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Opening Statement

Rep. Elijah E. Cummings, Ranking Member

Hearing on "The IRS Contracts with Strong Castle, Inc." June 26, 2013

Thank you, Mr. Chairman, for calling today's hearing to examine allegations against a company named Strong Castle, Inc. that has been awarded \$51 million in obligations under information technology contracts with the Internal Revenue Service.

The first allegation made against Strong Castle last December was that the company's owner, a local businessman from Northern Virginia named Braulio Castillo, took improper advantage of the Historically Underutilized Business Zone program (HUBZone) while setting up his companies here in Washington, D.C.

The purpose of the HUBZone program is to help small businesses increase employment, investment, and economic development in historically underutilized business areas. As part of this program, which is overseen by the Small Business Administration, companies may receive preferred status when bidding on federal contracts.

In order to qualify, Mr. Castillo opened one small office in a HUBZone near the Chinatown neighborhood of Washington, D.C. He then worked with the Head Football Coach at Catholic University, his former college roommate, to hire college students living in a different HUBZone near that school.

Mr. Castillo's former employer and current competitor, Government Acquisitions Inc., filed protests with SBA and the Government Accountability Office. The company accused Mr. Castillo of engaging in a "shell game" with multiple businesses and employees. It also accused him of "manipulating the facts to gain the preferred status."

SBA investigated these allegations and decertified Mr. Castillo's company as a HUBZone contractor on May 23, 2013. I ask unanimous consent that SBA's decertification letter be placed into the hearing record.

SBA determined that Mr. Castillo's company submitted employee records that were "false and inaccurate." It also concluded that the company "does not have the adequate internal controls to independently verify employee records."

Despite these findings, I credit Mr. Castillo for appearing before the Committee today. He participated in a nine-hour interview with Committee staff, he provided documents to us and to SBA, and he is here to explain his actions. Committee staff also conducted extensive interviews with almost all of his employees.

Another major allegation involves Mr. Castillo's personal relationship with an IRS employee named Greg Roseman. Mr. Roseman did not disclose this relationship to the contracting officers who awarded contracts to Strong Castle, to his direct supervisor at the IRS, or to the IRS Office of General Legal Services.

Mr. Roseman was not the contracting officer ultimately responsible for awarding contracts to Mr. Castillo's company, but he participated in the contracting process as a voting member of the Contract Review Board for two of these contracts.

No IRS officials reported having any knowledge of Mr. Castillo's relationship with Mr. Roseman. In addition, no contracting officials or other IRS employee interviewed by the Committee reported any inappropriate influence by Mr. Roseman on the contracting process. Nevertheless, the evidence obtained by the Committee indicates at least an appearance of impropriety because Mr. Roseman did not disclose this relationship or recuse himself from the contracting process.

Regarding their personal relationship, Mr. Castillo stated during his interview with Committee staff: "Greg Roseman and I are friends." In addition, on May 15, 2013, the Treasury Inspector General for Tax Administration reported that Mr. Castillo and Mr. Roseman had exchanged text messages on their personal cell phones that "contained inappropriate language and lacked professional decorum."

These hundreds of text messages included both work-related and personal communications. They also included obviously inappropriate communications with juvenile and offensive homosexual slurs and mocking references to another IRS employee.

Mr. Roseman has been reassigned pending the completion of the Inspector General's review and is no longer overseeing procurement matters. Earlier this week, his attorney wrote to the Committee indicating that Mr. Roseman is invoking his Fifth Amendment right not to testify today. I am not here to defend his actions, but this is his right under the Constitution, and as Members of Congress, we are all bound to respect that right.

Mr. Chairman, as I close, I want to thank you again for holding today's hearing, and I look forward to discussing with our witnesses ways to improve contractor compliance with our nation's procurement laws.

Contact: Jennifer Hoffman, Press Secretary, (202) 226-5181.