

Washington, DC - Rep. Peter Welch (VT-AL) has introduced legislation to close an overseas contract fraud loophole, the subject of an ongoing congressional investigation.

The "Close the Contractor Fraud Loophole Act," H.R. 5712, co-sponsored by Oversight and Government Reform Chairman Henry Waxman and subcommittee Chairman Edolphus Towns, would require all contractors, regardless of where the work is performed, to report fraud and over-billing to Inspectors General and contracting officers.

The Subcommittee on Government Management, Organization, and Procurement has also announced they will hold a hearing on Welch's proposal on Tuesday, April 15 at 2:00 p.m. Witnesses from the Office of Management and Budget (OMB), the Department of Justice (DOJ), and General Services Administration (GSA), as well as representatives from the contracting industry, have been invited to testify.

"No contractor should be given a free pass to defraud taxpayers, at home or abroad," said Welch. "It's pretty simple. First, this loophole must be closed. Second, the public deserves to know why the loophole was inserted at the eleventh hour after the rule was proposed by the Department of Justice."

Last month, Waxman, Towns, and Welch issued document requests to top administration officials formally launching the investigation of a potential multibillion-dollar loophole slipped into proposed contract fraud rules. The documents were due April 4 and the administration has not yet fulfilled the request.

"If this loophole was a bureaucratic mistake as some in the administration have claimed, then our requests should be easy to meet," added Welch.

Last November, the Justice Department drafted a rule seeking to crack down on waste, fraud, and abuse in government contracts. The rule requires contractors to report internal fraud or overpayment on government-funded projects if the abuse exceeds \$5 million. However, just before publication, the rule was inexplicably modified to exempt "contracts to be performed outside the United States."

On March 7, Welch [asked Waxman and Towns to consider an investigation](#) .

Then on March 20, the investigation was formally opened with document requests to Secretary of Defense Gates, Attorney General Mukasey, National Aeronautics and Space (NASA) Administrator Griffin, OMB Director Nussle, and GSA Administrator Doan. The text of the letters can be found at the [Oversight and Government Reform website](#) .