

Testimony of Maj Gen Wendy Masiello

KC-X Hearing Before the Senate Armed Services Committee

January 27th, 20011

Mr. Chairman, Senator McCain and members of the Committee thank you for the opportunity to discuss the events surrounding an inadvertent disclosure of information related to the KC-X Program. I should make it clear at the outset that neither I nor my fellow witness, Mr. Shirley, are affiliated with the KC-X Source Selection and thus we cannot address, nor speculate, on matters beyond the scope of today's hearing. As the senior Air Force military officer with contracting experience, as well as experience in numerous source selections, I have been asked to review the redacted record of the incident, and the extent of the Air Force's response, so that I could appear today to address the process that was followed and how the Air Force's actions maintained the integrity of the Source Selection process. I know that committee members are aware that the Air Force is in the midst of the Source Selection and will appreciate that my testimony today will be limited to the specifics of this event and my analysis of the actions taken. The Air Force has been and remains committed to a fair, open and transparent KC-X source selection. I understand the Department has provided all Committee requested documents, properly redacted of proprietary and source selection sensitive information. These are:

- The summary statements by the Procuring Contracting Officer and the Head of Air Force Contracting Activity regarding the Procurement Integrity Act;

- The OSD Independent Review Team's report;
- Statements from both companies, including signed, CEO certification letters; and,
- The summary statement of the classified, Defense Computer Forensics report.

Before responding to your questions, let me provide this summary of where the Air Force believes the record stands today.

First, the Air Force determined that the error was unintentional and that the actions of the individuals, both government and offerors, did not constitute a violation of the Procurement Integrity Act.

Second, through the statements offered by the employees who handled or viewed the disks from both companies, certified in writing by both company CEOs, and other means which I'll address in a moment, the Air Force believes that the information exposed to one offeror's employee was limited to one screen of summary data related to the government's Integrated Fleet Aerial Refueling Assessment, known as IFARA data. None of the information on that page was Proprietary, and as has been previously stated, there was no pricing data anywhere on the disks. The summary page, an excel spreadsheet, was open on the screen for a matter of seconds before it was closed when the company employee realized the mistake. Both companies, upon realizing the error, immediately secured the disks in safes and contacted the Program Office. The Program Office immediately directed and received all of the disks the next day.

The company employee who viewed the single screen shot was reassigned to an administrative position, and did not rejoin the company's proposal preparation team until after the leveling of the playing field, which I'll address momentarily.

Third, at the direction of the Source Selection Authority and Procuring Contracting Officer, an Independent Review was conducted by personnel from the OSD Independent Review Team as to the facts and circumstances regarding the incident. The Review Team also made recommendations to help prevent future occurrences.

Fourth, as a further level of verification, the Air Force requested and both companies cooperated by providing the computers that their competitor's disks were inserted into. Utilizing the Defense Computer Forensics Laboratory the Air Force was able to verify that the record of the disks and files accessed was consistent with the statements provided by both companies and certified by their CEOs.

Fifth, following the investigation, in order to ensure a level playing field, both offerors were presented with the same screen shots of each others' information. Further, since the Air Force was still at a stage where offerors could continue to update their proposals, the Procuring Contracting Officer made it clear that such updates could continue. Consistent with the Air Force's efforts to maintain transparency both offerors received the opportunity to review the forensic analysis of their respective computers.

Sixth, I am informed by the Program Office that the IFARA summary scores shared with both offerors were interim scores, and were not the final

scores that will be used in the evaluation. Further, both offerors will have the opportunity to provide a Final Proposal Revision, as is standard. No offeror was impaired from continuing to improve its proposal.

Seventh, the two individuals directly responsible for the packaging and mailing of the information to the companies were not only removed from the program, but no longer perform any duties on programs associated with the Aeronautical Systems Center. Two other individuals, tangentially involved, were counseled.

Eighth, all recommendations from the OSD Independent Review Team to prevent recurrence have been adopted.

- Transmittal of any classified material to a contract will be accompanied by a letter, not just the Air Force 310 “Document Receipt and Destruction Certificate”, signed by an appropriate official.
- Descriptions of the material being transferred must match both the Transmittal Letter and the Form 310.
- The Transmittal Letter and the AF Form 310 must both be reviewed by the signatory of the Transmittal Letter and an appropriate security official.
- Classified material to be transmitted must be delivered to the security office in a separate clearly marked package to identify the recipient of the material for each package.
- Ensure individuals with knowledge of both the content of the

material and the purpose of the transfer be involved with the preparation and packaging of the information and personally execute the transfer.

Additional measures were taken to include increased supervision oversight and two-person rules that involve senior Program and Contracting Officer personnel to personally verify and validate contents of packages against transmittal letters and inventory forms.

Finally, while the Department regrets that the incident occurred, Department leadership is satisfied that both companies responded to the incident correctly and professionally.

After reviewing the same documents presented to the Committee, it is my opinion that the actions taken by the program office have ensured a level playing field. I'd like to thank the committee for your continued support of our men and women in uniform as we await the outcome of this source selection.