HOUSE COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM

OPENING STATEMENT OF
CHAIRMAN EDOLPHUS TOWNS

"HOW CONVICTS AND CON ARTISTS RECEIVE NEW FEDERAL CONTRACTS"

February 26, 2009

Good morning. The Committee will come to order. The first thing I want to do this morning is to welcome our new Members on both sides of the aisle, and Mr. Issa, the new Ranking Member.

Today's hearing will kick off what I expect will be an exciting and interesting two years for this Committee as we carry out our oversight responsibilities.

This Committee has a long history of conducting vigorous oversight and investigations and we intend to renew and continue that tradition in the 111th Congress. I look forward to working with all of you.

Just a few days ago, Congress voted to approve billions of dollars in economic stimulus funding, much of which will be spent through government contracting. It will be a massive job to ensure that this money is spent effectively and wisely and that federal dollars do not go to the incompetent and the unproductive, the con men and the frauds.

One of the ways the federal government does that is the suspension and debarment process to prohibit people and companies with a poor record of integrity and business ethics from receiving federal funds. After the government has determined that a party is not a responsible business partner and is therefore ineligible for government contracts, they are placed in a database called the Excluded Parties List System (EPLS). Government contracting officers are required to check the database to verify that a potential contractor is not on the list before they enter into a contract with that company.

Unfortunately, the federal government's attempts to prevent ineligible parties from receiving government contracts have not always been successful.

Following an extensive investigation, the Government Accountability Office (GAO) found that businesses and individuals that have been excluded for the most serious offenses, ranging from national security violations to tax fraud, have improperly received federal contracts and other funds.

The results are truly shocking. The Army continued to do business with a company even after it knew the company's president had been convicted of attempting to smuggle nuclear weapons equipment to North Korea. The Navy continued to do business with a company whose owner had fled the country to avoid prosecution for tax fraud. And the Navy gave new contracts to a company that had been suspended for replacing inspected fittings with low quality parts on an aircraft carrier, risking lethal burns to the crew.

This begs the question: what is the point of having suspension and debarment regulations, if our own agencies disregard them?

There appear to be numerous instances where Federal contracting agencies have failed to check the EPLS before entering into a contract; failed to enter exclusion information on in a timely manner; and failed to terminate an existing contract with an excluded company.

Part of the problem seems to be that no single agency actively monitors the content and function of the database.

Moreover, the EPLS database is not integrated with the main GSA contractor schedule, making it impossible for a contracting officer to check a single database to verify the eligibility of a prospective contractor.

Worse, EPLS's search engine is so obsolete that queries performed for an excluded company with just one error in punctuation will fail to reveal a suspension or debarment altogether.

I think we can do better than that. We must do better than that.

As I take over this committee, it is not enough for us to just identify the problems with the system. We need to identify the solutions.

I am not against contracting, or contractors. I am against weak management and poor contractor performance. I know that responsible contractors and the witnesses today share this view.

The flaws in the system are just as frustrating for responsible companies that do high-quality work as they are for Congress and the taxpayers.

I would like to thank the witnesses who are here today and I look forward to hearing how we can make this system really work.

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