United States Senate

COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

June 6, 2003

<u>Via Facsimile (202/219-1243 and 202/219-5742)</u>
and First-Class Mail

The Honorable Stephen A. Perry
Administrator
General Services Administration
1800 F Street, N.W.
Washington, D.C. 20405

Dear Administrator Perry:

Thank you for responding to my earlier letter requesting that you outline the actions taken by the General Services Administration (GSA) to evaluate the continuing suitability of WorldCom to serve as a federal contractor. Having reviewed the documents accompanying your letter, I still question whether GSA acted as promptly and vigorously as it could have under the circumstances to protect the taxpayers and the integrity of the federal procurement process.

My views on this matter are supported by the June 2, 2003, recommendation of your Inspector General (IG) that GSA consider initiating suspension proceedings against WorldCom.

Earlier revelations concerning WorldCom's financial fraud should have triggered a thorough evaluation of the corporation's suitability as a significant contractor with the federal government. Last June, for example, the Securities and Exchange Commission stated the following: "[T]he WorldCom disclosures confirm that accounting improprieties of unprecedented magnitude have been committed in the public markets." Given this conclusion, I am concerned that GSA appears not to have undertaken a thorough, formal evaluation of WorldCom's continued suitability to receive federal contracts pursuant to the Federal Acquisition Regulations (FAR).

Instead, GSA focused on the narrower question of whether WorldCom was performing its contractual obligations to GSA in a satisfactory manner. The FAR empowers federal officials to suspend contractors "in the public interest" for a variety of offenses delineated at FAR 9.407-2. GSA did not, from what I can tell, evaluate whether "immediate action is necessary to protect the Government's interest" as envisioned by FAR 9.407-1(b)(1). From your response, it appears that GSA did not seek to determine whether there was any evidence of a violation that might
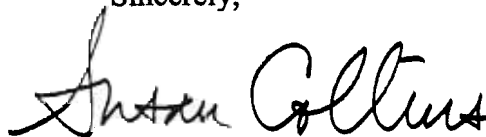
have led to a suspension. Most significantly, no analysis was done to determine whether WorldCom continued to possess the "business integrity or business honesty" that would affect its present responsibility under FAR 9.407-2(a)(7).

An adequate investigation into the many questions raised by WorldCom's activities would have required GSA to conduct its own thorough, searching inquiry into these matters. Instead, GSA seems to have relied extensively on WorldCom's own representations. Although some neutral parties appear to have been consulted, I see no indication that GSA considered significant contrary evidence raised by other sources such as the bankruptcy examiner.

The only analysis ever undertaken into such matters appears to have been that done by the contracting officer who determined WorldCom to be responsible for purposes of an extension of the FTS2001 contract last November. This two-page analysis, however, cannot be said to have served the public's need to ensure the integrity of one of the government's most significant telecommunications contractors.

Although I reserve judgment on the ultimate question of suitability, I hope that you will promptly follow the IG's recommendation and perform the type of probing investigation and analysis that, in my view, should have occurred months ago.

Sincerely,

Susan M. Collins
Chairman

SMC/ar