



## **Opening Statement of Chairman Edolphus Towns**

**House Committee on Oversight and Government Reform**

**March 18, 2010**

### **“Rewarding Bad Actors: Why Do Poor Performing Contractors Continue To Get Government Business?”**

Good morning and thank you all for being here.

Today the Committee continues its oversight of the Federal government’s use of suspension and debarment – a process that is supposed to prevent taxpayer money from going to the bad apples of the contracting world.

Suspension and debarment can be an effective tool for Federal agencies to ensure contractor performance. Unfortunately, as we will hear today, the suspension and debarment tool often goes unused – quietly rusting away in the procurement tool box.

More than \$500 billion of the taxpayers’ money goes to Federal contractors each year. It is a massive job to ensure that billions of dollars in taxpayer 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.

Suspension and debarment is the last line of defense against such waste. Individuals and companies that are suspended or debarred are prohibited from receiving contracts or grants until they can clean up their acts. In addition, the government maintains a database of all suspended and debarred contractors so that when a Federal agency hands out money, we can make sure it does not end up in the hands of proven bad actors.

But suspension and debarment only protects our government if agencies use it. This does not appear to be happening.

In February of last year, we held a hearing on the operation and use of the Excluded Parties List System. We found that some government agencies were ignoring federal regulations by awarding funds to individuals or businesses that had been suspended or debarred. We also found that federal agencies took far too long to suspend or debar, if they did it at all.

Now, a year later, it seems little has changed.

In three separate reports, the Inspectors General of the Department of Homeland Security, the Department of Transportation, and the U.S. Agency for International Development found that their respective agencies have failed to use the suspension and debarment system or have been so slow in using it, that the poor performers raked in millions in the interim.

For example, the DOT IG found that, on average, it took DOT 300 days to reach a suspension decision and 415 days to process a debarment decision. These decisions are supposed to be made within 45 days.

In one such delay, the IG found that one Kentucky company committed contract fraud by bribing an official to receive bid information. During the ten months it took DOT to suspend this company they received \$24 million in Recovery Act funds.

Similarly, at DHS, the IG found that DHS had only 10 debarment cases in 4 years – an incredibly low number for an agency that spends an enormous percentage of its budget through contracting. In one glaring example, there were no debarment actions by FEMA—an agency that had well publicized problems with contractors during Hurricane Katrina.

Unfortunately, the news isn't much better at USAID. The IG found that GA Paper International and Ramtech Overseas, Inc. admitted that they had submitted more than 100 false claims for reimbursement. Though they agreed to pay \$1.31 million to the government, USAID never initiated a suspension or debarment action.

If you aren't going to suspend or debar contractors for fraud, what does it take?

As the old saying goes, "Fool me once shame on you, but fool me twice, shame on me." In this case, shame on our government for being fooled over and over again by the same contractors.

It is way past time for agencies to suspend and debar bad actors and for agency managers to aggressively enforce this process.

As I have said before and I want to emphasize: 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 failure to enforce the law against bad actors is unfair to responsible companies and it is unfair to the taxpayers.

I look forward to hearing from both management and the IGs about what can be done to address this problem.

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