



Highlights of [GAO-09-174](#), a report to congressional requesters

## Why GAO Did This Study

To protect the government’s interests, any agency can exclude (i.e., debar or suspend) parties from receiving federal contracts or assistance for a range of offenses. Exclusions of companies or individuals from federal contracts or other funding are listed in the Excluded Parties List System (EPLS), a Web-based system maintained by GSA.

Recent allegations indicate that excluded parties have been able to receive federal contracts. As a result, GAO was asked (1) to determine whether these allegations could be substantiated and (2) to identify the key causes of any improper awards and other payments detected. GAO investigated parties that were excluded for offenses such as fraud, theft, and violations of federal statutes and received awards in excess of \$1,000.

## What GAO Recommends

GAO recommends that GSA take actions to strengthen controls over EPLS, including issuing guidance to agency officials on EPLS requirements, ensuring that EPLS requires the entrance of contractor identification numbers, and strengthening search functions. GSA agreed with these recommendations and outlined several actions it has taken or plans to take. However, the actions described do not achieve the intent of GAO’s recommendations. GSA simply restated its current policies instead of agreeing to take steps to oversee the completeness of EPLS and ensure that exclusions are properly enforced.

To view the full product, including the scope and methodology, click on [GAO-09-174](#). For more information, contact Gregory Kutz at (202) 512-6722 or [kutzg@gao.gov](mailto:kutzg@gao.gov).

# EXCLUDED PARTIES LIST SYSTEM

## Suspended and Debarred Businesses and Individuals Improperly Receive Federal Funds

### What GAO Found

Businesses and individuals that have been excluded for egregious offenses ranging from national security violations to tax fraud are improperly receiving federal contracts and other funds. GAO developed cases on a number of these parties and found that they received funding for a number of reasons, including because agency officials failed to search EPLS or because their searches did not reveal the exclusions. GAO also identified businesses and individuals that were able to circumvent the terms of their exclusions by operating under different identities. GAO’s cases include the following:

- The Army debarred a German company after its president attempted to ship nuclear bomb parts to North Korea. As part of the debarment, Army stated that since the president “sold potential nuclear bomb making materials to a well-known enemy of the United States,” there was a “compelling interest to discontinue any business with this morally bankrupt individual.” However, Army told GAO it was legally obligated to continue the contract and paid the company over \$4 million in fiscal 2006. In fact, the Army had several options for terminating the contract, but it is not clear if these options were considered.
- The Navy suspended a company after one of its employees sabotaged repairs on an aircraft carrier by using nonconforming parts to replace fasteners on steam pipes. If these pipes had ruptured as a result of faulty fasteners, those aboard the carrier could have suffered lethal burns. Less than a month later, the Navy improperly awarded the company three new contracts because the contracting officer did not check EPLS.

#### Additional Examples of Excluded Parties That Continued to Receive Federal Funds

Nature of work	Reason for exclusion	Case details
Administrative services	Submission of inflated invoices to IRS	NASA awarded company \$450,000 because it did not search EPLS.
Computer services	Falsification of SEC filings	USDA awarded company \$120,000 when EPLS searches did not reveal the suspension.
Electronics	Conviction for making fraudulent purchases using stolen federal government credit cards	Debarred owner created “new” company with a different name but the same address, to obtain awards from the Defense Logistics Agency.

Source: GAO.

Most of the improper contracts and payments GAO identified can be attributed to ineffective management of the EPLS database or to control weaknesses at both excluding and procuring agencies. For example, GAO’s work shows that entries may contain incomplete information, the database has insufficient search capabilities, and the points of contact for information about exclusions are incorrect. GAO also found several agencies that did not enter exclusions and others that did not check EPLS prior to making awards. Finally, GAO found that excluded parties were still listed on GSA’s Federal Supply Schedule, which can result in agencies purchasing items from unscrupulous companies. To verify that no warnings exist to alert agencies that they are making purchases from excluded parties, GAO used its own purchase card to buy body armor worth over \$3,000 from a company that had been debarred for falsifying tests related to the safety of its products.