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ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

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STAFF DIRECTOR

February 20, 2013

The Honorable Neal S. Wolin
Acting Secretary
U.S. Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Wolin:

I recently learned of allegations concerning a series of contracts, potentially worth more than a half-billion dollars, awarded by the Internal Revenue Service to Signet Computers, Inc. Documents and information obtained by the Committee show the personal relationship between an IRS contracting official and the owner of Signet Computers may have influenced these contracts. If true, these allegations raise serious questions about the integrity of the acquisition process at the IRS and how the agency is using taxpayer money.

Documents obtained by the Committee show that in 2012, Signet Computers was awarded upwards of \$500 million worth of federal contracts, nearly all from the IRS.¹ In December 2012 alone, the IRS awarded Signet Computers an \$80 million Blanket Purchase Agreement (BPA)² and a \$300 million BPA.³ One day after Signet Computers received the \$300 million BPA, the IRS awarded it a \$40 million task order.⁴ Prior to 2012, however, Signet Computers does not appear to have received any federal contracts.⁵ The fact that Signet Computers was able to secure federal contracts worth a half-billion dollars in a matter of months, despite having no track record of past performance, raises many questions.

¹ As of February 13, 2013, the total value of orders to Signet Computers from all agencies other than the Treasury Department is approximately \$180,835. See <https://www.fpds.gov/dbsight/> (last accessed Feb. 13, 2013).

² Letter from Contracting Officer, Dep't of the Treasury, to [REDACTED] (Dec. 7, 2012). Award Number TIRNO-13-Z-00003.

³ Agency Order Number TIRNO-13-Z-00005.

⁴ Agency Order Number TIRNO-13-Z-00005-0001.

⁵ According to the Federal Procurement Database, a "Signet Computers" was awarded four contracts between 1999 and 2007; however, I have been informed that the "Signet Computers" at issue came under the control of owner Braulio Castillo no earlier than August 2011. See <https://www.fpds.gov/dbsight/> (last accessed Feb. 14, 2013).

Did an IRS contracting official steer money to a friend's business?

Witnesses interviewed by Committee investigators identified [REDACTED], Director of IT Procurement at the IRS, as the contracting official funneling contracts to Signet Computers. [REDACTED] and Signet Computers owner Braulio Castillo allegedly have a personal relationship that dates back several years. According to whistleblowers, [REDACTED] told several individuals that if they want their companies to receive contracts from the IRS they must speak with Braulio Castillo.

[REDACTED] also allegedly told others that he helped Castillo and Signet Computers get on the GSA Schedule, used to provide federal agencies with commercial supplies and services. At best, this is a conflict of interest that runs afoul of Part 3 of the Federal Acquisition Regulation.⁶ At worst, the IRS may have a situation in which a contracting official is awarding sole source contracts based on false justifications, or receiving kickbacks in exchange for government contracts.

Did Signet Computers deceive the U.S. Small Business Administration to gain access to HUBZone contracts?

The Historically Underutilized Business Zones (HUBZone) program helps small businesses in urban and rural communities gain preferential access to federal procurement opportunities.⁷ To qualify for a HUBZone contract, a company must have its principal office located within a HUBZone, and 35 percent of the company's employees must reside in a HUBZone. The program's benefits for HUBZone-certified companies include a 10 percent price evaluation preference in full and open contract competitions, as well as subcontracting opportunities.

Witnesses told Committee investigators that Signet Computers may have improperly obtained a HUBZone designation, which likely played a role in the IRS decision to award the company hundreds of millions of dollars in contracts. In 2012, when Signet Computers was competing for the IRS contracts in question, the company claimed to have a principal office at 519 H Street NW in Washington, D.C. That address, which was located in a HUBZone at the time, is a row house with several tenants, including Signet Computers and Capitol Hemp.⁸ To

⁶ Fed. Acquisition Regulation Subpart 3.101-1 states: Government business shall be conducted in a manner above reproach and, except as authorized by statute or regulation, with complete impartiality and with preferential treatment for none. Transactions relating to the expenditure of public funds require the highest degree of public trust and an impeccable standard of conduct. The general rule is to avoid strictly any conflict of interest or even the appearance of a conflict of interest in Government-contractor relationships. While many Federal laws and regulations place restrictions on the actions of Government personnel, their official conduct must, in addition, be such that they would have no reluctance to make a full public disclosure of their actions.

⁷ SBA website, available at <http://www.sba.gov/hubzone/> (last accessed Feb. 15, 2013).

⁸ See <http://www.loopnet.com/Property-Record/519-H-Street-Nw-Washington-DC-20001/ZR81XN65Q/?SRID=3123435388&jli=y> (last accessed Feb. 14, 2013). Capitol Hemp reportedly recently closed as part of a deal with federal prosecutors. See http://www.huffingtonpost.com/2012/04/10/capitol-hemp-closing-shop_n_1414330.html (last accessed Feb. 14, 2013).

satisfy the HUBZone employment requirement, Signet Computers apparently employs several students and faculty—including an assistant coach of the football team—of the Catholic University of America, which is located in a designated HUBZone area.⁹

Signet Computers also renamed itself on multiple occasions in 2012. Witnesses allege this was done to avoid scrutiny from the U.S. Small Business Administration (SBA). Witnesses told Committee investigators that Signet Computers is also known as Strong Castle Inc. and Strong Castle, LLC (hereinafter known collectively as “Signet Computers”). All of these companies are owned and controlled by Castillo, and they share the same business addresses and website.

Were the IRS contract solicitations drafted to favor Signet Computers?

Although the \$300 million BPA awarded to Signet Computers in December 2012 occurred through full and open competition for the contract, the IRS included a preference for “a HUBZone small business as a Lead contractor” in the solicitation.¹⁰ This arrangement created what is commonly referred to as a pass through—where a non-responsible small business entity is awarded a contract only to subcontract it to a large integrator. The narrowly-tailored solicitation was issued on December 11, 2012, with offers due by December 17, 2012—only six days later.¹¹

The solicitation for the \$80 million BPA awarded to Signet Computers stated that “socio-economic status becomes more important than price.”¹² It also stated that a HUBZone status would be rated as “Excellent” and a Service-Disabled Veteran-Owned Small Business (SDVOSB) status would be rated as “Good,” with all other small businesses being rated as “Acceptable” and Large Business being rated as “Neutral.”¹³ Signet Computers claims both HUBZone and SDVOSB certifications. This information, if true, makes me skeptical that this award was full and open in nature.

In August 2012, a whistleblower contacted the Office of the Treasury Inspector General for Tax Administration with evidence that ██████ improperly directed contracts to Castillo and Signet Computers. The whistleblower also presented evidence that Signet Computers improperly obtained both HUBZone and SDVOSB certifications. Despite this information, however, Signet Computers continued to receive contracts from the IRS. In fact, Signet Computers was recently awarded the 2012 Small Business Prime Contractor of the Year award from the Treasury Department.¹⁴ In January 2013, another whistleblower wrote to the SBA highlighting these same concerns.

⁹ See, e.g., LinkedIn profile of Mike McGarry, available at http://www.linkedin.com/pub/mike-mcgarry/4a/aa4/721?_mSplash=1&sessionid=81FsE9vpZUE33_0oiwk5 (last accessed Feb. 14, 2013).

¹⁰ Solicitation Number TIRNO-13-Q-00028, at 37.

¹¹ *Id.* at 1.

¹² Request Number TIRNO-12-Q-00083, at 39.

¹³ *Id.*

¹⁴ Nani Coloretti, *Treasury Exceeds Small Business Contracting Goals for Second Year in a Row*, Treasury Notes (Jan. 7, 2013).

Please provide the following documents to the Committee as soon as possible, but by no later than 5:00 p.m. on March 6, 2013:

1. Documents and communications between and among any employee of the IRS and Braulio Castillo and/or any employee of Signet Computers.¹⁵
2. Communications to or from [REDACTED] referring or relating to Braulio Castillo or Signet Computers.
3. Documents and communications referring or relating to any contracts awarded by the IRS in 2012 for which [REDACTED] was contracting officer or a source selection official.
4. Documents and communications referring or relating to Braulio Castillo or Signet Computers.
5. Documents and communications referring or relating to the decision to name Signet Computers the 2012 Small Business Prime Contractor of the Year.
6. Any internal IRS memoranda, policies, or instructions which interpret or augment Federal Acquisition Regulation provision relating to ethics.
7. Documents referring or relating to the responsibility determination made by the IRS contracting officer, including, but not limited to, documents relating to past performance regarding any contract involving Braulio Castillo or Signet Computers.
8. Documents referring or relating to any meetings, conversations or communications between Braulio Castillo and [REDACTED].
9. Documents and communications referring or relating to the status of Braulio Castillo as a service-disabled veteran.
10. Documents referring or relating to the status of Signet Computers as a qualified HUBZone.

The Committee on Oversight and Government Reform is the principal oversight committee of the House of Representatives and may at "any time" investigate "any matter" as set forth in House Rule X. An attachment to this letter provides additional information about responding to the Committee's request.

When producing documents to the Committee, please delivery production sets to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in

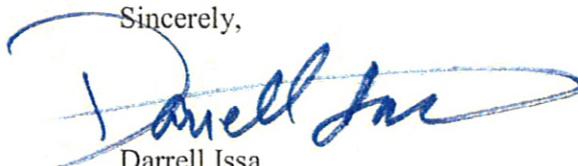
¹⁵ For purposes of this request, the term "Signet Computers" means Signet Computers, Inc., Strong Castle, LLC, Strong Castle, Inc., and any successor or affiliated entity or assignee.

Acting Secretary Neal S. Wolin
February 20, 2013
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Room 2471 of the Rayburn House Office Building. The Committee prefers, if possible, to receive all documents in electronic format.

If you have questions about this request, please contact [REDACTED] of the Committee Staff at (202) 225-5074. Thank you for your prompt attention to this matter.

Sincerely,



Darrell Issa
Chairman

Enclosure

cc: The Honorable Elijah E. Cummings, Ranking Minority Member

The Honorable J. Russell George, Inspector General for Tax Administration
U.S. Department of the Treasury

The Honorable Karen G. Mills, Administrator
U.S. Small Business Administration

ONE HUNDRED THIRTEENTH CONGRESS

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COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

Majority (2021 225-5074)
Minority (2021 275-5051)

Responding to Committee Document Requests

1. In complying with this request, you are required to produce all responsive documents that are in your possession, custody, or control, whether held by you or your past or present agents, employees, and representatives acting on your behalf. You should also produce documents that you have a legal right to obtain, that you have a right to copy or to which you have access, as well as documents that you have placed in the temporary possession, custody, or control of any third party. Requested records, documents, data or information should not be destroyed, modified, removed, transferred or otherwise made inaccessible to the Committee.
2. In the event that any entity, organization or individual denoted in this request has been, or is also known by any other name than that herein denoted, the request shall be read also to include that alternative identification.
3. The Committee's preference is to receive documents in electronic form (i.e., CD, memory stick, or thumb drive) in lieu of paper productions.
4. Documents produced in electronic format should also be organized, identified, and indexed electronically.
5. Electronic document productions should be prepared according to the following standards:
 - (a) The production should consist of single page Tagged Image File ("TIF"), files accompanied by a Concordance-format load file, an Opticon reference file, and a file defining the fields and character lengths of the load file.
 - (b) Document numbers in the load file should match document Bates numbers and TIF file names.
 - (c) If the production is completed through a series of multiple partial productions, field names and file order in all load files should match.
 - (d) All electronic documents produced to the Committee should include the following fields of metadata specific to each document;

BEGDOC, ENDDOC, TEXT, BEGATTACH, ENDATTACH,
PAGECOUNT, CUSTODIAN, RECORDTYPE, DATE, TIME, SENTDATE,
SENTTIME, BEGINDATE, BEGINTIME, ENDDATE, ENDTIME, AUTHOR, FROM,

CC, TO, BCC, SUBJECT, TITLE, FILENAME, FILEEXT, FILESIZE,
DATECREATED, TIMECREATED, DATELASTMOD, TIMELASTMOD,
INTMSGID, INTMSGHEADER, NATIVELINK, INTFILPATH, EXCEPTION,
BEGATTACH.

6. Documents produced to the Committee should include an index describing the contents of the production. To the extent more than one CD, hard drive, memory stick, thumb drive, box or folder is produced, each CD, hard drive, memory stick, thumb drive, box or folder should contain an index describing its contents.
7. Documents produced in response to this request shall be produced together with copies of file labels, dividers or identifying markers with which they were associated when the request was served.
8. When you produce documents, you should identify the paragraph in the Committee's schedule to which the documents respond.
9. It shall not be a basis for refusal to produce documents that any other person or entity also possesses non-identical or identical copies of the same documents.
10. If any of the requested information is only reasonably available in machine-readable form (such as on a computer server, hard drive, or computer backup tape), you should consult with the Committee staff to determine the appropriate format in which to produce the information.
11. If compliance with the request cannot be made in full by the specified return date, compliance shall be made to the extent possible by that date. An explanation of why full compliance is not possible shall be provided along with any partial production.
12. In the event that a document is withheld on the basis of privilege, provide a privilege log containing the following information concerning any such document: (a) the privilege asserted; (b) the type of document; (c) the general subject matter; (d) the date, author and addressee; and (e) the relationship of the author and addressee to each other.
13. If any document responsive to this request was, but no longer is, in your possession, custody, or control, identify the document (stating its date, author, subject and recipients) and explain the circumstances under which the document ceased to be in your possession, custody, or control.
14. If a date or other descriptive detail set forth in this request referring to a document is inaccurate, but the actual date or other descriptive detail is known to you or is otherwise apparent from the context of the request, you are required to produce all documents which would be responsive as if the date or other descriptive detail were correct.
15. Unless otherwise specified, the time period covered by this request is from January 1, 2009 to the present.
16. This request is continuing in nature and applies to any newly-discovered information. Any record, document, compilation of data or information, not produced because it has not been

located or discovered by the return date, shall be produced immediately upon subsequent location or discovery.

17. All documents shall be Bates-stamped sequentially and produced sequentially.
18. Two sets of documents shall be delivered, one set to the Majority Staff and one set to the Minority Staff. When documents are produced to the Committee, production sets shall be delivered to the Majority Staff in Room 2157 of the Rayburn House Office Building and the Minority Staff in Room 2471 of the Rayburn House Office Building.
19. Upon completion of the document production, you should submit a written certification, signed by you or your counsel, stating that: (1) a diligent search has been completed of all documents in your possession, custody, or control which reasonably could contain responsive documents; and (2) all documents located during the search that are responsive have been produced to the Committee.

Schedule Definitions

1. The term "document" means any written, recorded, or graphic matter of any nature whatsoever, regardless of how recorded, and whether original or copy, including, but not limited to, the following: memoranda, reports, expense reports, books, manuals, instructions, financial reports, working papers, records, notes, letters, notices, confirmations, telegrams, receipts, appraisals, pamphlets, magazines, newspapers, prospectuses, inter-office and intra-office communications, electronic mail (e-mail), contracts, cables, notations of any type of conversation, telephone call, meeting or other communication, bulletins, printed matter, computer printouts, teletypes, invoices, transcripts, diaries, analyses, returns, summaries, minutes, bills, accounts, estimates, projections, comparisons, messages, correspondence, press releases, circulars, financial statements, reviews, opinions, offers, studies and investigations, questionnaires and surveys, and work sheets (and all drafts, preliminary versions, alterations, modifications, revisions, changes, and amendments of any of the foregoing, as well as any attachments or appendices thereto), and graphic or oral records or representations of any kind (including without limitation, photographs, charts, graphs, microfiche, microfilm, videotape, recordings and motion pictures), and electronic, mechanical, and electric records or representations of any kind (including, without limitation, tapes, cassettes, disks, and recordings) and other written, printed, typed, or other graphic or recorded matter of any kind or nature, however produced or reproduced, and whether preserved in writing, film, tape, disk, videotape or otherwise. A document bearing any notation not a part of the original text is to be considered a separate document. A draft or non-identical copy is a separate document within the meaning of this term.
2. The term "communication" means each manner or means of disclosure or exchange of information, regardless of means utilized, whether oral, electronic, by document or otherwise, and whether in a meeting, by telephone, facsimile, email (desktop or mobile device), text message, instant message, MMS or SMS message, regular mail, telexes, releases, or otherwise.

3. The terms "and" and "or" shall be construed broadly and either conjunctively or disjunctively to bring within the scope of this request any information which might otherwise be construed to be outside its scope. The singular includes plural number, and vice versa. The masculine includes the feminine and neuter genders.
4. The terms "person" or "persons" mean natural persons, firms, partnerships, associations, corporations, subsidiaries, divisions, departments, joint ventures, proprietorships, syndicates, or other legal, business or government entities, and all subsidiaries, affiliates, divisions, departments, branches, or other units thereof.
5. The term "identify," when used in a question about individuals, means to provide the following information: (a) the individual's complete name and title; and (b) the individual's business address and phone number.
6. The term "referring or relating," with respect to any given subject, means anything that constitutes, contains, embodies, reflects, identifies, states, refers to, deals with or is pertinent to that subject in any manner whatsoever.
7. The term "employee" means agent, borrowed employee, casual employee, consultant, contractor, de facto employee, independent contractor, joint adventurer, loaned employee, part-time employee, permanent employee, provisional employee, subcontractor, or any other type of service provider.