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ONE HUNDRED NINTH CONGRESS

# Congress of the United States

## House of Representatives

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June 30, 2005

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

Dear Chairman Davis:

I am writing to request that the Committee launch an investigation into reports of egregious waste under contracts awarded and administered by the Department of Homeland Security. This kind of waste is inexcusable; it fleeces the taxpayer and undermines efforts to protect our nation.

According to today's *Washington Post*, Pentagon auditors examined NCS Pearson Inc.'s contract with the Transportation Security Administration (TSA) to assess and hire airport passenger screeners.<sup>1</sup> The auditors challenged \$303 million, or over 40%, of the \$741 million spent by Pearson under the contract.

The auditors detailed numerous concerns with the charges of Pearson and its subcontractors, such as "\$20-an-hour temporary workers billed to the government at \$48 per hour, subcontractors who signed out \$5,000 in cash at a time with no supporting documents, \$377,273.75 in unsubstantiated long distance phone calls, \$514,201 to rent tents that flooded in a rainstorm, [and] \$4.4 million in 'no show' fees for job candidates who did not appear for tests."<sup>2</sup> A Pearson employee who supervised Pearson's hiring efforts at 43 sites in the U.S. described the contract as "a waste a taxpayer's money." He also said, "There was abuse of the taxpayers' trust. We didn't get the bang for our buck."<sup>3</sup>

Over \$343 million of Pearson's charges allegedly resulted from its decision to relocate its hiring process from Pearson-owned assessment centers to 150 hotels and meeting facilities around the country. As a result of this decision, the taxpayer was footing the bill for Pearson's

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<sup>1</sup> *The High Cost of a Rush to Security*, Washington Post (June 30, 2005).

<sup>2</sup> *Id.*

<sup>3</sup> *Id.*

use of hotels like the Marriott Marquis, Millennium Broadway, and Waldorf-Astoria in New York City. Pentagon auditors found that Pearson charged for over \$129,000 in long-distance phone calls from just two of these hotels without any supporting documentation.

The auditors also found a “lack of management or oversight of subcontractors” by Pearson.<sup>4</sup> One subcontractor, Eclipse Events Inc., apparently was given a no-bid subcontract two weeks before it was even incorporated and despite its complete lack of experience. The value of Eclipse’s subcontract skyrocketed from \$1.1 million to \$24 million.<sup>5</sup> The CEO of Eclipse paid herself \$5.4 million for nine months work and provided herself with a \$270,000 pension at taxpayer expense. In a scene more reminiscent of downtown Baghdad than downtown Los Angeles, one Eclipse employee received \$1,950 in cash and charged this sum to the government without any supporting documentation.<sup>6</sup> Pearson’s contracting administrator said of Eclipse: “The fact of the matter is they overcharged.”<sup>7</sup>

The waste and lack of oversight under Pearson’s contract is not an isolated incident. The *Washington Post* has done a series of articles on serious contracting problems at the Department of Homeland Security. The *New York Times* and other media organizations have also done investigative work on this issue.

In April, the *Washington Post* reported that the government is spending \$239 million on the Integrated Surveillance and Intelligence System, a no-bid contract to provide thousands of cameras and sensors to monitor activity on the Mexican and Canadian borders. Auditors found that the contractor, International Microwave Corp., billed for work it never did and charged for equipment it never provided, “creat[ing] a potential for overpayments of almost \$13 million.”<sup>8</sup>

In May, the *New York Times* reported that, after spending \$4.5 billion on screening equipment at the nation’s entry points, the Department of Homeland Security “is moving to replace or alter much of” it because “it is ineffective, unreliable or too expensive to operate.”<sup>9</sup>

The *Washington Post* and *New York Times* also reported in May that the Department has spent over \$1 billion on a contract involving the delivery and installation of equipment to screen

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<sup>4</sup> *Id.*

<sup>5</sup> *A Subcontractor’s Short But Lucrative Existence*, *Washington Post* (June 30, 2005).

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Probe Faults System for Monitoring U.S. Borders*, *Washington Post* (Apr. 11, 2005).

<sup>9</sup> *U.S. to Spend Billions More to Alter Security Systems*, *New York Times* (May 8, 2005).

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luggage at airports, only to find that harmless items caused high false alarm rates in the machines.<sup>10</sup>

This pattern of contracting abuse at the Department of Homeland Security calls for serious congressional oversight by our Committee, the primary investigative committee of the House of Representatives. As a first step, the Committee should immediately request copies of all completed audits and reports in the possession of the Department that raise questions about contractor billings and performance, including audits and reports by the Defense Contract Audit Agency and the Homeland Security Inspector General. In addition, the Committee should also hold hearings to examine the allegations of flagrant contract abuses raised by the *Washington Post*, the *New York Times*, and others.

The waste and misuse of taxpayer funds by the Department of Homeland Security and its contractors should not be a partisan issue. I hope that we can work together to ensure that these funds are spent in a way that actually improves the security of Americans instead of lining the pockets of private contractors.

Sincerely,



Henry A. Waxman  
Ranking Minority Member

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<sup>10</sup> *Id.*; *Contracting Rush for Security Led to Waste, Abuse*, Washington Post (May 22, 2005).