

United States Senate

Washington, D.C. 20510

For Immediate Release

Thursday, August 18, 2005

Senators seek to hold FAA accountable for contracting reform

WASHINGTON – Two senators have asked the head of the Federal Aviation Administration (FAA) for more information about the agency’s effort to place stricter controls on its service contracts.

“Support service contracts at the FAA represent over \$1 billion in taxpayer funds and should be scrutinized to ensure that every dollar is spent as intended and not subject to fraud, waste or abuse,” said Sens. Chuck Grassley and Tom Coburn in a letter sent this week to FAA Administrator Marion Blakey.

Grassley and Coburn have been working with the Inspector General for the Department of Transportation to prompt contracting reforms at the FAA after receiving a complaint from an FAA whistleblower about contracting practices.

The text of Grassley and Coburn’s letter follows here.

August 17, 2005

The Honorable Marion C. Blakey
Administrator
Federal Aviation Administration
800 Independence Avenue, SW
Washington, DC 20591

Dear Ms. Blakey:

As members of the United States Senate and as Chairman of the Committee on Finance and Subcommittee on Federal Financial Management, Government Information, and International Security, it is our duty under the Constitution to conduct oversight into the actions of Executive branch agencies and how appropriated funds are spent. Recently, we began examining contracting practices at the Federal Aviation Administration (FAA) after a complaint was brought to our attention regarding allegations of possible fraud, waste, and abuse of taxpayer dollars.

In response to these allegations, we have been working closely with the Office of the Inspector General for the Department of Transportation (OIG) and periodically copying your

office when we have requested further reviews. During the course of our review and that of the OIG, a number of questions have arisen regarding policies, procedures, and the administration of procurement efforts at the FAA following acquisition reform instituted nearly a decade ago.

The FAA faced a major hurdle in 1995 as it worked to modernize the nation's air traffic control system. Congress, responding to concerns about the FAA's ability to complete this modernization, provided the FAA with an exemption from existing Federal procurement laws and regulations, including the Federal Acquisition Regulations (FAR). The purpose of this exemption, as stated by the FAA, was to create "an acquisition system that provides for more timely and cost-effective acquisition reform." Further, the FAA stated "the focus of acquisition reform was on mission accomplishment, rather than compliance with rules and processes."

While these two goals were the original intent of procurement reform, a May 2005 report by the OIG shows that major acquisitions at the FAA are experiencing cost growth, schedule delays, and performance shortfalls. Further, in April of 2005, Inspector General Meade testified that he had "several significant concerns" regarding the use of multiple award support service contracts by the FAA. According to the OIG, these contracts faced many problems, including: a lack of clarity, a lack of centralized controls, and a lack of disparity between contractors and that of FAA employees. If these concerns are valid, the reforms that were instituted in granting the FAA an exemption from procurement laws seem to have been left on the side of the road.

It has come to our attention that, in an effort to address the concerns raised by both the OIG and our offices, you recently distributed an internal memorandum that outlined various contracting reforms and discussed the need for stricter controls over service contracts. Specifically, your memorandum outlined a number of contracting reforms. First, the FAA will now require competitive bidding on all support service contracts with a value of \$1 million or more, in addition to requiring support service contract review by the Deputy Administrator. Second, the FAA's Chief Financial Officer (CFO) will provide oversight of all support service contracts and personally sign off on any contract over \$10 million. Finally, you are directing the Acquisition Executive to institute mandatory training on program integrity for all FAA programs officials.

Taken as a whole these reforms present an opportunity for the FAA to exercise greater financial and managerial control over support service contracts. However, there are significant differences between "recommending" reforms and "implementing" reforms.

Support service contracts at the FAA represent over \$1 billion in taxpayer funds and should be scrutinized to ensure that every dollar is spent as intended and not subject to fraud, waste or abuse. In light of the OIG's concerns, the ongoing nature of our review, and the recent memorandum distributed, we request that the FAA provide our staffs with a detailed briefing to discuss FAA acquisition reform. More specifically, please be prepared to:

- (1) Discuss why the FAA failed to conduct a follow-up evaluation of FAA acquisition reform after 1999 when the FAA's own review stated "the agency is probably four years away from determining whether acquisition reform has truly been successful."

(2) Provide an update regarding multiple award support service contracts, including the number of outstanding contracts, value of these contracts, as well as the number of contractors that are currently working for the FAA under these contracts.

(3) Provide an update as to the number of employees that have voluntarily left the FAA to seek employment with contractors operating under any multiple award support service contract.

(4) Provide an update regarding the various reforms that were outlined in your memorandum dated August 11, 2005, including a detailed timeline for the implementation of these reforms.

(5) Provide an update as to the FAA's cooperation with the OIG and DCAA during the course of the audits and reviews we have requested by these entities.

We thank you in advance for your assistance in this matter and request that your staff coordinate with our offices no later than August 24, 2005 to schedule a briefing.

Sincerely,

Charles E. Grassley
United States Senator
Chairman, Committee on Finance

Tom Coburn, M.D.
United States Senator
Chairman, Homeland Security/Government Affairs Subcommittee
on Federal Financial Management

cc: The Honorable Kenneth M. Mead
Inspector General
United States Department of Transportation
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