



U.S. SENATE COMMITTEE ON

Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

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For Immediate Release

Friday, May 13, 2005

Grassley seeks investigation of problematic government contract

WASHINGTON — Sen. Chuck Grassley is asking for an accounting of allegations about possible waste, fraud, conflict of interest and inappropriate political influence with at least one contract made by the Federal Aviation Administration.

In a letter sent today, Grassley urged the Inspector General for the Department of Transportation to investigate claims brought to his attention by employees of the department.

“Based on the information my office received, it looks like the Federal Aviation Administration just wanted to pay off the contractor and sweep these questions under the rug,” Grassley said. “Unfortunately, this practice is all too common in government contracting. When something goes wrong, both the agency and the contractor responsible circle the wagons to try to hide the problem. Taxpayers deserve better and allegations like these deserve a thorough and independent review by the Inspector General.”

Here is the text of Grassley’s letter, which describes the concerns that have been raised. Grassley has a long record of oversight of the federal government and a reputation for championing government whistleblowers.

May 12, 2005

The Honorable Kenneth M. Mead
Inspector General
United States Department of Transportation
400 7th Street, SW
Room 9210
Washington, D.C. 20590

Dear Mr. Mead:

Allegations have been brought to my attention of potential waste, fraud, conflict of interest, and inappropriate political influence involving a contract between the Federal Aviation Administration (FAA) Military Operations Division (MILOPS) and Crown Consulting, Inc. (Crown Consulting). According to information provided to my office, this \$16 million contract was recently terminated for convenience even though some within the FAA/MILOPS believed a

case could have been made for a termination for default. Individuals in the General Counsel's office allegedly said that termination for default was not an option because it would cause too much "10th floor fallout" - an apparent reference to the contractor's political influence with FAA executives.

Following the termination for convenience, the FAA signed a settlement agreement with Crown Consulting and paid 85 percent of the outstanding invoices. Payments on invoices had been withheld for five months because of the contractor's alleged failures to perform. I have questions about why the FAA would agree to pay this settlement given the significant concerns that have been brought to my attention about potential waste and fraud, as well as the fact that the agreement purports to limit the scope of a proposed Defense Contract Audit Agency (DCAA) audit. I understand that when employees within the FAA brought suspicious invoices the attention of supervisors, their concerns were dismissed because some of the questionable charges occurred prior to the disputed five-month period. Those employees questioning the propriety of these charges were told the FAA had no interest in "digging up old trash."

Some of the examples of suspicious activity on this contract include: \$30,000 in office furniture unaccounted for, including a copier and several \$400 executive chairs; seven leased properties in Australia; a \$3,500/mo. auto lease; unauthorized and unexplained trips to Las Vegas; and a fluctuating monthly payment for the lease of a facility in Herndon, Virginia for which the contractor was unable to produce either a lease agreement or receipts.

I am also aware of allegations of conflict of interest stemming from the fact that the wife and a friend of an FAA official were employed on this contract. Despite this suspicious activity, the FAA inexplicably agreed to limit the scope of the DCAA audit that had been initiated before settlement. Moreover, it has come to my attention that the FAA currently has no protocol in place requiring post-contract audits generally, a fact I find troubling in light of these allegations.

I think it is clear that a thorough review of this contract is in order. I request that your office perform such a review and provide a report of the results. I would also like to know more about Crown Consulting's other contracts with the FAA, specifically:

- (1) How many contracts does Crown Consulting have with the FAA (as either a prime or a subcontractor)?
- (2) What is the total dollar value of those contracts?
- (3) What percentage of those contracts are sole source?
- (4) How many Crown Consulting contracts have been terminated as a result of failure to perform, insufficient progress, or any reason other than completion in accordance with the contractual agreement?
- (5) How many Crown Consulting contracts have resulted in dispute resolution, settlement agreements, or litigation?
- (6) To what extent have Crown Consulting contracts been subjected to independent auditing and what have been the results any previous audits?

I am concerned that the problems reported to me may not be isolated, but rather may be symptoms of larger problems at the FAA. For example, you recently testified about concerns over FAA's monitoring and administration of task order contracts awarded under multiple awards schedules. You cited an investigation into just one task order awarded to a contractor where the

FAA was unable to tell you the full extent of the contractor's work with the agency. Subsequently, you learned that the contractor is involved in at least 46 different task orders, under two multiple-award contracts, having a total value of over \$115 million. I am deeply troubled by these findings and believe there is the potential for millions of taxpayer dollars being lost to fraud, waste and abuse. Therefore, I believe that a general review of the FAA's use of these types of contracts is also necessary.

Thank you for your prompt attention to these matters. I ask that you touch base with my staff to arrange a briefing during the week of May 23, 2005 to update us on your efforts.

Sincerely,

Charles E. Grassley
U.S. Senator

cc: Marion C. Blakey
Federal Aviation Administrator
800 Independence Ave, SW
Washington, D.C. 20591