

1 section (b), no entity performing lead system integrator
2 functions in the acquisition of a major system by the De-
3 partment of Homeland Security may have any direct fi-
4 nancial interest in the development or construction of any
5 individual system or element of any system of systems.

6 (b) EXCEPTION.—An entity described in subsection
7 (a) may have a direct financial interest in the development
8 or construction of an individual system or element of a
9 system of systems if—

10 (1) the Secretary of Homeland Security cer-
11 tifies to the Committees on Appropriations of the
12 Senate and the House of Representatives and the
13 House Committee on Homeland Security that—

14 (A) the entity was selected by the Depart-
15 ment of Homeland Security as a contractor to
16 develop or construct the system or element con-
17 cerned through the use of competitive proce-
18 dures; and

19 (B) the Department took appropriate steps
20 to prevent any organizational conflict of interest
21 in the selection process; or

22 (2) the entity was selected by a subcontractor
23 to serve as a lower-tier subcontractor, through a
24 process over which the entity exercised no control.

1 (c) CONSTRUCTION.—Nothing in this section shall be
2 construed to preclude an entity described in subsection (a)
3 from performing work necessary to integrate two or more
4 individual systems or elements of a system of systems with
5 each other.

6 (d) REGULATIONS UPDATE.—Not later than May 1,
7 2007, the Secretary of Homeland Security shall update
8 the acquisition regulations of the Department of Home-
9 land Security in order to specify fully in such regulations
10 the matters with respect to lead system integrators set
11 forth in this section. Included in such regulations shall be
12 (1) a precise and comprehensive definition of the term
13 “lead system integrator”, modeled after that used by the
14 Department of Defense, and (2) a specification of various
15 types of contracts and fee structures that are appropriate
16 for use by lead system integrators in the production, field-
17 ing, and sustainment of complex systems.

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