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Congress of the United States

House of Representatives

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October 25, 2005

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

Dear Chairman Davis:

I am writing for the fourth time to request that the Committee investigate reports of egregious waste under contracts awarded and administered by the Department of Homeland Security.

An article in the *Washington Post* this weekend underscores the need for congressional oversight. As the *Washington Post* reported, Pentagon auditors examined the \$1 billion contract between Unisys and the Transportation Security Administration (TSA) to upgrade airport computer networks.¹ The auditors found that Unisys may have “overbilled taxpayers for as much as 171,000 hours’ worth of labor and overtime by charging up to \$131 an hour for employees who were paid less than half that amount.”² With more than half of the seven-year contract remaining, Unisys has already billed the government \$940 million.

The auditors detailed numerous concerns with Unisys’s charges. According to the Pentagon audits, “Unisys billed taxpayers \$131.12 an hour for a technical writer who should have made no more than \$46.43. The extra money was generally not passed along to the employees but was kept by the company.”³ Unisys also “inappropriately charged some of the highest rates possible under the contract by labeling lower-level employees as experts in their fields.”⁴ For instance, a computer systems analyst with seven years of experience should have been paid \$53.75 per hour under the contract, but Unisys billed the government \$131.15 per hour

¹ *Contractor Accused of Overbilling U.S.*, *Washington Post* (Oct. 23, 2005).

² *Id.*

³ *Id.*

⁴ *Id.*

for a subject matter expert with 15 years experience. The auditors also found that “Unisys and its subcontractors billed the government for 24,982 hours’ worth of overtime that was not permitted under the contract” and that “appeared to represent ‘100 percent profit to Unisys.’”⁵ Unisys officials even concede that “when they had trouble matching their employees to contract-labor categories, they opted for the highest category as a ‘catch-all.’”⁶

Moreover, the contract is behind schedule. According to the *Washington Post*, “more than half of the country’s airports where the TSA has a presence — 288 of 443 — still are not” upgraded.⁷ Completion of the project is likely to cost nearly \$3 billion, three times the contract ceiling.

In fact, the former chief information officer at TSA said that he was instructed by senior Administration officials in 2002 to cite the \$1 billion cost figure to Congress even though “they knew at the time that the project would cost closer to \$3 billion.”⁸ Apparently, Administration officials decided to deliberately mislead Congress by pulling “a number out of the air” that “would be more palatable.”⁹

Based on these findings, the auditors referred the case to the Department of Homeland Security Inspector General for an investigation into possible violations of the False Claims Act. Nevertheless, TSA asserted that Unisys’s performance was “acceptable” and awarded the company \$972,000 in award fees.¹⁰ And instead of competing the remaining four years of the contract, TSA has elected to negotiate a new contract with Unisys. The former TSA chief information officer characterized government oversight as “sorely lacking.”¹¹

The apparent overcharging and lack of oversight under Unisys’s contract is just the latest in a series of egregious contracting irregularities at the Department of Homeland Security. For instance, two of my previous requests for a Committee investigation focused on the contract between NCS Pearson Inc and TSA to assess and hire airport passenger screeners.¹² In that case, Pentagon auditors challenged over \$300 million of the \$741 million spent by Pearson under the

⁵ *Id.*

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.*

¹² Letter from Rep. Henry A. Waxman to Rep. Tom Davis (June 30, 2005); letter from Rep. Henry A. Waxman to Rep. Tom Davis (July 28, 2005).

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contract. My first request for a Committee investigation cited concerns about conflicts of interest that may have influenced the award of large homeland security contracts.¹³

In light of the new evidence revealed by the *Washington Post* of yet another wasteful homeland security contract, I renew my request that the Committee exercise its oversight responsibilities. As my previous letters urged, this investigation should begin with a request to the Department of Homeland Security for all completed audits and reports that raise questions about contractor billing and performance, including audits and reports by the Defense Contract Audit Agency and the Homeland Security Inspector General. The Committee should also hold hearings on waste, fraud, and abuse under Department of Homeland Security contracts.

In addition, I request that the Committee investigate whether the Administration has intentionally misled Congress about the costs of major homeland security contracts, which the report in the *Washington Post* suggests, and other Administration initiatives. As I wrote you in March 2004, there is substantial evidence that Congress was also misled about the costs of the Medicare prescription drug legislation, yet there has been no Committee investigation of this issue.¹⁴ There has also been no meaningful congressional oversight of Administration claims that the reconstruction of Iraq would cost taxpayers only \$1.7 billion.¹⁵

I do not understand why you have been so reluctant to pursue oversight of the procurement abuses involving the Department of Homeland Security. Although literally billions of dollars are at stake, the Committee has held no hearings on wasteful homeland security contracts, made no document requests, and scheduled only one staff briefing about the issues raised in my letters. Unless we radically change our approach toward the Homeland Security Department, we will not fulfill our constitutional obligation to conduct oversight and to protect the taxpayer from waste, fraud, and abuse.

Sincerely,



Henry A. Waxman
Ranking Minority Member

¹³ Letter from Rep. Henry A. Waxman to Rep. Tom Davis (Feb. 8, 2005).

¹⁴ Letter from Rep. Henry A. Waxman to Rep. Tom Davis (Mar. 17, 2004).

¹⁵ *Nightline*, ABC News (Apr. 23, 2003). U.S. AID Administrator Andrew Natsios claimed that the reconstruction of Iraq would cost the U.S. government no more than \$1.7 billion.