



FOR IMMEDIATE RELEASE

Statement of Chairman Bennie G. Thompson

“Performance Based Acquisitions: Creating Solutions or Causing Problems?”

May 8, 2008 (Washington) – Today, Committee on Homeland Security Chairman Bennie G. Thompson (D-MS) delivered the following prepared remarks for the full Committee hearing entitled “Performance Based Acquisitions: Creating Solutions or Causing Problems?”:

“Performance-based contracting allows the government to issue contracts without specifying what goods or services it wants to buy. Instead, the government can issue a statement describing the problem it wants solved and have the private sector propose solutions.

This approach can provide the needed flexibility to promote innovations by businesses.

Or it can be a recipe for chaos.

Let me just give you a few highlights of this Department’s experience with performance-based contracting:

Emerge2 was a performance- based contract to develop a department-wide financial management system. It did not have clear or complete requirements. And after spending \$52 million, the Department the program.

Deepwater is a performance- based contract program to modernize the Coast Guard fleet. In August 2006, the Department’s Inspector General recommended that the Coast Guard increase oversight of the program and better define requirements. This would help ensure that the contractor’s activities meet program goals. The Department couldn’t follow the IG’s recommendations. By August 2007, it had spent \$1 billion on a program that has become well-known for producing ships that would not float.

“Project 28” of SBINet was a performance-based contract to enhance border security. Not only has the program been repeatedly delayed but it has not met the Department’s needs. DHS accepted this project and paid the contractor but said that most of the work must be redone. American taxpayers have already spent \$20 million on this project and now, DHS is saying that they will need at least another \$40 million to fix it.

I could provide additional examples of performance-based contracting gone wrong, but I will spare you the sad litany.

But I will say this—there are strict rules that govern the issuance of performance- based contracts. Moreover, GAO has found that strong organizational systems must be in place to effectively implement this kind of contract.

At a minimum, there must be an adequate number of trained and knowledgeable procurement staff. There must also be active involvement between program managers and procurement staff. Finally, there must be oversight to assure that contractors are meeting expectations.

Without these basic organizational features, performance-based contracting will not succeed. DHS does not have these basic features.

Structurally, the Chief Procurement Officer is hamstrung. He does not have direct line authority over procurement operations within the components. At the same time, the procurement operations are not fully staffed. GAO reports that as of February 2008, DHS only had 60% of the necessary procurement personnel on board.

I appreciate that the new chief procurement officer is trying to make changes. And that he is under the gun to comply with the Office of Management and Budget's mandated 40% use of performance-based contracting.

Given these circumstances, it should come as no surprise that- costly mistakes happen, staff attrition grows, inadequate planning continues, and the cycle of ineptitude and waste goes on.

But when we are spending the taxpayer's money, complacency about the weaknesses in DHS' procurement shop is not acceptable.

Let me be clear. I am not suggesting that we throw the baby out with the bathwater.

However, I am suggesting that we adjust the water temperature, switch our brand of soap, and replace the sponge. We cannot keep doing the same thing in the same way and expect different results.

The American people deserve our best efforts and our assurance that their money is being spent wisely. When it comes to performance-based contracts, they have received neither. "

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