster for Taxpayers?* (May 18, 2005).