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ONE HUNDRED TENTH CONGRESS

Congress of the United States
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Opening Statement of Rep. Henry A. Waxman
Chairman, Committee on Oversight and Government Reform
Hearing on the Management of Large Homeland Security Contracts
February 8, 2007

For the last two days, we have been examining wasteful spending in Iraq. With today's hearing, the Committee turns its attention to fraud, waste, and abuse inside the United States.

We are going to examine the booming industry of federal contracting by focusing on two enormous contracts awarded by the Department of Homeland Security. The first contract is the Coast Guard's $24 billion Deepwater contract. The Deepwater contract was supposed to modernize the Coast Guard's aging fleet. Instead, it has produced a series of lemons that have cost the taxpayer hundreds of millions of dollars. The second contract is the Department's $30 billion contract with Boeing to design and build a comprehensive border security plan. The program, SBInet, is just getting off the ground.

Deepwater and SBInet are at completely different stages of the procurement process, but they share something in important in common: virtually every detail is being outsourced from the government to private contractors. The government is relying on private contractors to design the programs, build them, and even conduct oversight over them. As the Deepwater experience shows, this can be a prescription for enormous fraud, waste, and abuse.

Today, the Committee will release disturbing information about the largest and most ambitious element of the Coast Guard's Deepwater program: the new 425-foot National Security Cutter. In March 2005, the Deepwater Program Office asked the Navy to evaluate the vulnerability of the new ship to fatigue. The Navy followed through and nine months later provided a damaging assessment of the new ship to the Deepwater Program Office.

According to the documents we have obtained, the Navy report included a series of "bottom line" warnings — printed in red ink — that concluded the ship would not last for its full 30-year lifespan.

What happened next raises many questions. The Deepwater Office transmitted an edited version of the Navy report to the Commandant of the Coast Guard. The briefing slides given to the

Commandant were nearly identical to the slides prepared by the Navy with one critical exception: all of the Navy's "bottom line" conclusions about the ship's problems had been deleted. This took place just months before the Coast Guard renewed and extended the Deepwater contract.

My staff has prepared a memorandum that describes these events in detail, and I ask that it be made a part of the hearing record.

It's bad enough that the Coast Guard ignored the warnings and decided to renew the Deepwater contract. But we now see the Homeland Security Department making the same mistakes on the SBInet contract. As Yogi Berra once said, "This is like deja vu all over again."

I am also releasing a memorandum today with new information about the SBInet contract. My staff has been examining what steps the Department is taking to oversee the multi-billion contract with Boeing to secure our borders. And what we have learned is that there seems to be no task too important to be outsourced to private contractors.

As of December, the Department of Homeland Security had hired a staff of 98 to oversee the new SBInet contract. That may seem like progress until you ask who these overseers are. More than half are private contractors. Some of these contractors even work for companies that are business partners of Boeing, the company they are supposed to be overseeing. And from what we are now learning from the Department, this may be just the tip of the iceburg.

We need to correct our mistakes, not repeat them. The Deepwater contract is a textbook case of what not to do. Yet Deepwater seems to be the model for SBInet.

We will explore these and related issues this morning, and I look forward to I look forward to learning more from the testimony we will receive.