S. HRG. 110–366

"URGENT REFORM REQUIRED: ARMY EXPEDITIONARY CONTRACTING," THE REPORT OF THE COMMISSION ON ARMY ACQUISITION AND PROGRAM MANAGEMENT IN EXPEDITIONARY OPERATIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT

OF THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

DECEMBER 6, 2007

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"URGENT REFORM REQUIRED: ARMY EXPEDITIONARY CONTRACTING," THE REPORT OF THE COMMISSION ON ARMY ACQUISITION AND PROGRAM MANAGEMENT IN EXPEDITIONARY OPERATIONS

THURSDAY, DECEMBER 6, 2007

U.S. SENATE,
SUBCOMMITTEE ON READINESS
AND MANAGEMENT SUPPORT,
COMMITTEE ON ARMED SERVICES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:31 p.m. in room SR–222, Russell Senate Office Building, Senator Daniel K. Akaka (chairman of the subcommittee) presiding.

Committee members present: Senators Akaka, Levin, McCaskill, Inhofe, and Thune.

Majority staff members present: Daniel J. Cox, Jr., professional staff member; Gerald J. Leeling, counsel; Peter K. Levine, general counsel; Michael J. McCord, professional staff member; and William K. Sutey, professional staff member.

Minority staff members present: Pablo E. Carrillo, minority investigative counsel; David G. Collins, research assistant; Gregory T. Kiley, professional staff member; Derek J. Maurer, minority counsel; Lucian L. Niemeyer, professional staff member; and Diana G. Tabler, professional staff member.

Staff assistants present: Kevin A. Cronin, Ali Z. Pasha, and Benjamin L. Rubin.

Committee members' assistants present: Jay Maroney, assistant to Senator Kennedy; Jon Davey, assistant to Senator Bayh; Stephen C. Hedger, assistant to Senator McCaskill; Sandra Luff, assistant to Senator Warner; Anthony J. Lazarski, assistant to Senator Inhofe; and Stuart C. Mallory, assistant to Senator Thune.

OPENING STATEMENT OF SENATOR DANIEL K. AKAKA, CHAIRMAN

Senator AKAKA. The hearing of the Readiness and Management Support Subcommittee will come to order.

The Readiness and Management Support Subcommittee meets today to hear testimony about the report of the Gansler Commission on Army Acquisition and Program Management in Expeditionary Operations.

But, before we begin, I would like to note that today's hearing is our first since Senator Thune succeeded Senator Ensign as the

ranking member of this subcommittee. Whether as chairman and as ranking member, Senator Ensign always took a bipartisan approach that put the interests of our men and our women in uniform first. I also want to say that, when Senator Inhofe was chairman, we also shared that, as well. Now, I'm confident that Senator Thune will do the same.

So, Senator Thune, I want to personally welcome you as our new ranking member.

Senator THUNE. Thank you, Mr. Chairman.

Senator AKAKA. I look forward to working with you, as I did with Senator Inhofe and with Senator Ensign, and I really enjoyed working with all of them.

This subcommittee has long been concerned about shortcomings in the acquisition and contracting processes of the Defense Department. We have expressed particular concern about an acquisition workforce that simply has been stretched too far and too thin to get the work done.

Last January, I opened our first meeting in Congress by noting that we have fewer and fewer procurement officials responsible for managing more and more contract dollars. In the view of many, these trends long ago passed the point where our acquisition force lost the capacity needed to perform essential functions.

Last month, the Gansler Commission weighed in, reporting that systemic failures in the Army acquisition system have left the Department vulnerable to fraud, waste, and abuse. According to the Gansler Commission, "The cause is a culture that does not sufficiently value or recognize the importance of contracting, contract management, and contractors in expeditionary operations. The Army has excellent, dedicated people, but they are understaffed, overworked, undertrained, undersupported, and, most important, undervalued."

The question before us is not how we got where we are today, but, what are we going to do about it? The Gansler Commission has made a series of recommendations for far-reaching changes in the Army acquisition system, including significant improvements of the size, status, and training of the acquisition workforce. Most dramatically, the Commission says that we need 10 new general officers for contracting positions, and 2,000 new contracting personnel, to meet the needs of the Army alone. These recommendations have my full support, but it will not be possible to implement without strong support from the Army, the Department of Defense (DOD), and Congress.

Fortunately, the initial reports that we have received about the views of the Army and DOD are positive. I hope that we'll be able to get these views on the record in the course of today's hearing.

Senator Thune, it's time for your statement.

STATEMENT OF SENATOR JOHN THUNE

Senator THUNE. Thank you, Mr. Chairman. I appreciate very much the opportunity to serve as ranking member on this subcommittee, and I look forward to working with you. You have conducted this subcommittee's work in an exemplary way, and I have great respect for your leadership; and so, I look forward to working

with you and the other members of the subcommittee as we take on the important tasks at hand.

I want to thank you for convening the hearing on this very important matter. I also want to thank Dr. Gansler, of the Commission, and the members of the Commission, for their valuable assistance, and, of course, Secretary Bolton, General Thompson, and Ms. Condon for their service.

With the Commission's report, we've hit a critical milestone in finally getting a handle on the scope of the problem associated with expeditionary contracting, but much work has yet to be done to analyze the report's findings and recommendations, and, where warranted, see to the recommendations' implementation.

Against that backdrop, I would just issue a note of caution. Some of the Commission's recommendations are very ambitious, calling for change throughout the Department of the Army, and, in some cases, beyond, particularly with regard to those recommendations requiring congressional assistance. For those that may have an impact beyond the Army's contracting corps, I would just ask that we measure twice before cutting once. At least some of my questions for the witnesses will come from that perspective.

Mr. Chairman, I cannot help but note an element of irony in what we're discussing today. In the mid to late 1990s, it was Congress that really went after the acquisition corps of the Services. Incessant reference to a "shopper corps" supported huge reductions into the conference reports during that period. We are now at a point where only about 3 percent of the Army's contracting personnel are Active Duty, where only about half of those working in the Army in a contracting career field are certified for their current position, and where the Army no longer offers a general officer billet for career contracting professionals. However, about half of the total force in Iraq, Afghanistan, and Kuwait are contractors.

Without calling into question the integrity of our Army contracting corps, there is little reason why, despite serving as the executive agent for contracting in Iraq and Afghanistan, the Army is relying largely on the Air Force to provide contracting support to all ground forces in theater or that of all the Services far-and-away most of the investigations into contract fraud or abuse arise from the Army. Indeed, there now appears to be broad consensus that, when coupled with our having contracting out acquisition functions closely associated with inherently governmental functions, the cuts that we saw in the 1990s probably went too far.

That being said, I'm unsure about the congressional appetite to implement some of the Commission's recommendations; in particular, giving the Army more general officer slots to address the problem. I suggest that the support of Army leadership is going to be important here. Accordingly, at this hearing I am interested in knowing what the Army's and the Secretary of Defense's reactions are to the Commission's recommendations, and to what extent each are implemented? I'm interested in seeing how that support is manifested in the next annual budget request when we review it in the readiness posture hearing in the spring.

There can be no doubt that rebuilding the Army's contracting corps so that it has the required contracting capability is not going to happen overnight. I think that, at the end of the day, the report

stands for the broad proposition that all options should be on the table, and, with this hearing, we take the first big step to taking a good look at many of those options.

Once again, I want to thank you, Mr. Chairman, for conducting the hearing, and I want to thank the witnesses for their time today, and I look forward to their testimony.

Senator AKAKA. Thank you very much, Senator Thune.

I'd like to ask Senator Inhofe——

Senator INHOFE. Let me just briefly say why I'm here, Mr. Chairman.

You'll remember that, during the time that Senator Thune referred to, in the 1990s—I actually was chairing this subcommittee, and you were the ranking member; and you and I agreed, at that time, that we were critical of some of the cuts that were taking place. So, I won't be able to stay very long, but I wanted to hear the opening statement. I have a regular communication with Secretary Bolton and some of the rest of them here, but I'd like to hear about the report so I can get an idea of where we're going and be familiar with that.

So, I appreciate your including me for this hearing.

Senator AKAKA. Thank you very much, Senator Inhofe.

I'd like to say thank you to our witnesses.

First, let me mention the Honorable Dr. Gansler, who appeared before this committee on numerous occasions in his capacity as Under Secretary of Defense for Acquisition, Technology, and Logistics.

Dr. Gansler, I want to welcome you back, and we thank you and your fellow commissioners for the outstanding work that you have done on this report.

Also, I want to welcome the Honorable Claude Bolton, who has served as Assistant Secretary of the Army for Acquisition, Logistics, and Technology, for the last 6 years. In that capacity, he has testified before this committee on numerous occasions also.

Secretary Bolton, I understand that you will be leaving the Department next month, and we recognize the contribution that you have made to the Army over the last 6 years, and we want to thank you for your service.

Also, we have with us Lieutenant General Ross Thompson and Ms. Kathryn Condon, and I also want to welcome both of you.

With that, Dr. Gansler please begin with your statement at this time.

STATEMENT OF HON. JACQUES S. GANSLER, CHAIRMAN, COMMISSION ON ARMY ACQUISITION AND PROGRAM MANAGEMENT IN EXPEDITIONARY OPERATIONS

Dr. GANSLER. Thank you, Mr. Chairman, and thank you for your introductory remarks, they're very kind—and Senator Thune, Senator Inhofe—it's good to see all of you.

The Secretary of the Army established an independent commission titled the Commission on Army Acquisition and Program Management in Expeditionary Operations. I would emphasize the "expeditionary" aspect of it. Our objective was to review the lessons learned in the recent operations, and also to provide forward-looking recommendations to ensure that future military operations

would achieve far greater effectiveness, efficiency, and, particularly, transparency.

I was honored to chair the Commission and to be joined by five very distinguished commissioners with expertise and insight into government acquisition, including program management and contracting. I would like to note, the commissioners included General (Retired) David Maddox, who represented the Army's operational community; General (Retired) Leon Salomon, who represented the Army's acquisition community; Rear Admiral (Retired) David Oliver, who provided alternative service representation, but, also, he had recent experience in Iraq through his service with the Coalition Provisional Authority; and then, two very senior very experienced DOD civilians David Berteau and George Singley.

At the Secretary's direction, we conducted our efforts within a very compressed 45-day timeframe that I think is indicative of the immediate challenges facing the Army. Our focus was on how to prevent any shortcomings in Army acquisition and program management in expeditionary operations for the next time. Our charter was forward-looking. We were tasked to ensure that, institutionally, the Army is better positioned for future operations, which will, in our opinion, be expeditionary and also joint, and likely to be multi-agency, political/military events.

At the outset, it's very important to note that other concurrent activities were underway, focusing on different aspects of today's challenges. Lieutenant General Ross Thompson and Ms. Kathryn Condon are co-chairing the Army's Contract Task Force that was, and still is, looking at the current fraud issues. Separately, the DOD Inspector General (IG), Lieutenant General (Retired) Claude Kicklighter has been looking at equipment accountability issues. Outside of DOD, Ambassador Kennedy of the State Department has an effort underway to examine private security contracts; thus, current fraud, equipment accountability, and private security contracts were not within the purview of this Commission.

To address our forward-looking tasking, in September and October the Commission engaged officials within all of the relevant communities. We actually had over 122 interviews. The individuals we heard from represented a wide range of stakeholders, from senior military leadership to field operators, to audit personnel, to contract support personnel, and so forth. We spoke to people both stateside and deployed. I might point out, our discussions with personnel inside the continental United States (CONUS) were important, especially since we defined expeditionary as not only outside of CONUS, but also emergency conditions within CONUS, such as Hurricane Katrina, given that there are very great similarities in terms of the responsiveness of these two situations. We also heard from people currently deployed in Iraq, Afghanistan, and Kuwait; and, given the compact schedule, the Southwest Asia interviews were conducted by video conference. However, we separately interviewed the commander of the Joint Contracting Command in Iraq and Afghanistan, then the next level of military leadership, and then the working level, all in the absence of their superiors so that we were able to get an objective, independent assessment.

Despite this broad spectrum represented by our interviews, we received almost universal agreement on what the issues are, what

changes are required, and the absolute need for change. As a result, the Commission crafted a broad-based strategy for addressing these shortcomings, which we published in this independent report, dated October 31, titled, "Urgent Reform Required: Army Expeditionary Contracting."

I would request that the executive summary from that report be included in the record of today's proceedings.

Senator AKAKA. Without objection, it will be.

Dr. GANSLER. I appreciate the subcommittee's invitation to highlight some of the key findings and recommendations from that report.

Our key findings include the observation that the Army, and far more broadly, as you pointed out, Mr. Chairman, the DOD does have a problem, but it's not a problem with single organizations or even a single individual or even a group of individuals. Rather, the Army and the DOD are faced with a systemic challenge in executing expeditionary operations, both from an operational and an institutional vantage point.

The so-called "Operational Army" is expeditionary and on a war footing, yet it has not fully recognized the impact of the large number of contractors involved in expeditionary operations and on their potential impact to mission success. In fact, today, with approximately 160,000 private-sector contractors in the Iraq/Afghanistan/Kuwait zone, they represent about 50 percent—or half—of the total force in that zone. Additionally, critical segments of the "Institutional Army," which is the one supporting the "Operational Army," have not adapted in order to provide the responsiveness that is required in the acquisition and sustainment operations for expeditionary operations.

Let me give you four specific examples where we think shortcomings exist:

First, financial management. On the Logistics Civil Augmentation Program (LOGCAP) contract, which was the largest one last year, there were 141 incremental funding contract modifications. That means that the contract had to be modified 141 times in that 1 year just because the approved money was not being adequately released by the OMB, by the OSD comptroller and/or the Army comptroller. This is inconsistent with wartime needs.

We have to be able to provide the money in a timely fashion in order to run expedited operations effectively and efficiently.

Second, in terms of civilian personnel, our government civil servants do not qualify for the favored income tax benefits that their military equivalents and the private-sector contractors in the same situation receive. When they are deployed in support of an expeditionary obligation, they don't get those benefits. They do not have the benefit of long-term medical coverage for injuries sustained in the theater, nor is their life insurance coverage extended for acts of war. Yet, they are asked to volunteer to go into the war zone.

Third, in terms of military personnel, there are no longer any Army general officer positions for career contracting professionals. In 1990, not that long ago, there were five. So, there is little incentive, if you're a military personnel, to go into this career field. Yet, for expeditionary operations where there's warfighting going on, we

need contracting people who are in uniform in this critical area. We want them to be in the lead in the war zone.

Fourth, contracting and contract management, itself. The contracting process is very complicated. It involves multiple stakeholders. This is not simply signing a piece of paper to create a contract, nor is it simply shopping, as Senator Thune mentioned.

The process ranges from defining the requirements all the way through the, literally, 70-plus steps of post-award contract management in order to ensure mission accomplishment. When done properly, these important functions ensure efficient use of our tax dollars, and they control waste, fraud, and abuse. But we found that these functions were often not even being done; and, when done at all, it was referred to as, literally, a "pickup game."

Contracting should be a core capability of the Army, but it is currently treated as an operational and institutional side issue. We found that the DOD has an extremely dedicated core of contracting people. The problem is, as you pointed out, Mr. Chairman, they are understaffed, overworked, undertrained, undersupported, and, I would argue, most important, undervalued.

Let me give you some examples to illustrate the current challenges. Only 3 percent of the Army contracting personnel are Active Duty military, so the rest are government civilians. Many more trained and experienced military personnel, officers, and noncommissioned officers are required in an expeditionary environment.

Next, the National Defense Authorization Act for Fiscal Year 1996 required the DOD to reduce its acquisition workforce by 25 percent by the end of fiscal year 2000. After those reductions, the Department has not increased the acquisition workforce, even though the DOD budget has gone up dramatically since September 11, 2001. In fact, despite a sevenfold workload increase and the greater complexity of contracting in this intense environment, the government civilian and military contracting workforce has been declining; and, of those remaining, only 56 percent of the military officers and 53 percent of the civilians in the contracting career field are certified for their current positions.

Based on the lessons learned, the Commission developed recommendations that addressed the gravity of the situation and the urgent need for reform. In short, the Commission identified four key elements to future success.

First, contracting personnel. We must increase the stature, the quantity, and the career development of contracting personnel, military and civilian, especially for expeditionary operations.

Second, organization and responsibility. We must restructure the Army contracting organization and restore its overall responsibility to facilitate high-quality contracting in contract management, in both expeditionary and peacetime operations.

Third, training and tools. We must provide the training and the tools for the overall contracting activities that are different in these expeditionary operations.

Last, in the legislative and regulatory and policy area, we must obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations.

Since our report covers the details of the first three areas, I thought today I would like to focus on the fourth category and ask for congressional assistance with the legislative aspects of the Commission's recommendations.

First, we recommend that Congress authorize general officer billets for Army contracting and for joint organization contracting. Specifically, this Commission recommended five new Army general officers, as well as one senior executive service billet. This would essentially reestablish those five positions for the general officers in the Army, and we would like those fenced for the Secretary to assign them to meet this urgent need, and not have them drawn off for other needs; and five additional joint general officer or flag billets be established; including a three-star position for the expanded scope of the Defense Contract Management Agency (DCMA)—and this expanded scope, which we strongly recommend and which we think is important—requires service backfill authorizations for the joint positions. These military officer billets should not be created at the expense of existing civilian senior executive service contracting authorizations in the Army workforce. These have to be maintained, as well.

In the past decade and a half, we have witnessed the elimination of general officers in the contracting field. As I noted, in 1990 there were five Army general officers. Some of these started as two-star positions; they were then reduced to one-star; and then all five were eliminated. In the joint commands, all four contracting flag and general officer positions have similarly disappeared. Today, all that remains is one temporary position, the Joint Contracting Command in Iraq and Afghanistan, which is being filled by an Air Force officer.

The Commission believes this backslide needs to be remedied. We must at least get back to where we were in 1990. General officers must lead the Army transformation to make contracting an Army core competence. The Army needs general officers who know contracting and can serve as functional advocates for expeditionary operations and to avoid the problems that are now being experienced in Iraq, Afghanistan, and Kuwait. These general officers, who must be permanently assigned to contracting, will initiate and sustain improvement to Army acquisition. They will also grow future leaders, and they will support leadership efforts. Our report identifies the specific positions that these general officers will fill, as well as the organizational changes required to achieve the desired transformation in Army and joint contracting.

Second, the Commission recommends an increase in Army contracting personnel; in fact, by almost 2,000 people. That includes increased Army military by about 400, and civilian government people by about 1,000, as well as about 600 billets, military and civilian, for Army support to the DCMA, which is a joint activity not under the Army.

The Army contracting personnel total increase is not that significant relative to the total people currently in the Army contracting career field, even including the DCMA fill-in. In 1990, the Army had approximately 10,000 people in contracting. This has been reduced to approximately 5,500, where it has largely remained, while the dollar value, as I noted earlier, of Army contracts has in-

creased, in fact, 331 percent, and the number of Army contract actions increased 654 percent between 1992 and 2006.

The Army is the DOD executive agent for contracting in Iraq and Afghanistan, but it is unable to fill military or civilian contracting billets in either quantity or quality—in qualifications. There are simply far too few Army contracting personnel in the theater to meet the needs. The people who are there are great, they're doing a terrific job, they're totally dedicated, but there just are not enough of them, and they're not adequately trained for the role or positions needed. Congress has to help the Army meet its commitment to support the troops on future expeditionary missions by authorizing additional Army contracting personnel.

To meet the critical need for contract post-award management, the Commission recommends that the DCMA become the DOD worldwide contract management center of excellence. To do this, DCMA needs additional resources. The House Appropriations Committee has acknowledged the need for more DCMA personnel by recently stating, "It is clear that DOD currently lacks the means to provide proper oversight of its service contracts, in part because of an insufficient number of contract oversight personnel." The Commission believes the 583 DCMA billets that we asked for are needed for Army support alone. Of course, if DCMA does not get this new mission, then the Services are going to have to fill that responsibility and get additional resources for it.

Third, the Commission recommends congressional action to improve incentives for Army civilian contracting personnel who volunteer to deploy for expeditionary contracting. Right now, as I said, they are undervalued. They're undervalued in their compensation, in their education and training, in their career opportunities, and with the lack of other occupational incentives. As a result, many approved contracting positions simply go unfilled, especially in the theater. The Nation owes this dedicated corps of government civilian patriots its appreciation and far better treatment than they're getting.

Congress can help address this problem by providing government civilians tax-free status when deployed, just as their military and private-sector contractor counterparts are receiving, and also provide them long-term medical care and life insurance for in-theater injury or death. Our deployed military are tax-free from the moment they hit the ground, and they have long-term medical coverage and life insurance for injuries or death sustained while deployed; yet, comparable benefits are not accorded to deployed government civilians. If DOD is to incentivize its civilian workforce to deploy to what can be extremely hostile work environments, they must be afforded tax treatment and benefits coverage comparable to that of the military.

In addition, Congress should provide standby removal of the pay cap for deployed civilians for any future expedition. Although this has been done for Iraq, it is specific to the current engagement and not available for the next time.

Fourth, the Commission recommends that Congress enable funding flexibility through an adequately resourced contingency operations transfer fund. This would be a defense transfer fund without color-of-money or fiscal-year limitations, with the DOD responsible,

certainly, for providing Congress with insight by reporting on the expenditures and on the savings. This recommendation is based on what existed in the Balkans, called an Overseas Contingency Operation Transfer Fund, which was approved by Congress, and which actually currently exists for AID. However, right now, such a fund does not exist for Iraq. We believe that, not only should it be created for Iraq, but also for any future expeditionary operations, on a legislative standby basis.

Fifth, and finally, we recommend that Congress provide standby legislation to waive many of the provisions, such as small business and U.S. labor provisions, Buy American, Berry Amendment, Specialty Metals, and other provisions to allow rapid local buying whenever it's required in expeditionary operations. In Iraq, a Buy America waiver does exist; but, again, this is specific to the current operation, and, therefore, not available to any future expedition.

What I've just gone through are just some of the highlights of the many recommendations contained in the report, but these are particularly relevant for today's purposes because they require congressional action.

In addition, the report includes recommended actions for the Secretary of the Army and the Secretary of Defense. The Commission has briefed both Secretaries, concurrent with the report's publication and release; in fact, the next day. Both Secretaries have stated in public forums that they fully support the Commission's report and have begun to move out quickly on its recommendations. But they need congressional help on key aspects of the report which I've highlighted here today.

Additionally, the chairman of the House Armed Services Committee released a statement on November 1, the day after our report was out, saying that "Congress will seriously consider the Commission's recommendations, particularly those that require legislative action."

Given the importance and urgency of these actions in support of our troops, the Commission is hopeful that Congress will consider some perhaps out-of-cycle action to address the recommendations that I've outlined here today.

In closing, I'd like to observe that, too often, it takes a crisis to bring about a major change. We believe the Iraq/Kuwait/Afghanistan contracting problems have, in fact, created such a crisis. Changes are urgently required in the area of Army contracting and across the DOD in related areas, especially directed to future expeditionary operations. These changes are essential to make the institutional Army the generating force in both name and capability. It is up to the military and to the secretarial leadership, both in the Army and the overall DOD, to bring about these needed changes, but they cannot make many of the necessary improvements without congressional assistance. I hope you will agree and provide that needed support. I believe our troops deserve it.

That concludes my prepared remarks.

[The prepared statement of Dr. Gansler follows:]

PREPARED STATEMENT BY HON. JACQUES S. GANSLER, PH.D.

The Secretary of the Army established an independent "Commission on Army Acquisition and Program Management in Expeditionary Operations" to review the lessons learned in recent operations; and to provide forward-looking recommendations

to ensure that future military operations achieve greater effectiveness, efficiency, and transparency. I was honored to chair the Commission and be joined by five distinguished Commissioners with expertise and insight into government acquisition, including program management and contracting. The Commissioners included General (Ret.) David Maddox, who represented the Army's operational community; General (Ret.) Leon Salomon, who represented the Army's acquisition community; Rear Admiral (Ret.) David Oliver, who provided alternate Service representation and recent experience in Iraq, through his service with the Coalition Provisional Authority, and then two very senior, experienced Department of Defense (DOD) civilians in David Berteau and George Singley.

At the Secretary's direction, we conducted our efforts within a compressed 45-day timeframe, indicative of immediate challenges facing the Army. Our focus was on how to prevent any shortcomings in Army acquisition and program management in expeditionary operations for the next time. Our charter was forward-looking: we were tasked to ensure that, institutionally, the Army is best positioned for future operations—which will be expeditionary, joint, and likely to be multi-agency political/military events.

At the outset, it is important to note that other, concurrent activities were underway, focusing on different aspects of today's challenges. Lieutenant General Ross Thompson and Kathryn Condon are co-chairing the Army Contracting Task Force that was—and still is—looking at the current fraud issues. Separately, the DOD Inspector General, Lieutenant General (Ret.) Claude Kicklighter, has been looking at equipment accountability issues. Outside of DOD, Ambassador Kennedy of the State Department has an effort underway to examine private security contracts. Thus, current fraud, equipment accountability, and private security contracts were not within the purview of this Commission.

To address our forward-looking tasking, in September and October 2007, the Commission engaged officials within all of the the relevant communities through 122 interviews. The individuals we heard from represented a wide range of stakeholders, from senior military leadership, to field operators, to audit personnel, to contractor-support personnel, and so forth. We spoke to people both state-side and deployed. Our discussions with personnel inside the continental United States (CONUS) were important, especially since we defined "expeditionary" as not only outside of CONUS but also emergency conditions within CONUS (like a Katrina incident); given that there are very great similarities in terms of the responsiveness to both situations. We also heard from people currently deployed in Iraq, Afghanistan, and Kuwait. Given the compact schedule, the Southwest Asia interviews were conducted by video teleconference. We separately interviewed the commander of the Joint Contracting Command-Iraq/Afghanistan, then the next level of military leadership, and then the worker level; all in the absence of their supervisors, so that we were able to get an objective, independent assessment.

Despite the broad spectrum represented by our interviews, we received almost universal agreement on what the issues are; what changes are required; and the absolute need for change. As a result, the Commission crafted a broad-based strategy for addressing shortcomings; which we published in an independent report dated October 31, 2007; and titled Urgent Reform Required: Army Expeditionary Contracting. I would request that the Executive Summary from that report be included in the record of today's proceedings. I appreciate this subcommittee's invitation to highlight some key findings and recommendations from that report.

Our key findings include the observation that the Army—and, more broadly, DOD—does not have a problem with a single organization or a group of individuals; rather, the Army and DOD are faced with a systemic challenge in executing expeditionary operations, both from an operational and an institutional vantage point. The "Operational Army" is expeditionary and on a war footing. Yet, it has not fully recognized the impact of the large number of contractors involved in expeditionary operations and on their potential impact to mission success. In fact, today, with approximately 160,000 contractors in the Iraq/Afghanistan/Kuwait zone, they represent about 50 percent of the "total force." Additionally, critical segments of the "Institutional Army"—which supports the "Operational Army"—have not adapted in order to provide responsive acquisitions and sustainment for expeditionary operations. Some specific examples where shortcomings exist include:

- Financial management—On the Logistics Civil Augmentation Program (LOGCAP) last year, there were 141 incremental funding contract modifications. That means that the contract had to be modified 141 times, just because the approved money was not being adequately released (by Office of Management and Budget, Office of the Secretary of Defense Comptroller, and/or Army Comptroller). This is inconsistent with war-time needs. We

have to be able to provide the money in a timely fashion, in order to run expeditionary operations effectively and efficiently.

• Civilian personnel—Our Government civil servants do not qualify for favored income tax benefits (comparable to military personnel and contractors in the same situation) when deployed in support of expeditionary operations; and do not have the benefit of long-term medical coverage for injuries sustained in-theater. Nor is their life insurance coverage extended for "acts of war;" yet they are asked to "volunteer" to go into the war zone.

• Military personnel—There are no longer any Army General Officer positions for career contracting professionals. In 1990, there were five. So there is little incentive to pursue this career field. Yet, for expeditionary operations, we need contracting people in uniform in this critical area to be leading in the war zone.

• Contracting and contract management—The contracting process is very complicated and involves multiple stakeholders. This is not simply signing a piece of paper to create a contract. The process ranges from defining requirements all the way through the 70-plus steps of post-award contract management, to ensure mission accomplishment. When done properly these important functions ensure efficient use of our tax dollars and control waste, fraud, and abuse, but we found they were often not done; and, when done at all, it was a "pick-up game."

Contracting should be a core capability of the Army, but it currently is treated as an operational and institutional side issue.

We found that the DOD has an extremely dedicated corps of contracting people. The problem is they are understaffed, overworked, under-trained, under-supported, and, I would argue, most importantly, under-valued. Some data points illustrate the current challenges:

• Only 3 percent or so of Army contracting personnel are active duty military. Many more trained and experienced military personnel (officers and non-commissioned officers) are required in an expeditionary environment.

• The National Defense Authorization Act for Fiscal Year 1996 required DOD to reduce its acquisition workforce by 25 percent by the end of fiscal year 2000. After those reductions, the Department has not increased the acquisition workforce, even though the budget has gone up dramatically since September 11, 2001. In fact, despite about a seven-fold workload increase, and the greater complexity of contracting in this intense environment, the civilian and military contracting workforce has been declining; and of those remaining, only 56 percent of the military officers and 53 percent of the civilians in the contracting career field are certified for their current positions.

Based on the valuable lessons learned, the Commission developed recommendations that address the gravity of the situation, and the urgent need for reform. In short, the Commission identified four key elements to future success:

1. Contracting personnel—increase the stature, quantity, and career development of contracting personnel, military and civilian (especially for expeditionary operations);

2. Organization and responsibility—restructure the Army contracting organization and restore its overall responsibility to facilitate high-quality contracting and contract management in both expeditionary and peacetime operations;

3. Training and tools—provide training and tools for overall contracting activities in expeditionary operations; and

4. Legislative, regulatory, and policy—obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations.

Our report covers the details of the first three areas, so today I would like to focus on the fourth category, and ask for Congressional assistance with the legislative aspects of the Commission's recommendations.

First, we recommend that Congress authorize General Officer billets for Army contracting and Joint contracting. Specifically, this Commission recommends that five new Army General Officers, as well as one Senior Executive Service billet, be established and "fenced," for the Secretary to assign to meet this urgent need. Five additional joint general or flag billets be established, including a three-star for the expanded scope of the Defense Contract Management Agency (which we strongly recommend), and with Service "back-fill" authorizations for the joint positions. These military officer billets should not be created at the expense of existing civilian

Senior Executive Service contracting authorizations in the Army workforce. These must be maintained.

In the past decade and a half, we have witnessed the elimination of General Officers in the contracting field. As I noted, in 1990, there were five Army General Officers. Some started as two-star positions, were reduced to one-star, and then all five were eliminated. In the Joint commands, all four contracting Flag and General Officer positions have similarly disappeared. Today, all that remains is one temporary position: the Joint Contracting Command-Iraq/Afghanistan, which is being filled now by an Air Force officer. The Commission believes this backslide needs to be remedied. We must at least get back to where we were in 1990.

General officers must lead an Army transformation to make contracting an Army core competence. The Army needs general officers who know contracting and can serve as functional advocates for expeditionary operations; and to avoid the problems that are now being experienced in Iraq, Afghanistan, and Kuwait. These general officers, who must be permanently assigned to contracting, will initiate and sustain improvement to Army acquisition, grow future leaders, and support leadership efforts. Our report identifies the specific positions the required general officers would fill, as well as the organizational changes required to achieve the desired transformation in Army and Joint contracting.

Second, the Commission recommends an increase in Army contracting personnel authorizations by 1,983. That includes increasing Army military by 400 and civilian by 1,000, as well as providing 583 billets, military and civilian, for Army support to DCMA. The Army contracting personnel total increase is not that significant, relative to the total people currently in the Army contracting career field, even including the DCMA fill-in.

In 1990, the Army had approximately 10,000 people in contracting. This was reduced to approximately 5,500, where it has largely remained; while the dollar value of Army contracts has increased 331 percent, and the number of Army contract actions increased 654 percent (from approximately 52,900 to 398,700 between 1992 and 2006).

The Army is the DOD "Executive Agent" for contracting in Iraq and Afghanistan, but is unable to fill military or civilian contracting billets, in either quantity or qualifications. There are far too few Army contracting personnel in-theater to meet their commitments. Congress must help the Army meet its commitment to support the troops on future expeditionary missions by authorizing additional Army contracting personnel.

To meet the critical need for contract post-award management, the Commission recommends that DCMA become DOD's "worldwide, contract management center of excellence." To do this, DCMA needs additional resources. The House Appropriations Committee has acknowledged the need for more DCMA personnel by recently saying, "It is clear that DOD currently lacks the means to provide proper oversight of its service contracts, in part because of an insufficient number of contract oversight personnel." The Commission believes 583 DCMA billets are needed for Army support alone. Of course, if DCMA does not perform worldwide contract management for DOD, the Services are going to have to fulfill this responsibility, and will need to be resourced for it.

Third, the Commission recommends congressional action to improve incentives for Army civilian contracting personnel who volunteer to deploy for expeditionary contracting. Right now, they are undervalued—in compensation; education and training; career opportunities; and other occupational incentives. As a result, many approved contracting positions go unfilled, especially in-theater. The DOD owes this dedicated core of civilian patriots its appreciation and better treatment. Congress can help address this problem by providing government civilians tax-free status when deployed (like their military and contractor counterparts), and long-term medical care and life insurance for in-theater injury or death. Our deployed military are tax free from the moment they hit the ground and have long-term medical coverage and life insurance for any injuries or death sustained while deployed. Yet comparable tax benefits are not accorded to deployed government civilians. If DOD is to incentivize its civilian workforce to deploy to what can be extreme and hostile work environments, they must be afforded tax treatment and benefits coverage comparable to that of the military. In addition, Congress should provide "stand-by" removal of the pay cap for deployed civilians, for any future expedition. Although this has been done for Iraq, it is specific to the current engagement and not available for the next time.

Fourth, the Commission recommends that Congress enable funding flexibility through an adequately resourced "contingency operations transfer fund." This would be a defense transfer fund without "color of money" or fiscal year limitations, with the DOD responsible for providing Congress with insight via reporting on expendi-

tures and savings. This recommendation is based on the Balkans' "Overseas Contingency Operations Transfer Fund," which was approved by Congress, and which currently exists for AID. However, right now, such a fund does not exist for Iraq, and we believe that not only should it be created for Iraq, but also for any future expeditionary operations, on a legislative "stand-by" basis.

Fifth, and finally, we recommend that Congress provide "stand-by" legislation to waive small business and U.S. labor provisions, Buy American, Berry Amendment, Specialty Metals and other such provisions to allow rapid, local buying, if required, in expeditionary operations. In Iraq, a ″Buy America″ waiver exists, but again this is specific to the current operation and therefore not available to any future expedition.

The preceding are just some highlights of the many recommendations contained in the report, but which are particularly relevant for today's purposes because they require Congressional action. In addition, the report includes recommended actions for the Secretary of the Army and the Secretary of Defense. The Commission has briefed both Secretaries, concurrent with the report's publication and release. Both Secretaries indicated that they fully support the committee's report and have begun to move out quickly on its recommendations. But they need congressional help on key aspects of the report, which I have highlighted here today.

Additionally, the Chairman of the House Armed Services Committee released a statement on November 1 saying that "Congress will seriously consider the Commission's recommendations, particularly those that require legislative action."

Given the importance and urgency of these actions in support of our troops, the Commission is hopeful that Congress will consider some out-of-cycle action to address the recommendations I have outlined today.

In closing, I would like to observe that too often it takes a crisis to bring about major change. We believe the Iraq/Kuwait/Afghanistan contracting problems have created such a crisis! Changes are urgently required in the area of Army contracting—especially directed to future expeditionary operations. These changes are essential to make the Institutional Army the "Generating Force" in both name and capability. It is up to the military and secretariat leadership (both in the Army and the overall DOD) to bring about the needed changes. They cannot make many of the necessary improvements without congressional assistance.

I hope you will agree and provide that needed support. Our troops deserve it.

This concludes my prepared statement.

Senator AKAKA. Thank you very much for your statement.

Now let me call on Secretary Bolton for your statement.

STATEMENT OF HON. CLAUDE M. BOLTON, JR., ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, LOGISTICS, AND TECHNOLOGY; ACCOMPANIED BY LTG ROSS N. THOMPSON III, USA, MILITARY DEPUTY TO THE ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, LOGISTICS, AND TECHNOLOGY; AND KATHRYN A. CONDON, EXECUTIVE DEPUTY TO THE COMMANDING GENERAL, ARMY MATERIEL COMMAND

General BOLTON. Thank you, Mr. Chairman, and good afternoon.

Mr. Chairman, Senator Thune, distinguished members of the Subcommittee on Readiness and Management Support, first of all, let me thank you, Mr. Chairman, for your kind words at the beginning of this hearing, and those of Senator Inhofe. You're correct, I will step down after 6 years—next month, 6 years to the day—and I can tell you that it's been a joy, an honor serving the men and women who are on point for us in the United States Army. I want to take this time to thank you and the other members of this subcommittee for your support to the Army and to me over these last 6 years. The issues that we have faced have been critical, and with your help, we were able to get through all of them. We're about to discuss, in this hearing this afternoon, another very important topic that, from my confirmation hearing to today, I have always

emphasized the need for addressing what Jacques Gansler and his Commission has already done.

I thank you for the opportunity to appear before you on the Report of the Commission on Army Acquisition and Program Management in Expeditionary Operations, chaired by Dr. Jacques Gansler, and the complementary in-house Army Contracting Task Force, co-chaired by my military deputy, Lieutenant General Ross Thompson and Kathryn Condon, the Executive Deputy to the Commanding General at the Army Materiel Command, both of whom join me here today. We have a joint written statement that I respectfully request be made a part of the record for today's hearing.

Mr. Chairman, I would like to take this opportunity to commend Dr. Gansler and his Commission members and staff on their good work. I would also like to commend General Thompson and Ms. Condon for their work.

If I may emphasize a point also made just moments ago by Dr. Gansler, that his Commission looked at the long-term strategic view of the Army's acquisition and contracting system in support of expeditionary operations, the Army Contracting Task Force reviewed current contracting operations and took immediate actions, as warranted. The two efforts combined have given the Army a clear way ahead.

Secretary of the Army Pete Geren has directed swift implementation of specific recommendations of both the Commission and the Task Force. For example, the Army is accelerating plans to set up the military structure recommended by the Commission. The Army has approved a two-star-level Army Contracting Command organization under the Army Materiel Command, including two subordinate commands, a one-star Expeditionary Contracting Command and a restructured one-star-level Installation Contracting Organization. The Army also plans to grow the military contracting structure in line with the Commission's recommendations by approximately 400 soldiers, and our civilian contracting workforce by an additional 1,000 professionals.

A critically important issue, Mr. Chairman, is the size, structure, and training of the contracting workforce, both civilian and military. The acquisition workforce has declined significantly in the last decade, while the number of dollars that are executed by the Army has increased by more than 80 percent. The United States Army has never fought an extended conflict that required such reliance on contractor support.

We are currently addressing the need to expand, train, structure, and empower our contracting personnel to support a full range of military operations. We're also initiating discussions with leaders of the contracting communities in the Navy, Air Force, and the Defense Logistics Agency to explore increased collaboration and workload distribution.

Expeditionary operations in Iraq/Afghanistan have placed extraordinary demands on the contracting system and our contracting support personnel. The Army has deployed more than 550,000 soldiers through Kuwait. We went from supporting one Kuwait base camp in 2002 to supporting eight in 2007, which required increased capacity in billeting, feeding, and general support. In Kuwait alone,

the annual value of contract support increased from $150 million in 2002 to nearly $1 billion in 2006.

Mr. Chairman, the vast majority of our military and civilian contracting personnel perform well in tough and austere conditions. The Army is working hard to ensure that policies/procedures are in place for all joint expeditionary contracting operations. The success of our warfighters is linked directly to the success of the contracting workforce.

One of the things that you asked me, Mr. Chairman—when we met last April—relates to what we're going to talk about today, and that's the size of the acquisition workforce and the adequacy of that workforce. I mentioned to you then, I paraphrased when I said in my confirmation testimony, that, in my view—and this was in 2001, when I appeared before the committee—that, during my tenure, nearly 50 percent of the acquisition workforce was eligible to retire. A lot of that has come to pass.

Last Friday, for example, I retired the most experienced program executive officer that the Army has—33½ years, 10 years in that position. While the officer who replaced him is well qualified and experienced, he does not have 33½ years of experience. That is something you cannot do overnight. Every testimony that I've given in every hearing on this Hill, the last paragraph has always addressed the need to look at the workforce—contracting, engineers, program managers—because we have allowed that valuable workforce, talented workforce, to atrophy over the last 10 to 15 years, and we must get that back.

We have the world's finest Army—the most powerful, the most capable, the most respected the world has ever known. It's that way because of the leadership, the men and women who occupy the ranks, the training, and the equipment. The equipment is world-class, and the equipment is because of the acquisition workforce contracting a big part of that. If we do not get that right, I submit that our military of the future will suffer greatly.

Mr. Chairman, I thank you for allowing the opportunity to appear here this afternoon. I welcome this opportunity. That concludes my remarks, and I look forward to your questions.

[The joint prepared statement of Secretary Bolton, General Thompson, and Ms. Condon follows:]

JOINT PREPARED STATEMENT BY HON. CLAUDE M. BOLTON, JR., LTG N. ROSS THOMPSON III, USA, AND KATHRYN A. CONDON

INTRODUCTION

Chairman Akaka, Senator Thune, and distinguished members of the Armed Services Committee: We thank you for the opportunity to report to you on the U.S. Army's comprehensive, ongoing efforts to ensure policies and procedures are in place for all joint, expeditionary contracting operations in Iraq, Afghanistan, and Kuwait, and to better prepare the Army for acquisition and logistical support of combat operations in the future.

The candid and comprehensive report, by Dr. Jacques Gansler and the Members of his Commission on Army Acquisition and Program Management in Expeditionary Operations on the U.S. Army's acquisition and contracting system, has given us insights for the way ahead. The Commission made four overarching recommendations to ensure the success of future expeditionary operations:

(1) Increase the stature, quantity, and career development of military and civilian contracting personnel, particularly for expeditionary operations;

(2) Restructure organization and restore responsibility to facilitate contracting and contract management;

(3) Provide training and tools for overall contracting activities in expeditionary operations; and

(4) Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations.

The Commission's four key recommendations for improvement are consistent with the issues identified by the Army Contracting Study completed in 2005 and the Army Contracting Task Force, which was Co-Chaired by LTG N. Ross Thompson III, USA, and Kathryn A. Condon, the Executive Deputy to the Commanding General at the U.S. Army Materiel Command. The Army is aggressively addressing the structural weaknesses and shortcomings identified in order to improve current and future expeditionary contracting activities. Our actions stretch across the Army and include an ongoing, comprehensive review of doctrine, organization, training, materiel, leader development, personnel and facilities.

It is important to emphasize that Dr. Gansler's Commission was chartered to look at the long-term, strategic view of the Army's acquisition and contracting system in support of expeditionary operations. To complement the Commission's strategic review, the Army Contracting Task Force was formed to review current contracting operations and take immediate action where appropriate. The Secretary of the Army has directed the Commanding General of the Army Materiel Command, General Benjamin Griffin, to report to him, through the acting Under Secretary of the Army, Nelson M. Ford, to implement specific recommendations of both the Gansler Commission and the Army Contracting Task Force as expeditiously as possible. For example, the Army is accelerating plans to set-up the military structure recommended by the Commission.

The Army has approved a two star-level Army Contracting Command organization under Army Materiel Command, including two subordinate commands; a one-star expeditionary contracting command and a restructured one-star level installation contracting organization. The Army is in the process of identifying the individuals by name to lead these organizations. We plan to grow our military contracting structure in the Active Force in line with the Commission recommendations by approximately 400 soldiers and our civilian contracting workforce by an additional 1,000 members.

U.S. ARMY ACTIONS

As a result of the ongoing operations in Southwest Asia, the Army has increased the focus on contingency contracting. Up until just a year ago, we did not have a defined contingency contracting structure to support expeditionary operations or support a modular Army. We recently established a contingency contracting structure that consists of contracting support brigades, contingency contracting battalions, and four-person contingency contracting teams. Each contracting support brigade is commanded by a colonel, who assists the Army Service Component Commander (ASCC), a three star commander, in his contracting support—planning and coordinating contracting operations in a theater of operations. The brigades oversee contingency contracting battalions and teams—Active, Reserve, and National Guard—in executing the ASCC's contracting support plan. The Contracting Support Brigades' battalions and teams are just now being activated, and they will coordinate and integrate their plans with Army Field Support Brigades. These two new brigade designs are designed to support the Army modular force by developing a single, seamless, fully integrated planning cell to provide quick response and command and control of acquisition, logistics, and technology capabilities across the spectrum of conflict. As a result of the work of the Gansler Commission and the Army Contracting Task Force, we are planning to increase the number of brigades, battalions, and teams to better posture the Army to support contingency operations.

As the scope and scale of contracting in Southwest Asia evolved, the Army recognized the need to assess its contract management capacity. The Army conducted audits and investigations into the oversight, execution, and management of contracting in the theater of operations, and these audits and investigations are ongoing. While the vast majority of our military and civilian contracting personnel who award and manage these contracts perform well in extreme conditions, auditors and investigators discovered cases of potential fraud in contracting operations with the worst cases originating in Kuwait. Currently, there are 80 ongoing criminal investigations involving contract fraud committed against the U.S. military in the Iraq, Afghanistan, and Kuwait theater of operations. The Army acted decisively to correct deficiencies specifically identified in Kuwait with the following agencies involved in corrective actions: the U.S. Army Audit Agency (AAA); the U.S. Army Criminal Investigation Command (CID); the U.S. Army Contracting Agency; the U.S. Army Mate-

riel Command (AMC); and the U.S. Army Sustainment Command, all working in cooperation with the Defense Contract Management Agency.

In 2005, the Army began audits and CID increased investigative activity into allegations of corrupt contracting in Southwest Asia. Deployed commanders also expressed their concerns and requested the Army to send in additional CID Special Agents and auditors from AAA and from CID. In 2005, CID established the Iraq Fraud Detachment and in 2006, CID established the Kuwait Fraud Office—both staffed with specially trained CID Special Agents. Throughout these investigations, the Army has updated Congress and taken corrective actions as warranted.

In February 2007, after then-Secretary of the Army, Dr. Francis Harvey, was briefed on the matter, he directed further action to correct deficiencies, including an assessment of contracting activities throughout Central Command and implementation of a Corrective Action Plan to address issues.

As a result, in March 2007, a senior Contracting Operations Review Team was deployed to review all contract operations in theater. In April 2007, the Army began implementing a Contracting Action Plan that reorganized the Kuwait Contracting Office, installed new leadership, established a Joint Logistics Procurement Support Board, increased staffing, deployed senior contracting professionals and attorneys to Kuwait, and provided additional ethics training and assigned legal support.

In addition, the Army published the following guidance designed to improve management of service acquisitions and to strengthen oversight, surveillance and documentation of contractor's performance.

(1) The Army's Source Selection Manual was revised and incorporated into our acquisition supplement. It is a comprehensive source selection tool designed to provide flexibility in the source selection process while enabling Army contracting officers to design and execute their source selection plans and Requests for Proposal (RFPs) to provide optimum solutions to meet their customers needs. Source selection training is now required for every source selection team member to ensure they understand their roles and responsibilities.

(2) In response to section 812 of the National Defense Authorization Act for Fiscal Year 2006, we adjusted our management framework for review and approval of service contracts at both the strategic and tactical levels. Since 2003, the Deputy Assistant Secretary of the Army for Policy and Procurement, along with other key senior Army leaders, has reviewed and approved service strategies with a combined total value greater than $231 billion.

(3) Contracting officers have been directed to appoint a trained contracting officer's representative (COR) for every service contract awarded with an estimated value greater than $2,500. To ensure that systematic quality assurance methods are used during contract administration, quality assurance surveillance plans must also be prepared and implemented.

(4) A standard, minimum training requirement has been established for Army CORs. They must complete the Defense Acquisition University online continuous learning module, "COR with a Mission Focus," prior to appointment. As of November 1, 2007, over 4,500 Army personnel have completed this course.

(5) Acquisition leadership reiterated the requirement for contractor performance to be adequately documented and performance reports prepared, entered, and maintained in our performance assessment systems. We will not allow poor performers to be rewarded with more work.

(6) A reminder was sent to the entire Army Acquisition workforce addressing their responsibilities as public servants and stewards of the taxpayer's investment and exhorting them to ensure that their actions remain above reproach, both in reality and appearance.

Written guidance is of no benefit, unless it is executed by a capable, trained workforce. Recognizing this need, the Army convened the first Army Procuring Contracting Officer (PCO) Training symposium. Over 500 PCOs were trained in critical areas now demanding increased proficiency. A wide range of topics were covered, including cost and pricing and source selection requirements as well as contracting integrity. The Army has also initiated training for our Heads of Contracting Activities to heighten their awareness of roles and responsibilities associated with supporting the mission of their command in the contracting arena.

Upholding the highest ethical standards while discharging our duties is of paramount concern and while we have confidence in the talent and professionalism of the Army's acquisition workforce, we must remain vigilant to potential compromises of integrity. We are actively engaged in the DOD efforts to eliminate areas of vul-

nerability within Defense contracting. The ASA(ALT) staff is leading a subcommittee effort looking at Sustained Senior Leadership issues and other personnel from the organization are reviewing areas associated with proper contract surveillance. To obtain an Army-wide perspective on procurement operations we recently chartered a corresponding Army Contracting Integrity Panel. We've requested membership from each Army functional area involved with contracting. The panel will examine contracting integrity drivers that have the greatest impact on vulnerabilities relating to fraud, waste and abuse in our contracting system.

As previously mentioned, the Army Contracting Task Force mission was to examine current Army operations and future plans for providing contracting support to contingency or other military operations. The Task Force looked at contracting activities across the Army. There is contract authority in many of the commands in the Army, and that contract authority is delegated from the Assistant Secretary position to the head of contracting activities in different organizations and commands within the Army. In addition, the Task Force studied actions of AAA and CID for both insight and lessons learned.

In the short-term, the Army augmented the staff in Kuwait with additional individuals to assist the warfighter in translating their requirements into statements of work and additional contract specialists and contracting officers to facilitate contract execution of those requirements. This augmentation is short-term, about 90 days, and is designed to make sure that the commander there has the resources needed to deal with the present workload. Part of that additional workload is the orderly transfer of existing and any future major contract actions to the acquisition center at Rock Island, Illinois, that supports the Army Sustainment Command under AMC. By the end of the 90-day period, we expect the staff level to number around 50 people manning the contracting office in Kuwait.

The Acquisition Center at Rock Island established a dedicated team of nine contracting experts with the support of legal experts focused solely on large dollar contracts in support of Kuwait operations. This team is ensuring all past and future contract actions associated with these large dollar contracts are executed in accordance with all laws and regulations. The team is resolving a number of claim actions, definitizing unpriced actions, and issuing new solicitations for requirements such as non-tactical vehicles. We expect to keep this team in place for the duration of the conflict.

The Army is systematically reviewing all of the Kuwait contract files from fiscal year 2003 to fiscal year 2006 to identify any issues that haven't otherwise been addressed by an ongoing investigation by either AAA or CID. During this time period there were approximately 6,000 contracts awarded (totaling about 18,000 contract actions) by the Kuwait contracting office, so we are initially using a sampling technique to determine if there are any additional indications of fraudulent activity. So, this is quite an undertaking, but it is important to ensure we have reviewed the files thoroughly. The review of contract actions is taking place both in Kuwait where contracts under $25,000 are being examined and at AMC's Acquisition Center in Warren, Michigan, where the review team is looking at contracts over $25,000 with the assistance of U.S. Air Force and U.S. Navy contracting experts. We are also working with the AAA, CID, and the Assistant Secretary of the Army for Financial Management and Comptroller in reviewing financial data to determine if appropriate disbursement and accounting of payments have been made. Initial and ongoing review of all contracts and contract actions has revealed no additional fraudulent activities to date.

We are increasing Contracting Operation Reviews in both scope and frequency. The Army periodically conducts Contract Operations Reviews looking at contracting organizations to make sure that contracting activities are following the regulations and procedures and appropriately addressing emerging issues. These reviews are part of the routine examination of contracting activities along with internal review audits by the AAA and the Army and Department of Defense Inspectors General.

A critically important issue is the size, structure, and training of the contracting workforce—both military and civilian. The acquisition workforce has declined significantly in the last decade while the number of dollars that we are executing in the Army has increased by more than 80 percent. The U.S. Army has never fought an extended conflict that required such reliance on contractor support. We are currently addressing the need to expand, train, structure, and empower our contracting personnel to support the full range of military operations. We have increased the number of contracting interns and are pursuing associated increases in training funds. We are partnering with the Defense Acquisition University and state and local universities to incorporate contracting courses into their curriculums. Our goal is to bring more qualified, trained individuals into the workforce at an accelerated pace and ultimately perform at the jouneyman level in a shorter period. We are also

initiating discussions with leaders of the contracting communities in the U.S. Navy, U.S. Air Force, and the Defense Logistics Agency to explore increased collaboration and workload distribution.

CONCLUSION

As stewards of the taxpayers' dollars, the Army must do a better job of managing and documenting contractor performance. Service and construction contracts, whether in Iraq, Afghanistan, the United States, or elsewhere in the world, represent an ever-increasing percentage of our overall contract dollars—now surpassing the dollars awarded under major weapon systems programs. Greater emphasis must be placed on the management and oversight of all types of service and construction contracts. This includes documenting the contractor's performance in accordance with policy.

Expeditionary military operations in Iraq and Afghanistan have placed extraordinary demands on the contracting system and our contracting support personnel. As stated before, the vast majority of our military and civilian contracting personnel perform well in tough, austere conditions. Their customers are the warfighters—the men and women who depend on them to do their jobs. In the end, the success of our warfighters is linked directly to the success of the contracting workforce. We are working hard to ensure that policies and procedures are in place for all joint, expeditionary contracting operations in Iraq, Afghanistan, and Kuwait or anywhere else we deploy. The objective is to better prepare the Army for acquisition and logistical support of combat operations in the future.

We look forward to your questions and thank you for the opportunity to address the members of the committee.

Senator AKAKA. Thank you. Thank you very much, Secretary Bolton.

We have been joined by the chairman of the Senate Armed Services Committee, Senator Levin, and I would like to ask Senator Levin whether he has any remarks to make before we begin any questions.

Senator LEVIN. I'll wait until my questions. Thank you, Mr. Chairman.

Senator AKAKA. All right. Thank you very much.

I want to thank you again, Secretary Bolton, for your testimony and I'd like to ask a question of both you and General Thompson. The Gansler Commission report states that the Army's difficulty in adjusting to the singular problem of Kuwait, Iraq, and Afghanistan, is in large part due to the fact that there are no generals assigned to contracting responsibilities. The Commission recommends that Congress authorize, "a core set of 10 additional general officers for contracting positions." My question to you, Secretary Bolton and General Thompson, does the Secretary of the Army and Office of the Secretary of Defense concur with this recommendation?

Secretary BOLTON. Mr. Chairman, I cannot speak for the DOD; however, Secretary Geren has reviewed the recommendations, and supports them. He has asked the Task Force, co-chaired by General Thompson and Ms. Condon, to review those recommendations and give him a plan for implementing those, and that includes looking at the general officers. That's five. I cannot comment on what the Department will do on that.

General THOMPSON. Mr. Chairman, I have a meeting next week with the head of our General Officer Management Office, and one of the topics of conversation is the support of those five positions. I do agree, personally—and Ms. Condon and I, on the Task Force, agree with the Gansler Commission recommendations, that there is a need for general officers at the top of the contracting structure.

That gives a clear signal to the people that—our military people—their service is valued, and that there is an opportunity at the top of the structure, should they stick with us and perform throughout their careers. I think you will see the Army reflect its support of that in the very near term, here, as we pick officers for the next set of brigadier generals and then the assignment of the officers off of that selection list, subject to confirmation by the Senate.

Senator AKAKA. I heard the recommendations by Secretary Bolton. Let me ask you this question. Can we expect to see a legislative proposal from the Department in this regard? Second, how long do you think it will take for the Army to staff these new positions you are recommending?

Secretary BOLTON. I think on the positions, in terms of the flag officers, we're working that as we speak. General Thompson just alluded to what we're going to be doing over the next few days. So, that's in the work, and we're working that.

With regard to legislative proposals, as we go through and look at what Dr. Gansler has offered us, there will be opportunities, I'm sure, to make proposals. Of course, the Commission has already recommended some of those.

My view is—and I agree with a number of those—I would love to work within the laws that we currently have, within the rules and regulations we currently have. It is clear we'll need some legislative support, but my view is, we have enough flexibility now to do some things that need to be done that are recommended by the Gansler report, and we ought to do those, as well.

Senator AKAKA. Secretary Bolton and General Thompson, the Gansler Commission report states that, "The number and expertise of military contracting professionals must be significantly increased," to address the problems we have experienced in theater. Consequently, the Commission recommends that the Army hire, as was mentioned, 2,000 new contracting personnel.

Secretary Bolton, you have told this committee, on many occasions, that the Army does not have the acquisition workforce it needs. Most recently, you told us last April that the Army does not have a sufficient number of contracting officers and contract administrators, and that you were working on the problem.

Secretary Bolton and General Thompson, do you believe that you now have the support you need within the Department of the Army to address this problem, including the support of the Secretary of the Army and the support of the Secretary of Defense?

Secretary BOLTON. I believe we have won the attention of the DOD, as well as the Army. I believe we have the support of both. I know that's true for Secretary Geren. It's regrettable that it took a crisis such as this to really highlight that for everyone, but my discussions with the Secretary clearly indicate that we have his support, and his energetic support, in making sure that we not only fix this in the short-term, but fix it for the long-term.

Senator AKAKA. General Thompson, would you comment on that?

General THOMPSON. Mr. Chairman, I agree with what Secretary Bolton stated, that we do have the strong support of Secretary Geren, and I think that strong support is reflected in the statement for the record today, where you'll see us endorsing the Gansler Commission recommendation to grow the military contracting

workforce by 400 and to grow the civilian contracting workforce in the Army by about 1,000.

Ms. Condon and I, over the same period of time that Dr. Gansler's Commission was working, have done the analytical work to justify those positions from a workload perspective. As a matter of fact, next week the military contracting structure will be formally submitted to the Army's force structure process, which is the way we go through to document the positions and to begin to do the necessary actions to stand up the units and to begin the recruitment action.

So, I do strongly believe that the Army is fully behind this. The remaining 600 positions that Dr. Gansler referred to in his report are positions in support of the Army that would be part of the DCMA. This morning, as a matter of fact, there was a joint meeting between the Army and the DCMA to get to the analytical details about the workload justification for that so we could also make the case before the resourcing process and the force structure process, in the Army and in the Defense Department, that those positions are both necessary and will be supported.

Senator AKAKA. Before I pass on to Senator Thune, let me ask this question of both of you. How long do you think it will take the Army to fill the new contracting positions recommended by the Commission? Do you have plans to establish interim milestones so that we can monitor your progress?

Secretary BOLTON. I'll let General Thompson talk about the details. I think, at the top level, over the next year we'll have a good handle on that. I mean that sincerely, even though I won't be there. I know the Army will press forward on that.

The real question, Mr. Chairman, is, how long does it take to get experienced contract personnel? That's about a 5-year period, to get them recruited, trained, moved through the various offices, and enough experience that I would feel comfortable putting them in the field, particularly in a place like Kuwait or Iraq.

But, in terms of moving out immediately, we're going out and finding as many people as we can.

General THOMPSON. Sir, once we document the positions, you begin the recruitment process, both with the civilians and the military. I believe it's going to take us 2 to 3 years to fill that number of positions. I do agree with Secretary Bolton that it's probably about 5 to 10 years before you get those people to the level of training and certification and experience that they need to be able to operate somewhat independently. So, my answer would be, probably, 2 to 3 years to fill that structure, beginning immediately, and part of that is just a reflection of the demographics on the military recruiting; then, in a very low unemployment market, we have to make sure that we get the message across to the civilian workforce that we want to bring in as interns and make contracting professionals for the Army and DOD, that this is a viable and a lucrative career field, and that we value their service, and we have to put the right recruiting incentives, and pay and bonus incentives there to be able to bring them in, and then retain them once we bring them in.

Senator AKAKA. Thank you.

Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

Again, thank you all for your testimony. Thank you, Dr. Gansler and members of your Commission, for a very complete and thorough report.

You've all, I think, answered this already in your testimony in response to Senator Akaka's questions, but the Army and the Defense Department seem to support and embrace many of the report's recommendations. My understanding is that the Under Secretary of Defense for Acquisitions, Technology, and Logistics, John Young, was going to issue a Department-wide directive on the report. Do you know if that's been done?

Secretary BOLTON. I don't know.

General THOMPSON. Sir, to my knowledge, that's not been done. I do know that there's a number of actions that are ongoing between the Office of Secretary of Defense and the Services. One of those, in particular, that I am actively participating in as a senior member for the Army is the response to the section 854 that addresses contingency contracting. I was at a meeting just 10 days ago with the senior representatives from all the Services and also the Secretary of Defense. I do know, because I have talked, not directly to Mr. Young, but to his executive assistant, that he embraces the recommendations of the Gansler Commission—"he," Dr. Young—and is going to work with his staff in order to make sure that there's consistency across the OSD staff and across the DOD to implement the recommendations.

Senator THUNE. Dr. Gansler, the Army has been actively engaged in trying to better use its Senior Executive Service (SES) in support missions. It seems to me that contracting capability could be an area in which the total force, especially civilian employees, could help take some of the pressure off the uniformed force. But you call for the establishment of only one SES billet, five general-officer Army billets—some will argue that uniformed personnel simply cannot be looked to, in the current force structure, to perform and oversee combat support missions that can be undertaken by a civilian workforce. Why are they wrong on that?

Dr. GANSLER. Let me begin by pointing out that 97 percent of the contracting personnel in the Army are civilians, and it's the 3 percent we're trying to increase. In addition, we feel that in a war zone it's very important to have military leadership and to represent the function at the highest levels in the planning functions, in the requirements definition functions, and, of course, in the implementation and the management functions. So, we think that we want to emphasize—not that the civilians aren't doing their job and that they're very, very dedicated—that we also emphasize we need more of them. You notice the numbers we asked for were 400 of the military and 1,000 of the civilian, so we also feel the civilians need to be increased. But we feel that this is a function—in a war zone—in which the military clearly needs to play a role.

Now, the DCMA is a joint agency which has both military and civilians in it, and that's one that does fit under the Under Secretary of Defense for Acquisition, Technology, and Logistics—John Young's role. The changing of that function is one of his responsibilities. The staffing of that, the additional 580 or 600 people that we talked about for the Army will also have to be people contrib-

uted by the Navy and the Air Force into that organization, and their role increased, in terms of the DCMA. I do know that Secretary Gates has been concerned to make sure that the Air Force and Navy step up to this responsibility of our overall recommendations. It's not just the Army that fits into this. It's OSD because of the DCMA. It's also OSD because they establish broad policy in the overall DOD contracting activities. The other Services have somewhat downgraded their contracting responsibilities and need to step back up to that, as well.

Senator THUNE. Secretary Bolton, do you agree with Dr. Gansler's response?

Secretary BOLTON. Yes.

Senator THUNE. Dr. Gansler, assume, for the sake of argument, that the Army can't obtain relief from legal constraints on the number of general officers and cannot overcome practical limits on the ability to train and reassign more soldiers into the contracting career field. What other steps can and should be taken quickly to improve the Army's contracting capability?

Dr. GANSLER. The reorganization that we suggested can be done without waiting until you get the full complement of general officers; they can be filled by senior civilians in those positions. That can be done immediately. As Secretary Bolton pointed out—they've already started moving out on some of those organizational changes. Since there are no Army general officers to fill those positions, they're going to have to fill them, initially, with senior civilians, and that will at least recognize the structure. They can also start immediately, as General Thompson said, to promote one or two of the key people into the contracting field to give out a signal to the overall contracting corps from the military side that this is a career path.

From the civilian side, I think Congress can do something about recognizing the fact that you're asking these people to volunteer to go into a war zone and not compensating them appropriately. I think that's not supporting the troops adequately, and I think that's something that can be done, as well.

So, there are actions that can be taken, even though you can't instantly go out with a chicken hook and bring in all these experienced contracting people—they're just not there, and they're very much in demand—but you can create incentives, both for the military and the civilians, to start actions immediately.

Senator THUNE. The report rightly makes the point that, in the future, the Defense Department will be conducting more joint and expeditionary operations, but the report's focus was largely on shoring up the Army's expeditionary contracting capability. What do your Commission's findings mean for joint expeditionary contracting capability? If there are problems on this broader level, given the likelihood that expeditionary operations will be more joint in the future, why should recommended solutions not be more joint in nature than was proposed by your Commission?

Dr. GANSLER. We actually do emphasize the jointness. In fact, the DCMA is a joint agency. That will be—the post-award period—doing all of the implementation, military and civilians, from that organization. We did hear from people in the Air Force and Navy that they have a need to step up more to the contracting world as

well, and to the whole acquisition arena. In a wartime environment, that has not received the attention that it needs, and we do believe that future operations will not only be joint, but will be expeditionary and, therefore, of the type we addressed explicitly.

I would even go a little further and say, because they're going to be political/military operations, that we're going to have to work out with the State Department and AID in these environments, as well.

General THOMPSON. Senator, if I could just add a couple of points on that. The Joint Contracting Command in Iraq today, currently headed by an Air Force major general to be replaced by a Navy admiral, here, in January, but the previous two commanders of that organization were Army general officers. The first commander was Brigadier General Steve Seay, and the second commander of the Joint Contracting Command was Major General John Urias. The individuals performing the contracting function underneath that joint command were from all Services. Because of the small number of military officers, and before—no noncommissioned officers, and I'll get to that in a minute—the preponderance of the staff in that Joint Contracting Command are Air Force, because there's about 2,000 military contracting officers in the Air Force, both officer and noncommissioned officer.

I do know as part of this group that I'm part of, on the cost of DOD, we are putting dedicated planners with each combatant command to plan for, in the war plans, contracting, and support with contracting, and the plan for that in the exercises, so to make sure that linkage is there. There's also going to be some emphasis on putting the right planning cell with the Joint Forces Command as they have their global force management responsibilities, and also look at exercises across DOD.

No different than the normal way the military brings forces together, you plan for it, you have that structure there, but, when it's time to execute a mission—be it Iraq or someplace else, in the future—you would bring in the members of the Service—all Services, that have contracting expertise, fall them into a joint structure that you define ahead of time, and that you planned for ahead of time. Arguably, that didn't happen over the last few years. It was really a pickup game, and we've evolved to where we are today. The clear recognition across DOD right now is, we can't let that happen in the future.

Senator THUNE. Good. Thank you.

Thank you, Mr. Chairman.

Senator AKAKA. Thank you very much, Senator Thune.

Let me call on Senator McCaskill.

Senator MCCASKILL. Thank you, Mr. Chairman.

First, I want to thank all of you for being here, and Secretary Bolton, for your service. I have visited with several of you before, as you are, maybe, painfully aware. [Laughter.]

I am deeply concerned about this area of our competency within our military, and I spent my trip to Iraq looking at these issues. I am now aware that there are approximately 300 different reports that have been issued by someone, surrounding the issue of contracting problems in Iraq, whether it is military support or reconstruction.

The reports that you referenced—in fact, the Commission that you all worked on, Ms. Condon and General Thompson—that was over 2 years ago. I see the word "urgent" on this report. I hear the word "crisis." I have to tell you, when we decided to move thousands of people into harm's way in the surge plan, that's how our military normally reacts to a crisis in the mission. Can someone explain to me how in the world this has gone on year after year after year, committee hearing after committee hearing, report after report after report, and yet we still don't have anyone who is saying, "This is getting fixed."

How many of you have read the "Lessons Learned" in Bosnia on contracting? Okay. Now, it is a really scary thing to read, because—guess what?—it's everything you're saying. These were lessons learned in Bosnia, and now we have tens of billions of dollars that have gone down the drain. The bottom line is, I think we all acknowledge, contracting is here to stay in the active military. Would any of you disagree with that?

Do any of you think we're ever going to go back to the time where a soldier is peeling a potato, cleaning a latrine, or driving supply trucks? So, if that's the case—now, when they were, when my dad was peeling potatoes in World War II, there was somebody in a uniform he was answerable to. He knew if he did a good job, he had a chance to move up; and, if he didn't, there was big trouble.

Meanwhile, we gave KBR all their performance bonuses, when their performance was terrible under the LOGCAP contract. Frankly, Secretary Bolton, you defended that in April in our exchange, and you said you trusted the people in the field. Then this report says we can't trust the people in the field, because they don't have the core competency of contracting.

Now, when you say you're moving into getting 400 more people, how quickly will there be sufficient contracting oversight in Iraq over the LOGCAP contract? How soon?

Secretary BOLTON. I think, with regard to LOGCAP—and let's understand the differences between the operation in Kuwait, which does not have LOGCAP——

Senator MCCASKILL. Correct.

Secretary BOLTON.—which also does not have DCMA. Within Iraq, we have DCMA to monitor the actual performance of the contract, along with a number of other folks, to include the special IG, the regular IG, the audit folks, the triple-A, as well as CID, all to look at that. Because you pointed it out, there have been many, many reports on that, and you and I have discussed those. So, I think, in terms of the immediacy of oversight, there is a lot of oversight, plus the Joint Contracting Command.

Senator MCCASKILL. I'm talking about the core competency, though, Secretary. I'm talking about the contracting officer representatives (CORs), I'm talking about the people on the ground that are seeing whether those trucks are being burned——

Secretary BOLTON. Yes.

Senator MCCASKILL.—for profit or whether those people are actually working when we're paying them to work. When will we have that training and that core competency with those CORs?

Secretary BOLTON. I think, within Iraq and Afghanistan, compared to Kuwait, you've had that. In fact, that's what we did, was to focus our experienced people in the war zone itself, within Iraq and within Afghanistan. That's why we put all the oversight there, to also look at that. Were we perfect? Absolutely not. Did we learn some lessons? Yes, we have. Have we put more people in there? Yes. The Joint Contracting Command has grown in the number of people over there, who are experienced, to look at that.

Down in Kuwait, as we went from the LOGCAP after the Gulf War the first time, by charter, DCNA no longer looks at those contracts. We lost all that oversight, and we relied upon 20 to 30 folks to do that, as it was escalating, in terms of the amount of work. Lesson learned. We can't allow that to happen. What have we done? We've put more people over in that office, experienced people. The folks who were there, we replaced, we put in a new commander. I personally went there and talked to every one of the folks there. I talked to the Command, I looked at what they were doing. I went out to the CONEXes to see all the contracts. We reviewed all of those with experienced people there and experienced people back here. What's wrong with that? If you're taking experienced people from here to do that work, they're not doing the work that we asked them to do back here. That gets back to what Dr. Gansler has talked about, "You need more people."

The long way of answering your question is, we're putting the best people we have available today to take care of the problems as we see it today. We're robbing Peter to pay Paul right now, until we get additional folks in there. But I clearly agree with you that we have to do more. In fact, what I would urge, and have urged our folks to do—we've talked about the operators, great people doing great work; they train the way they fight. I have to tell you, the support community needs to do the same thing. When we go on a deployment, when we go out to NTC, we ought to take the support element, to include the contracting folks, and put them out there. We ought to exercise those folks the same way they're being exercised in the war zone right now. They ought to be part of the war plan, so we know exactly what is going to go on there.

If you're going to audit or do an IG or something like a red hat, we ought to go out there and make sure, doing the exercise, that we pull something on them, just the way we do with the warfighter, to see whether or not they're going to react properly, and then build around that. We're a long ways from doing it, but if I could wave a magic wand, I would do exactly that.

Senator MCCASKILL. I don't understand why we're a long way from doing it. If we can put thousands of men and women in harm's way in a matter of weeks, why can't we watch taxpayers' money before taking a decade and noodling it around with 14 commissions making the same recommendations over and over again?

Why does it take so long?

Secretary BOLTON. I don't think we took so long, in terms of putting people in Iraq and Afghanistan. I did that. In 2003, when we went into Baghdad, I couldn't find a contracting officer. I had to send one over there. Why? Because we didn't expect to be there that long. I sent a colonel over there. He came back after a month, and I had to drag him back, because folks began to realize how im-

portant he was. I then put a lieutenant colonel over there who was only supposed to be there 6 months. He was there 12 months, got promoted to colonel while he was there, and we started to build that capability as we realized the enormity of the task ahead of us and the need for that type of expertise. I think that's an important lesson learned, that if you're going to go into an operation like that, and particularly one that goes from contingency operation—and "contingency," by its very nature, is short-term—to one that is nation-building and long-term, you'd better have the support folks there to take care of it, both in theater and reachback.

Secretary BOLTON. That's the lesson that we learned. Also, starting in 2004, we actually started to build units that would deploy with our commanders over there. They're in place now to do just that, focused on Iraq and Afghanistan. Not perfect. It was a pickup. We fell behind in a number of areas, but we did focus as best we could, with the best expertise we had available at the time.

The last point I'll make, and that is getting the people long-term. That will be tough, tough because they're just not there. Just within this area, within the Beltway, just for the Federal Government, we're short nearly 2,000, what I call 1102s, contracting officers, not just for the DOD, for everybody. They're difficult to get, and then, when you get them, you have to train them, and you know this. You have to train them, they have to be experienced, have to be warranted and then put out there, and that just takes time.

Senator MCCASKILL. Hopefully, I'll get a chance to follow up with you, Dr. Gansler, in another round of questions. Thank you.

Thank you, Mr. Chairman.

Senator AKAKA. Thank you. We will have another round of questions.

I'd like to call now on the chairman of the Armed Services Committee of the Senate, Senator Levin.

Senator LEVIN. Thank you. Thank you, Senator Akaka.

First let me join you and the other members of the subcommittee in thanking Dr. Gansler and the members of the Commission for the great work of that Commission. The central finding that the Army acquisition workforce is "understaffed, overworked, undertrained, undersupported, and undervalued," is consistent with the view that a number of us have expressed in this committee and in this Congress, in the Senate. I hope that the Army's general endorsement of the Commission's findings and recommendations will create some momentum to address this serious problem, Secretary Bolton, and that the general rhetorical support will be translated promptly into action.

Seven months ago, Secretary Bolton, I asked you some questions at a hearing of the Senate Armed Services Committee about the LOGCAP contract. At that hearing I asked a series of questions about a KBR subcontract for living containers, which is a type of trailer that the Defense Contract Audit Agency (DCAA) found to be overpriced by $100 million. I asked you, Secretary Bolton, why the Army decided to pay KBR the full $100 million by which those subcontracts were overpriced, and you referred the question to a General Jerome Johnson, who joined you in representing the Army at that hearing.

General Johnson denied that the Army had paid KBR the extra money, then I read from an Army document stating that, "The parties have agreed to recognize the costs of the containers acquired." So, I read from a document saying that, in fact, the Army had agreed to pay the extra money. General Johnson testified that the document was inaccurate that I was reading from.

Subsequent to the hearing, the Army provided additional information to the committee that, in fact, showed that that document was correct, that, as a matter of fact, the extra $100 million was paid, that should not have been paid.

The acknowledgment from the Army after the hearing was that the procuring contracting officer, Valiant Duhart, resolved the issue by allowing the costs for the containers.

So, in other words, Secretary, the Army has acknowledged that the memorandum that I read at the hearing was correct, that the Army had accepted KBR's arguments for which the DCAA could find no factual support and paid the full extra $100 million by which the subcontracts were overpriced.

So, now that the Army has acknowledged that KBR was paid the extra $100 million, the overpricing, despite repeated audits in which the DCAA rebutted every argument that KBR made in support of the overpayments, my question to you is, why was that $100 million paid?

Secretary BOLTON. General Johnson is no longer within the Army Materiel Command who has that contract. Ms. Condon is actually representing headquarters, and she can answer that question. But before she does, you are absolutely correct, we made a mistake; General Johnson made a mistake. It may have gotten confused—I won't talk for him because I'm not sure what was going on in his mind. We offered you an answer. I read that answer later and I sent you a letter this morning, which I hope you will get shortly. On behalf of the Army, we apologize for not providing you the right answer. That is certainly not the Army's style, certainly not my style.

So, let me let Ms. Condon give you a better answer.

Senator LEVIN. All right, thank you. So, why was the $100 million paid?

Ms. CONDON. Sir, that was part of a larger settlement on that task order for that contract.

Senator LEVIN. I don't know what that means, $100 million was not supposed to be paid. We have said it was not proper. So, why would we pay—we mean—they dropped some claim, if we paid the $100 million?

Ms. CONDON. There were other claims on that contract that——

Senator LEVIN. Well——

Ms. CONDON.—that were part of the settlement, sir.

Senator LEVIN. Will you give this subcommittee two things—give us the entire settlement, what was paid, what we objected to that we did pay, what the contractor—where did they concede things and give up claims, and—give us the whole deal, if you would.

Ms. CONDON. Sir, if I could take that one and get the information back to you, I will do that.

[The information referred to follows:]

Enclosed is a copy of the Post Negotiation Memorandum (enclosure 3) [deleted] that provides a summary of the negotiations resulting in the definitization of Task Order 59. The costs in question were part of this definitization. Task Order 59 authorized KBR to provide life support to troops deployed in Iraq for the period of time between June 13, 2003, and April 30, 2005. This task order was initially issued on an undefinitized basis which meant the terms, conditions, and pricing were not agreed to at the time KBR was authorized to begin work. Unfortunately, due to tempo of operations, changing conditions, and fluctuating requirements, AMC did not reach a settlement on the task order until March 31, 2005. The total amount of the settlement was approximately $6.3 billion.

The $99 million in questioned costs for containers is specifically addressed at pages 10 and 11 of the Post Negotiation Memorandum (enclosure 3) [deleted]. Defense Contract Audit Agency (DCAA) had questioned these costs in their proposal audit (enclosure 1) [deleted] as they identified other sources where the living containers could have been purchased at a lower cost. Much discussion took place during the negotiations with KBR and it was clear there were differing opinions on whether the less expensive containers could have been acquired and delivered in the needed time frame and whether the less expensive containers included the same amenities as the more expensive containers.

The container costs, while significant in and of themselves, were part of a $6.3 billion settlement where many costs were of issue. As the Senator may recall, there were a lot of questions regarding the cost of meals which represented a much larger portion of the $6.3 billion settlement. In a perfect world, the container costs in question would have been negotiated before KBR was authorized to proceed, but KBR was given the go ahead to begin incurring costs prior to reaching an agreement on terms and conditions and pricing. As a result, KBR had already incurred costs questioned by DCAA and these living containers were being used to house troops.

In order to reach an agreement on the larger settlement, the contracting officer agreed to recognize these container costs in the total estimated cost of the task order, but did not include them in the baseline costs for fee purposes. KBR was told that in order to earn a fee against these costs, they would need to produce additional facts to better support the reasonableness of these costs. The DCAA memorandum at enclosure 2 [deleted] was provided to the contracting officer to support his negotiations with KBR in the event KBR elected to provide additional information justifying the cost of the containers in question. To date they have not done so.

After reviewing these costs and actions in detail, the conclusion of the contracting officer was that given the conditions at the time the living containers were being purchased by KBR, the contracting officer believed KBR actions were reasonable. Furthermore, the contracting officer considered the fact that U.S. troops were already being housed in the containers, thus the Government had benefited from their use. As a result, the contracting officer recognized the costs in the larger settlement of the task order.

The enclosed Post Negotiation Memorandum [deleted] demonstrates that there were many issues surrounding the negotiations. Other costs proposed by KBR that were also questioned by DCAA were not recognized in the settlement, to include over $55 million in dining facility costs.

In the end, the contracting officer used his professional judgment in reaching what he believed to be a fair and reasonable price for the effort performed by KBR. In reaching this settlement, there were no discussions outside of the Army with the exception of DCAA and Defense Contract Management Agency, who were part of the Army negotiation team. AMC does not believe there were any outside influences in the settlement of these negotiations.

Senator LEVIN. Yes, but in addition, I want to know whether there were any conversations between anybody outside of the Army relating to that settlement.

Ms. CONDON. I personally do not know that, but I will find that out as well and get that back to you.

[The information referred to follows:]

In reaching this settlement, there were no discussions outside of the Army with the exception of the Defense Contracts Audit Agency and Defense Contract Management Agency, who were part of the Army negotiation team. AMC does not believe there were any outside influences in the settlement of these negotiations.

Senator LEVIN. All right. That's a huge amount of money to pay which we don't owe. Do you know what the whole settlement was that was involving hundreds of millions, billions, half-billions?

Ms. CONDON. No, sir, I don't. As I said, I'll take that for the record and get the exact amount back to you.

[The information referred to follows:]

Task Order 59 authorized KBR to provide life support to troops deployed in Iraq for the period of time between June 13, 2003, and April 30, 2005. This task order was initially issued on an undefinitized basis which meant the terms, conditions, and pricing were not agreed to at the time KBR was authorized to begin work. Unfortunately, due to tempo of operations, changing conditions, and fluctuating requirements, AMC did not reach a settlement on the task order until March 31, 2005. The total amount of the settlement was approximately $6.3 billion.

Senator LEVIN. All right. As well as any conversations that took place?

Ms. CONDON. Certainly, sir.

Senator LEVIN. Okay. Thank you.

Again, my thanks to the subcommittee for taking up this issue. We have not taken the time for adequate oversight of much of the contracting operations. We, just today, finished our defense authorization bill, which takes up an incredible amount of time every year, and the members of the committee and the staff put huge amounts of time into that bill. There is no other committee that has the responsibility, annually, to produce an authorization bill, that I know of. There may be one that's required by law, to have an authorization bill every year, but I don't know of it, and there's no bill this big, in any event. So, it does take up a huge amount of time, and we're going to continue to look for ways when we can allocate more of our committee time and subcommittee time for these kind of oversight efforts, which are so critically important. So, I want to thank you and the other members of the subcommittee, Mr. Chairman—Senator Thune and Senator McCaskill, who bring such a welcome experience and background to issues which are extraordinarily dry. [Laughter.]

But so essential to the taxpayers.

When we get that answer, Ms. Condon, I can assure you I will try to understand it, and that Senator McCaskill will understand it. [Laughter.]

Ms. CONDON. Noted, sir.

Senator LEVIN. Thank you.

Thank you, Mr. Chairman.

Senator AKAKA. Thank you very much, Senator Levin.

I have a question here for Dr. Gansler. The Gansler Commission was asked to review the Army acquisition system for expeditionary operations; however, a number of the Commission's findings appear to extend beyond the Army and beyond expeditionary contractors. For example, the report states, "Contracting, from requirements definition to contract management, is not an Army core competence. The Army has excellent dedicated people, but they are understaffed, overworked, undertrained, and undersupported, and, most importantly, undervalued."

Dr. Gansler, would you agree that many of the problems that you have identified extend beyond the Army and beyond expeditionary contracting?

Dr. GANSLER. Very definitely. In fact, when I briefed Secretary Gates and his staff, including the Deputy Secretary, the Under Secretary (AT&L), and the Vice Chairman of the Joint Chiefs, Secretary Gates did say, "Clearly this reflects a need much broader than just the Army." Our recommendation, in terms of the DCMA, is outside of the Army, although the Army does contribute personnel to that. This is a general area that the DOD, and, particularly as we go more towards joint activities, will have to get involved with other areas, but I think our intent was clearly to look at the overall DOD needs. The Army is the responsible party here in Iraq/Afghanistan, and the Army has, I think, the immediate crying need. So, a lot of our recommendations were focused on the Army. But I think Secretary Gates intends to have this more broadly looked at by the Air Force and Navy, as well, and by OSD, as Senator Thune said, by the Under Secretary for Acquisition, Technology, and Logistics, for those areas related to him. This would include contracting policy, it would include the DCMA, and other cross-DOD activities, not just the Army.

Senator AKAKA. Secretary Bolton and General Thompson, would you agree with Dr. Gansler's assessment?

Secretary BOLTON. I do agree, and I would also add that we've been looking at the Services, and obviously concentrating on the Army that this lack of expertise also extends to the oversight agencies. They are not immune. We depend upon the oversight, whether it's an IG or an audit, to have that expertise. I will tell you that in the 30 years that I've been in this business, I've watched those organizations—and I worked very closely with them, and I admire the work that they do—we don't always agree—that they, too, are lacking some expertise. Also, the defense finance folks, you need to look there, as well. We're asking them to do a heck of a lot of work, and they're under the same constraints, in terms of numbers of people and so forth—not necessarily in contracting, but just people able to process the paperwork. Why is that important to me? Because my contract team personnel do business with them to get money on contracts and to move things around. Without the people there to get the job done, it's hard for us to do our work, as well.

So, I would extend Dr. Gansler's comments to look at the oversight, as well.

Senator AKAKA. General Thompson?

General THOMPSON. Sir, I also agree with Dr. Gansler's statements. Like he mentioned in his testimony, contracting is a process. It's not just the people that write the contracts, it's a process that goes from the requirement all the way to the contract management, into the payment of the contractor, ultimately. So you have to value that entire process, because it is that entire process, if done right, that gets you the product or service that meets the requirement, and gets it at a fair price, which is what we all want to have happen, because we're spending the taxpayers' dollars.

Senator AKAKA. Secretary Bolton and General Thompson, the Gansler Commission report states that most civilians working on contracting issues in Iraq were volunteers often with inadequate or wrong skill sets for the job at hand, and often getting their required contracting experience on the job as part of their deployment. The Commission recommends that qualified civilians who

agree to deploy be provided enhanced career and job incentives. These include the elimination of an existing pay cap, tax-free status, and long-term medical care for injuries incurred in theater.

To your knowledge, does the Secretary of the Army concur with this recommendation? Also, can we expect to see a legislative proposal from the DOD along these lines?

Secretary BOLTON. With regard to the DOD, I'm not in a position to speak for DOD. For the Army, in our written testimony and what I've indicated thus far, the Secretary of the Army does support the recommendations. It's now a question of how best to implement those, and then, of course, as I said earlier, how many of those will result in the request for legislation. That's what we're going through right now, and that's what the Task Force is charged to do.

Senator AKAKA. General Thompson?

General THOMPSON. Sir, one of the things that we're looking at is the specific recommendations made by Dr. Gansler that require legislative change. The Army has legislative change proposals that it has proposed, that it needs to work now with the Office of the Secretary of Defense, and then work with the administration, before they submit them as administration proposals to change the current law.

Senator AKAKA. Thank you.

Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

I just want to follow up on your question, because, Dr. Gansler, the Commission recommends, among other things, congressional action to improve incentives for Army civilian contracting personnel who volunteer to deploy for expeditionary contracting. In furtherance of that recommendation, the Commission recommends that the statutory caps on civilian compensation associated with contingency operations be waived completely.

Beginning in 2006, Congress raised the statutory limit on overtime pay for civilian employees who work overseas in support of CENTCOM contingency operations. That current cap is $212,100. I guess I'd like to have you explain exactly what was intended by the Commission's recommendation here, and if there was data or analysis that supports lifting all the applicable caps on civilian compensation in Title V.

Dr. GANSLER. First let me comment on the cap point, which you properly pointed out has been lifted for Iraq. What we were proposing there on that particular issue was that there be some standby legislation so that the next expeditionary operation, we don't have to wait to find out if Congress is going to waive it or not. When we ask for volunteers to go, will they know that, if they do what benefits they will receive. These people put in incredible hours. That was one of the things we heard from everybody, that they're working two or three shifts, 7 days a week, individually, and they need to be compensated for that. We did hear, from a lot of the people, this point about the tax waiver, that the people—the military there, and the contractors—150,000–160,000 of them, all have their taxes waived, and these government civilians, who are also in harm's way, are not getting that waiver. That just seemed to us wrong, from an ethics as well as a national security perspec-

tive, because you want your best people to be there—as the Senator pointed out earlier, you want to have the very best people onsite, and you're not going to get people to volunteer if you don't recognize that this is a special situation—putting your life at stake. You clearly could be harmed. At least Congress ought to do things like make sure their life insurance is covered, make sure, if they have a need for long-term medical coverage, it has to be provided for, that if they, in fact, are putting themself at risk like that, they get proper compensation for it, because people on each side of them—the military and the contractors—are getting it. It just doesn't seem fair to me.

Senator THUNE. I understand, too, Dr. Gansler, that the Commission is calling for Congress to address some of these recommendations for out-of-cycle action. I guess my question would be, can you give the subcommittee some guidance on which of the Commission's recommendations are of the sense of urgency that we may want to undertake them out of cycle, and maybe to put more plainly—can you help us prioritize your recommendations for out-of-cycle action?

Dr. GANSLER. We could certainly try to do that and come back to you with it.

[The information referred to follows:]

In preparing my introductory remarks, I tried to highlight the five most critical actions by Congress:

1. Increased general officer billets for the Army and the Joint Organizations, in the contracting area;
2. An increase in the contracting personnel, military and civilian; including those required for the increased role of DCMA;
3. Increased incentives and rewards for civilian government contracting personnel who volunteer to go into the dangerous expeditionary operations;
4. Funding flexibility for future operations; and
5. Waiver of many special buying provisions when in an emergency environment.

While all five of these are critical, I would suggest that the first three are the most urgent.

Dr. GANSLER. We actually thought all of them were important, and that's the reason——

Senator THUNE. Right.

Dr. GANSLER.—we made those recommendations to you. I think the sooner that you can respond to these, the better. I think it's important to recognize that the Department has to stand up for these first. They have to make the request, as you pointed out, to make the legislative requests, and recognize that they make some internal changes, and then Congress responds to those, as well. But I think the sooner that both the DOD and Congress can respond to this, the more it will show that, in fact, the overall organization, Congress and the DOD, care about this, that this is important, that it needs to be done, that we need to send the right message to the people. We have a lot of very hardworking people putting their lives at stake and not getting recognized for it—and not getting adequately supported. I think that's wrong.

Senator THUNE. Thank you, Mr. Chairman.

Senator AKAKA. Thank you, Senator Thune.

Senator McCaskill.

Senator MCCASKILL. Dr. Gansler, first let me recognize, and all the people at the table are some of these, that there are thousands of people trying to do this work well under very, very difficult circumstances, and there have been massive amounts of mistakes made, but not because there aren't people out there trying. They just were completely overwhelmed.

I know what my perspective is as to how this happened—a lack of recognition of the importance of this part of the mission, as opposed to the military mission; but what's one of the things that is of concern to me is that 70 percent of the contracting personnel in Iraq and Kuwait are, in fact, Air Force, only 28 percent are Army, but yet, almost every open fraud investigation involves the Army. What is it within the training and culture in the Army that has caused this lopsidedness, in terms of that issue? What is it that we need to go back to the Service Academies, to—frankly, one of the things that I'm most concerned about is qualifications for promotion and whether or not you get demoted. I'm not aware of anyone who has lost a rank for failures under their watch that they weren't directly responsible for, and that's a problem. I've now spent enough time around people in uniform that what rank you hold and what rank you are trying to hold is, in some ways, the key to the kingdom, in terms of promotion and demotion, and yet, I don't see any kind of accountability within the Army in that regard.

Dr. GANSLER. Let me mention three points. I think the most important one of all, I would say, is that when you have a systemic problem, it's often a question of, are you getting adequate leadership? Are the people who are in charge of this area getting the proper authority, getting the proper recognition? As I mentioned in my prepared remarks, that we went from five general officers with contracting experience in the Army to zero. We went, in the joint activities, also down from four positions to zero, and then one temporary one. I think there's a clear need for, in the case here, of military leadership, and that's the reason we emphasized that.

We also recognize that there's an important message that gets sent out here when the people look around and say, "Well, they've just eliminated all the general officers from contracting. I guess I'd better go into a different career path."

Senator MCCASKILL. Right.

Dr. GANSLER. So, now the second point I guess I would make is the fact that one of the reasons I think the Air Force model is more successful in the case of contracting is, they start their people as second lieutenants in the contracting field. Secretary Bolton mentioned before, the number of years of experience matters. It clearly does. In the case of the Army, historically they have begun people in the career field after 7 or 8 years, so half of their career, in a sense, is gone before they begin to specialize in contracting. We recommended that the Army change that, that they begin as second lieutenants, but that they spend 2 or 3 years in a combat position so they understand the real Army, what the objectives are, how it works, get mud on their shoes, and so forth. So when they read or when they learn in classes that they're contracting people for their whole career, they have a much greater cumulative experience in the contracting field.

I think, in general, these are the reasons that I can look at answering your question, the Air Force has this long-term career, and they have had, in the past, more senior people in the contracting and acquisition field. They've been reducing that, too, though, so I don't want to give them too much credit for that. But, on the other hand, I think that they recognize they need to make some improvements, themselves; but, I think if you look across—to answer your specific question, if you had people who were adequately trained and prepared, you probably wouldn't see the number of cases of waste, fraud, and abuse.

Now, what Secretary Bolton mentioned that I think is equally important, and that's the third point I wanted to make—we should train as we fight. The majority of the people in the contracting field have not been trained to go into an expeditionary operation; they haven't been trained to go out into a battlefield. They've been trained to worry about buying a tank or buying an airplane in the United States. When we do the exercises from the military combatant commander's perspective, they should be worrying about the fact that 50 percent of their force are contractors, and they should be trained that way, as well. So, we have to change the whole Army, or the whole DOD, in this case, not just the contracting community, to recognize the importance of this career field to the overall effectiveness of our forces.

Senator MCCASKILL. Do we need to begin having a Reserve corps? We've relied on the Reserves, we've relied on the National Guard in this conflict in Iraq at unprecedented levels, in terms of how we have utilized them in the field. Do we need to begin to have a special Reserve contract component of people who are trained and ready within the Reserves and within the National Guard to step into contracting oversight?

General THOMPSON. Ma'am, let me take that question, and I'll answer that one specifically. If I could, I'd like to come back to a couple of the points that Dr. Gansler made.

The Army did not just begin to stand up a military contracting structure. We recognized the problem and began to put that structure in place back in 2005. About 70 percent of the structure that we've stood up, to date, is currently filled. That includes establishing noncommissioned officers—"51 Charlies" is the specialty area. There are 70 of those noncommissioned officers today, because we looked at the success that the Air Force has had with noncommissioned officers involved in contracting, and they're world class in what they do.

Part of the structure that we've stood up—it's not just Active component structure, it's also National Guard and Reserve. I'm taking a very hard look right now—and one of my responsibilities as the acquisition career manager for the Army at the senior level—can we develop the expertise in contracting in the National Guard and the Reserves? Because of the skill set there, you almost have to do it on a full-time basis, and you can't just do it part-time. So, what we're looking very hard right now, with the structure that we've stood up already, is—how much of that Reserve component structure is full-time? I would not argue that it can be all in the Reserves. Like with most of our specialties, it's a combination. But you can't be level–2 certified in contracting unless you have certain

coursework and education, but you also have to have 2 years of on-hand, real-world experience doing contracting, and you can't get that 38 days a year, or being mobilized a couple of months at a time.

In the National Guard, for example, one of the things they're looking at—and I think it's pretty much the way they're going to go—is, each one of these four-person contingency contracting teams will have a member on that team that's a full-time employee that does contracting in that State that's represented, but the other three members of that team will have to come from some other part of the Guard structure. So I have asked the Reserve components, both the U.S. Army Reserve and the National Guard, to look at how many of those positions in contracting need to be full time. Not all of them, but you need enough of those positions as full-time positions so they can get the expertise. Once they're certified to a certain level, then they can go back to the part-time status and be mobilized when necessary.

You mentioned a couple of points about the individuals—in the Army, in particular—involved in a lot of these investigations. A point I would make is, it's not just people that do contracting, it's contracting officer representatives, which, in many cases, are members of the operational force; it's not just military, it's civilian; so, it's not just the contracting workforce. For those people that took advantage of opportunities because the proper internal controls weren't there, the Criminal Investigation Command for the Army, and the audit agency is boring into those. There's been about 20 people indicted already, and I'm fairly confident—and, although I can't speak for the investigative agencies, I'm just keeping track of what they're doing—those people that violated their values and took advantage of the situation are being investigated, and where the investigation leads, they'll be indicted and, I'm sure, prosecuted, and proper punishment given to them.

We are looking at the point that Dr. Gansler made about earlier accessions. I do agree 100 percent that you can't bring somebody in at the 8-year point as an officer, expect to get them world class in contracting, because then, all of a sudden, they're at the 20- to 25-year point. One of the things that we're going to move out on is to move the accession point to earlier. Dr. Gansler's recommendation about designating somebody as contracting, and then branch detailing them to an operational assignment, I think, is a good one. We're looking at that. The other one we're looking at is just to move the accession point from 8 years back to 4 or 5 years, because we, in the Army, believe strongly that it's important to have that operational experience and that—get your boots muddy, as they say, because when you talk to the senior-level folks involved in contracting, the best ones involved in contracting have a lot of operational experience. But bringing that accession point back earlier will give us another 4 or 5 years to get those officers, and now noncommissioned officers, properly trained so we can use them.

That's the last point I would want to make.

Dr. GANSLER. Actually, I'd point out that only about 20 percent of the cases that have been looked at for the fraud examples are

of the contracting people; the rest—the 80 percent—come from other areas.

Senator MCCASKILL. Right, and I'm aware of that. I also think that if you talk to the people on the ground, there's no question that these CORs many times feel like they're the ones that got the short straw. There's no sense that the CORs in these units have the kind of pride and passion they need to have for that job, because it's almost seen as, "It's a short-term duty. If you're lucky, you won't have to do it long. If you're lucky, it's pro forma, you just have to sign off on some forms." Clearly, there has not been the training about the need for being aggressive and being committed in that vital, vital—because most of this is, in fact—and you have the problem with the definitization at the front end, and in the competitiveness at the front end—but so much of this is day-to-day oversight of that contract, and if you don't get those CORs to the point that they are fully trained and passionate about their work, and not that they're there for a short stop along the way, and, if they're lucky, they'll only have to do it for 9 months until the other sucker has to come in and be the COR. This is not a position that is looked up to within these units. I know you all know this. But it's something the Army really needs to grasp.

General THOMPSON. Those people that are CORs have to be valued, because it's a very important function.

Senator MCCASKILL. They are big deals. They need to be treated that way.

General THOMPSON. Right. They are watching after taxpayers' dollars, and the simple missive I give to everybody I talk to about taxpayers' dollars is: it would be kind of like you're writing it out of your checkbook. We've trained about 4,500 CORs here over the last few months, but it's not just training them. You have to train them, they have to value that assignment, and, once you train them, they have to be the ones actually doing it when they get over there. You can't designate somebody as a COR when they're getting ready to deploy, and then change that person out when they get over there. There has to be a consistency.

Senator MCCASKILL. That's happening all the time.

General THOMPSON. Yes, ma'am. We recognize that.

Senator AKAKA. Thank you, Senator McCaskill.

Let me ask this of Dr. Gansler. Last February, I understand that the Army awarded a $225 million planning and support contract for the LOGCAP IV contract. Under that contract, the support contractor will be responsible for developing scopes of work, preparing independent cost estimates, analyzing the performance of contractor costs, and measuring contractor performance.

Dr. Gansler, in your view, should these functions be performed by a contractor or by government personnel?

Dr. GANSLER. My impression of that—some of those functions could be done by the government, and maybe even should be done. On the other hand, what we found was—for example, you mentioned the pricing of contracts. There was not a single person in theater who was doing pricing. So, if you have no current people that you can assign to it, having contractors do it on a third-party basis, which is what this planning contract is, it's an independent third party looking at pricing, for example, they will estimate the

price, and then the contractor would estimate the price. The combination of that and what they had planned for the LOGCAP IV, of having competition on each of these tasks—I think the combination of those two would be a lot better than what we now have. A lot of the functions that you listed could be done, and maybe should be done, by government employees; but, if there aren't any—and if we don't get permission to increase the numbers, we're not going to have any—and if we keep it as a volunteer basis, you're not going to get many to volunteer under the current conditions, either—then we are going to have to use this third-party contractor operation, and I think that's far preferable than not having it.

Senator AKAKA. Secretary Bolton and General Thompson, I would like your comment on Dr. Gansler's comments here, and also, I want to ask you, do you believe the Army should have the capability of planning these functions itself? If they do, how long do you think it will take for the Army to develop this capability?

Secretary BOLTON. First of all, I do agree with Dr. Gansler's comments. The LOGCAP, and now we're into LOGCAP IV—the current contract is LOGCAP III, and as soon as we move on to LOGCAP IV, we'll do that, which offers more competition, it does have a planning part to it, and a contractor to do that.

We must remember how we got into this boat. This is not new. We go back to the 1980s and look at what the military was asked to do, which is basically to take a look at the things that you are doing in the military—some of those, I think, Senator McCaskill mentioned earlier, with your father peeling potatoes—can somebody else do that? Can somebody in the commercial or civilian contracting parts of our country do that for us—services-type contracts? So, throughout the 1980s and then in the 1990s, that's what we did. Right now, if we were to replace all of the LOGCAP folks over there, we'd need three times the number of folks. You have about 50,000 or so LOGCAP contractors over there. I'd need about 120,000 to 150,000 soldiers. Why? Because you would need about 50,000 on the ground to do the work; you would need 50,000 who were training to go there, and you have 50,000 coming out on a rotation. So, throughout the 1980s and 1990s, it was our task to give to the civilian sector all the work that we could, and this was part of it.

We did not expect a war such as this, this particular LOGCAP. The previous LOGCAP, I think we did $50-some-odd-million on it, total. This one obviously is into the billions, because it expanded so quickly. Then, when we finally had an opportunity to compete it, we did.

So, I agree with the comments that Dr. Gansler has on this. I would love to be able to do this all ourselves. Right now, I don't see that as being a near-term possibility.

Senator AKAKA. General Thompson?

General THOMPSON. Senator, I agree with the comments that have been made. The one thing that I would add to that is, to develop that expertise, again, it's going to take about 5 years to get the pricing piece, because it's part of the contracting process, because the people we have today that do pricing are very, very few. The pricing is, for the most part, not done overseas, because there aren't the people overseas to do that. So, again, it's one of those:

You're going to have to grow the expertise, and it's going to take us 5 years or more to be able to build that expertise to a sufficient level.

Senator AKAKA. Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

Just by way of wrap-up—I don't have any more questions to ask, but I do want to thank you all for your service. Secretary Bolton, best of luck to you in your future endeavors

I would say, the bottom line, I think, in all this is making sure that the warfighter obtains the necessary required expeditionary contract capability in a timely way. I appreciate the work that you, Dr. Gansler, and the Commission have done. It was necessarily Army-centric, because that was your mission, as, I think, chartered by Secretary Geren.

But, I would simply add that—and then come back to a point I made earlier, and I know you contemplated some of this in your report—but the report also establishes that the Army doesn't have an organic core competency in contracting, and some of the other Services are better at it. Since much of what we're going to be doing in the future is joint and expeditionary, it seems to me at least that cultivating contracting core competencies in a joint way makes a lot of sense. So, I would just urge you all, as you move forward, to look at how that might be incorporated.

Again, I thank you very much for your testimony and for your work.

Senator AKAKA. Thank you so much, Senator Thune.

Senator THUNE. Thank you, Mr. Chairman.

Senator AKAKA. Senator McCaskill.

Senator MCCASKILL. I certainly agree with Senator Thune's comments about the jointness of this and the necessity for jointness, and how important that is, moving forward. I know sometimes that's a challenge.

I also want to close with thanking all of you for your commitment, and certainly your service, Secretary Bolton.

I also want to just make one comment about the culture. I think it's so important that, at the very top of the Army, there is a culture that this is really important. I think we have to be honest that that's part of the problem.

In Kuwait, when I was visiting with the people there that were involved in contracting, one of the generals actually said to me, "I don't care whether it costs $10 billion or $15 billion, I wanted the ice cream in the mess hall yesterday." Now, no wonder the CORs don't think their job is that important. If that's the kind of messaging that's going on at the very top, it is very hard for it to filter down to where it matters that this is really important.

So, to whatever extent—your service, Dr. Gansler, on this Commission, obviously your service, Secretary Bolton, and I have a feeling that the War Contracting Commission is part of the National Defense Authorization Act Conference Report, I believe it will become active next year. I think you'll probably spend some time in front of that Commission over the next 2 years. As we move forward, I think we have to recognize that if the generals at the top don't communicate clearly—because when he said that to me, there were a room full of soldiers in the room that did this work—that

is not the message we need to be sending, and that is, in fact, the message that brings about the kind of abuses that we've seen. I think we need to be honest about that and continue to work on it, as I know all of you will, as committed professionals in this area.

Thank you very much.

Senator AKAKA. Thank you, Senator McCaskill.

Let me close by saying thank you to all of you, Dr. Gansler, Secretary Bolton, General Thompson, and Ms. Condon. Thank you also for your service to our country. I want to particularly wish Secretary Bolton well and thank you, again, for your service to our country.

What we've heard today and what we've been inquiring about really points out great, in a way, misconnection in our work here in trying to provide what our troops need. For me, I'm looking down the road to a point where we will have—whether it's jointly—a command that could be calling this, could be called, in this case—in our case today—the Army Contracting Command, but a group of people who would be dedicated to contracting and working in contracting both with the Active Duty people, as well as civilians. We need to structure it so that we can do this as a whole and not be splintered, as we are now.

I want you to know that this subcommittee is looking at this as a problem that our country needs to correct. We've heard from you to say that it will take years for us to try to correct this. I hope that that's not true, I hope we can do it sooner than that. We'll certainly press for that effort and look forward to your cooperation, as well, and the committee's cooperation in doing that.

So, thank you very much for your testimony, and we wish you all well.

The hearing is adjourned.

[The report "Urgent Reform Required: Army Expeditionary Contracting" follows:]

Urgent Reform Required:

Army Expeditionary Contracting

Report of the
"Commission on Army Acquisition
and Program Management in
Expeditionary Operations"

October 31, 2007

Urgent Reform Required:
Army Expeditionary Contracting

Report of the
"Commission on Army Acquisition and Program Management in Expeditionary Operations"

Electronic copies of this report can be found at:
http://www.army.mil/docs/
Gansler_Commission_Report_Final_071031.pdf

Commission

The Commission members are:

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Biographies for the Commission members are available at Appendix A.

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* The Commission also received support from the following individuals from LMI, a not-for-profit government consulting firm: Regina Bova, Louis Gaudio, William Kley, Amy Pitts, and Joyce Ward.

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I. Executive Summary

The acquisition failures in expeditionary operations require a systemic fix of the Army acquisition system.

The Secretary of the Army established an independent Commission on Army Acquisition and Program Management in Expeditionary Operations to review the lessons learned in recent operations and provide forward-looking recommendations to ensure that future military operations achieve greater effectiveness, efficiency, and transparency.[1] The Commission assessed process (including internal controls), personnel, organization, training, policy and regulation, as well as explored legislative solutions, to ensure that the Army is properly equipped for future expeditionary operations.[2]

The "Operational Army"[3] is expeditionary and on a war footing, but does not yet fully recognize the impact of contractors in expeditionary operations and on mission success, as evidenced by poor requirements definition.

The Commission found that the following critical segments of the "Institutional Army"[4] have not adapted in order to enable responsive acquisitions and sustainment for expeditionary operations. Specifically:

- Financial management
- Civilian and military personnel
- Contracting and contract management
- Training and education
- Doctrine, regulations, and processes

These key failures encumber the Army acquisition system's performance and have significantly contributed to the waste, fraud, and abuse in-theater by Army personnel.

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[1] The Commission charter is available at Appendix B.

[2] The term "expeditionary" includes both OCONUS and domestic emergency operations. The Commission believes the term "expeditionary"—rather than "contingency"—is a broader term that better encompasses any future national defense and national security missions. The Commission therefore uses this term throughout the report.

[3] The Operational Army consists of numbered armies, corps, divisions, brigades, and battalions that conduct full spectrum operations around the world.

[4] The Institutional Army supports the Operational Army. Institutional organizations provide the infrastructure necessary to raise, train, equip, deploy, and ensure the readiness of all Army forces.

The Commission found that:

- The expeditionary environment requires more trained and experienced military officers and non-commissioned officers (NCOs). Yet, only 3 percent of Army contracting personnel are active duty military and there are no longer any Army contracting career General Officer (GO) positions.
- The Army's acquisition workforce is not adequately staffed, trained, structured, or empowered to meet the Army needs of the 21st Century deployed warfighters. Only 56 percent of the military officers and 53 percent of the civilians in the contracting career field are certified for their current positions.
- Notwithstanding a seven-fold workload increase and greater complexity of contracting, the Institutional Army is not supporting this key capability.
- Notwithstanding there being almost as many contractor personnel in the Kuwait/Iraq/Afghanistan Theater as there are U.S. military, the Operational Army does not yet recognize the impact of contracting and contractors in expeditionary operations and on mission success.
- What should be a core competence—contracting (from requirements definition, through contract management, to contract closeout)—is treated as an operational and institutional side issue.

Unanimous Accord: Acquisition Failures in Expeditionary Operations Urgently Require a Systemic Fix of Army Contracting

The Commission heard testimony from more than 100 individuals who are well experienced in the challenges of Army acquisition in expeditionary operations, primarily in Kuwait, Iraq, and Afghanistan. The most notable characteristic of the testimony is a nearly unanimous perception of the current problems, their gravity, and the urgent need for reform. The people in the field understand the issues and identified the necessary solutions, and the Commission recommendations reflect these valuable lessons learned.

> ***"There are things Commanders in the field see as problems that people in DC don't think are problems–we should listen to the Commanders.***
>
> ***This problem is pervasive DoD-wide, because workload continues to go up while contracting and acquisition assets go down–there is a cost to these trends that is paid in risk, and we don't realize how big the bill is until there's a scandal.***
>
> ***The civilian personnel system does not serve an expeditionary force well–the system needs to provide superior short-term and career incentives to civilians who stay close to the combat mission.***
>
> ***Until you put Generals back in charge of contracting, the career field will continue to get no respect or resources."***
>
> (G.O., speaking of his experience of contracting in Iraq)

History shows that whatever threats the Army next faces will be different from the last, but they are likely to be expeditionary and likely to involve high numbers of contractor personnel. At the same time, operating the most potent military force of all time carries with it the burden that nothing is as simple as it once was. Our Armed Forces have been stretched thin. Technology has changed. All of our Military Services now use contractors to provide essential services. What has not changed is that contracting with taxpayer's funds is an inherently governmental function, and the military commander needs competent professional advice in the exercise of the expeditionary contracting mission.

Therefore, timely and efficient contracting for materiel, supplies, and services in support of expeditionary operations, and the subsequent management of those contracts, are and will be a key component of our achieving success in future military operations. Contracting is the nexus between our warfighters' requirements and the contractors that fulfill those requirements—whether for food service, interpreters, communications operations, equipment repair, new or modified equipment, or other supplies and services indispensable to warfighting operations. In support of critical military operations, contractor personnel must provide timely services and equipment to the warfighter; and the Army contracting community must acquire those services and equipment effectively, efficiently, and legally; while operating in a dangerous, fast-paced environment. Over half of the personnel currently in Iraq and Afghanistan are contract employees. This puts Army contracting (writing, negotiating, monitoring, and achieving accountability and enforcement of the contracts), along with modern (information-based) logistics support, squarely at the forefront of our challenges in supporting expeditionary operations. It also invokes command-level issues: Commanders must have timely situational awareness of contracts and contractor personnel and assets on the battlefield, to properly plan, synchronize operations, and manage the supply chain.

The Army currently lacks the leadership and personnel (military and civilian) to provide sufficient contracting support to either expeditionary or peacetime operations. The Army's difficulty in adjusting to the singular problems of Kuwait, Iraq, and Afghanistan is in large part due to the fact that there are no Generals assigned to contracting responsibilities. This is a decade-old blight: the cutbacks began in 1991, and no General Officers have held an Army

contracting position since 1998.[5] In a military environment (especially in an expeditionary environment), the number and level of the Generals associated with a discipline reflects its importance. A General is held accountable for his or her leadership. Today, the Secretary of the Army cannot replace a General and obtain a new start for Army contracting—the Army has no Generals doing contracting.

Army contracting personnel face over a 600 percent increase in workload, while performing more complex actions than ever before (for sophisticated services and buying systems-of-systems). Yet, the number of Army civilian and military in the contracting workforce is stagnant or declining.[6] Experienced military contracting personnel are essential for the success of expeditionary operations. Uniformed contracting experts provide the Army with professionals who have served in combat branches and easily understand the Army organizational structure. However, only three percent of Army contracting personnel are military.[7] The number and expertise of the military contracting professionals must be significantly increased in order to fill this void.

Experienced civilian contracting personnel are also essential for expeditionary operations. Any corrective actions addressing the shortage of military personnel must also address civilian personnel.[8] The Commission found Army civil servants to be an extremely dedicated and competent group; however, they are currently being managed by personnel policies that are both out-of-date and irrelevant to the Army mission and challenges of today, especially those of expeditionary operations.

The Army is the DoD "Executive Agent" for contracting in Iraq and Afghanistan, but is unable to fill military or civilian contracting billets, in either quantity or qualification. Although providing contracting support to the Army and Marine Corps is not an Air Force mission, an Air Force Major General currently is in command of the Joint Contracting Command–Iraq/Afghanistan (JCC-I/A). The Air Force also provides over 67 percent of the JCC-I/A contracting resources supporting the ground forces, and is handling most of the complex contract actions such as reconstruction operations.

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[5] In fact, the Commission learned that field-grade officers with contracting backgrounds pursue program management positions within the Program Executive Office (PEO), where general officer positions exist. Although both contracting and program management are under the "acquisition" career field, they are distinct professions, each needing competent professionals and officers.

[6] Indicative of the lack of transparency and responsibility for the contracting enterprise, this Commission was unable to get consistent data on the Army contracting career field (military and civilian).

[7] In contrast, 37 percent of the Air Force contracting workforce is military.

[8] Using skilled civil servants to perform inherently governmental contracting functions frees up uniformed personnel to address increasing warfighting, training, and technology demands.

FOUR KEY IMPROVEMENTS ARE NEEDED

Although this report suggests a significant number of recommended changes to improve Army acquisition and program management in expeditionary operations (as detailed in Section IV of this report), the Commission makes four overarching recommendations to ensure the success of future expeditionary operations:

1. Increase the stature, quantity, and career development of military and civilian contracting personnel (especially for expeditionary operations).
2. Restructure organization and restore responsibility to facilitate contracting and contract management in expeditionary and CONUS operations.
3. Provide training and tools for overall contracting activities in expeditionary operations.
4. Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations.

OVERCOMING THE BARRIERS EXPERIENCED BY IN-THEATER WORKFORCE

The span of the challenges are highlighted in the following summary of what the "boots on the ground" contracting personnel and their commanders in Iraq, Afghanistan, and Kuwait told the Commission.

Contracting Personnel

- *Army contracting personnel need military leadership in the form of General Officer positions.* It is unlikely that an Army contracting corps with an adequate number of General Officers would have been so ill-equipped to serve the Operational Army in expeditionary operations. These flag officers would have been "at the table" planning and supporting the operation. Another benefit of having contracting General Officer positions is the increased attractiveness of the contracting corps as a career profession to quality officers that aspire to General Officer rank.

- *Army military contracting personnel, both officers and non-commissioned officers, need to start their contracting career much earlier than they currently do.* While the strength of company-level operational experience is seen as a significant strength of Army military contracting personnel (which is appreciated by both their civilian personnel and Air Force counterparts), entering the contracting field as a field-grade officer or high-ranked NCO with low-level contracting skills and experience does a terrible disservice to our military contracting personnel.

> ***"I am assigned to a field grade command with lieutenant qualifications."***
> (Army contracting field grade officer, regarding his first acquisition assignment)

- *Expeditionary contracting should never be a first assignment.* Contracting personnel sent into a theater of operations need to be highly skilled, adequately trained, and prepared for the challenging, fast-paced demands of expeditionary operations. As the commander of JCC-I/A stated, "This is the Super Bowl, not a scrimmage."

> ***"You don't teach someone to swim by throwing him in the water. Similarly, you shouldn't teach someone contracting skills by throwing him unprepared into a contingency contracting assignment."***
> (Army General Officer)

Organization and Responsibility

- *The Army should not separate a contracting corps from weapons systems or base operations contracting.* Expeditionary contracting is not a specialized business; it is the same business operating at a mission-critical tempo—which requires greater experience, skill, and judgment. Contracting professionals benefit from broad exposure to non-expeditionary assignments. Expeditionary contracting personnel need the training, knowledge, and experience necessary to know how to best support the warfighter while operating within the bounds of sound and legal business judgment; and under the "special provisions" allowable under the Federal Acquisition Regulation for such expedited needs.

> ***"You can't think outside the box if you don't know what's inside the box."***
> (Army General Officer)

- *Contracting personnel need an effective "customer" interface* that performs the type of function an acquisition management staff officer performs. Specifically, the Operational Army must be positioned to translate requirements into statements of work that quickly and seamlessly can be placed on contract.

- *Contracting personnel supporting expeditionary operations need to be on the ground in-theater* where they can interface and interact with their customer: the warfighter. Reach-back to CONUS has not worked well due to the absence of timely interface with the warfighter and the different operations tempo experienced in-theater, where business is conducted 70 to 80 hours a week at a bare minimum, not just during standard CONUS business hours (which, of course, are often in significantly different time zones). The Commission does not consider it responsive if the expeditionary personnel have to deal with a CONUS-based Duty Officer who takes an off-hours request and forwards it to those responsible for acting on the request the next duty day.

> ***"In-theater, we had lots of people in Washington telling us the rules, but having little sense of urgency."***
> (Former Army Contracting Official)

Training and Tools

- *Expeditionary forces need information technology and eBusiness tools.* Expeditionary contracting personnel feel that they are years behind other OCONUS locations with technology, yet they are working in an environment where the operations tempo demands the support of automated tools. Contract writing systems are insufficient and not standardized, negatively impacting the ability to accomplish the mission. Information systems to track contractor personnel, assets, and performance are critical but lacking. Commanders need a common, relevant picture of contractors in the battle space, for operational planning, logistics planning, and situational awareness. Simple eBusiness tools for sample documents, such as statements of work, and rules for application are needed on line and on compact disc. This needs to be user-friendly, similar to commercially available tax software.

- *The Army needs to capture contracting lessons learned from Operation Iraqi Freedom and Operation Enduring Freedom and inculcate them into the military leadership schools and the Center for Army Lessons Learned (CALL).* The Army needs to train operational commanders on the important role contracting plays, as well as their responsibilities in the process. Further, the role and importance of contractors in expeditionary operations should be part of the curricula at command schools (e.g., the War College, CGSC, Sergeant Majors Academy,) and courses for Officers (e.g., Officer Advanced Course), Warrant Officers, and NCOs. Finally, the Army needs to recognize that, in order to operate in a streamlined, agile expeditionary environment, it must, by necessity, rely on contractors to provide combat service support. This means command and control is different. For example, commanders complain about a lack of knowledge of who is in their battle space—they know who military personnel and units are, what their mission is and where they are, but the same is not true for the contractor personnel.

Legislative, Regulatory, and Policy Assistance

- *In-theater contracting personnel have a need for an Expeditionary Contracting Manual.* Contracting is a rules-based process and profession, and contracting personnel need a clearly articulated, and pre-positioned, packaged set of acquisition rules that can immediately be referenced and applied to meet the exceptional contracting requirements of expeditionary operations and they must be pre-trained on the use of these "special provisions." The Commission heard deployed contracting professionals testify on the need for an Expeditionary Contracting Manual that is focused on the expedited processes and flexibilities necessary for procuring the support needed by our warfighters in an expeditionary operation.

- *The Army must provide incentives for civilian contracting personnel* to ensure that the Army can tap into its largest population of contracting expertise. The Army also needs to be honest and upfront with them about the assignment and conditions and treat them with respect equal to the military personnel.

> ***"We are deploying civilians to the theater based on rules established 30 to 40 years ago."***
> (Army SES)

- *Civil servants need personnel policies that support the roles they may be tasked to serve when the U.S. is engaged in expeditionary military operations*. The Army should do a complete personnel policy review to identify changes necessary to support, properly incentivize, discipline, and provide for its civilian personnel who may be engaged in expeditionary military operations. This includes those personnel who are sent to the theater of operations—including civilian Army contracting professionals—as well as those who fill the void created by personnel deploying to theater.

INSTITUTIONAL ISSUES THAT MUST BE ADDRESSED

Those charged with getting the job done have provided valuable insight into the doctrine, policies, tools, and resources needed for success. Clearly, the Army must address the repeated and alarming testimony that detailed the failure of the institution (both the Institutional Army and the Department of Defense) to anticipate, plan for, adapt, and adjust acquisition and program management to the needs of the Operational Army as it has been transformed, since the end of the Cold War, into an expeditionary force. The Institutional Army has not adjusted to the challenges of providing timely, efficient, and effective contracting support to the force in Operation Iraqi Freedom (more than half of which is contractor personnel). Essentially, the Army sent a skeleton contracting force into theater without the tools or resources necessary to adequately support our warfighters. The personnel placed in that untenable position focused on getting the job done, as best they could under the circumstances—where support is needed in a matter of hours, or, at best, days. They used their knowledge, skill, limited resources, and extraordinary dedication to get contracts awarded. Alarmingly, most of the institutional deficiencies remain four-and-a-half-years after the world's best Army rolled triumphantly into Baghdad.

> ***"The contracting professionals who rose to the occasion in Iraq and Afghanistan deserve a medal. If, during the next expeditionary operation, we face the same institutional mistakes that put them in such a position, someone should be shot."***
> (General Officer speaking of his experience of contracting in Iraq)

The Army must fix the cause of such failures, and the symptoms will subside. The cause is a culture that does not sufficiently value or recognize the importance of contracting, contract management, and contractors in expeditionary operations. Without the necessary contracting leadership, the necessary change cannot be achieved.

The Army Must Transform the Army's Culture with Regard to Contracting

The Commission believes that the Army contracting community has reached a "tipping point" that requires extraordinary action. Perhaps most notable was a question that the Commission repeatedly asked the experts, "Who in the Army is responsible for the situation we are in today?" In reply, the Commission repeatedly heard that there are no General Officers responsible for Army contracting—responsibility was diffused among many organizations, both within CONUS and in the field.

The Commission believes that the identified problems will not be solved by accomplishing any list of corrective actions, no matter how thoughtful, thorough, and extensive the list, unless this is also accompanied by a significant change in the organization of the Army with regard to the contracting community, and the acquisition community within which the contracting function lies.

In fact, while this Commission, other commissions, task forces, and auditors look at the current contracting issues and bring fresh eyes to the problems, the Commission believes that all attempted remedies will be temporary unless the Army returns to basic organizational and Army leadership principles.

Despite the increasing importance of the acquisition process to the Army's performance, the Army apparently has not valued the skill and experience required to perform those processes. Numerous attempts over the last 20 years, both legislative and organizational, to modify that value culture have not succeeded. Despite the outstanding professionalism and talent that is resident at every level of the Army, without significant systemic change, the Army acquisition processes can be expected to inevitably return to below-mediocrity.

General Officers Must Lead the Transformation to Make Contracting an Army Core Competence

To initiate and sustain improvement to Army acquisition, grow future leaders, and support leadership efforts, the Army must designate an appropriate number of General Officers (and Senior Executive Service personnel) who will be permanently assigned to contracting.

> ***In the 1990s there were five Army slots and four joint slots available for General Officers in key contracting and contract management positions. Today, there are no Army slots and only one joint slot (which is currently being filled by an Air Force two-Star officer from the contracting career field). Over this period, the Army Competition Advocate has been decreased from a two-Star billet to a colonel, while the Defense Contract Management Agency has been changed from a joint two-Star billet to a civilian executive.***

In order to provide for increased and prolonged professionalism and problem-solving in the military environment; in order to recognize the increased complexity and cost of modern military products and services; and in order to prevent the suboptimal migration of senior military billet assets from the acquisition corps to the operating forces: Congress should authorize these General Officer and SES billets and specifically assign them to the Secretary of the Army, so that the Secretary may ensure they are assigned only to acquisition and contracting billets. These General Officer and SES billets will, through normal Army staffing assignment policy, also drive the assignment of the necessary officers, enlisted personnel, and civil servants who should populate this critical area. This Commission recommends that five new General Officers, and one SES billet, be established for the Secretary to assign to meet this urgent need, and five more joint General or Flag billets be established, including a three-Star for the Defense Contract Management Agency.

Army Operational Leadership Must Understand the Transformation

The necessary transformation must be Army-wide. Thus, not only must the acquisition community have leadership—in the form of General Officers—to lead the change, it must grow future leaders and support for leadership efforts, and have sufficient numbers of military and civilian professionals to carry out the changes. In addition, those operators outside the acquisition community must be trained on the role and importance of contracting and contractors in expeditionary operations. This Commission recommends that all leadership courses address the significance of contracting and contractors and that combat exercises include contracting events.

A Single Army Contracting Command Must Establish Contracting as a Core Competence

Under the current organization, none of the contracting commands have responsibility to synchronize all aspects of contracting below the Army Secretariat level. This adversely affects those within the profession and outside the profession. Within the contracting profession, no single advocate for a "cradle to grave" career plan for excellence exists. Outside the profession, commanders and contractors have to deal with multiple heads of contracting activities (HCAs) and principal assistants responsible for contracting (PARCs). These multiple interactions can result in varying policy interpretations and poor operations. These effects are compounded in the expeditionary environment, with its heightened contracting workload, complexity, and tempo.

This Commission recommends a single Army Contracting Command, reporting to the Commanding General of Army Materiel Command, be established and charged with developing a relevant and ready expeditionary contracting capability. The Commander of the Army Contracting Command would have directive authority over all Army contracting capabilities and provide a single focal point for status and readiness of the Army-wide contracting workforce.

A General Officer Must Be Accountable for Post-Award Contract Management

Another major area of concern to the Commission is the failure of both the Army and Defense organizations to perform a mission that is critical to operational success in-theater, and where the Army was, and clearly still is, failing: post-award contract management. Contract management is an essential contracting function to ensure mission accomplishment, and it is an important control to minimize fraud, waste, and abuse.

As stated above, the few contracting resources available in-theater are dedicated to the timely award of contracts. However, in the area of contract management, because of staffing constraints, even the JCC-I/A must engage in a dangerous game of risk management. Contract management for low-risk contracts is forsaken in favor of managing high-risk contracts. JCC-I/A is relying on the "squeaky wheel" method, rather than a proactive method of contract management. For high-risk items (e.g., mission-critical concrete barriers), JCC-I/A devotes the resources to perform proactive contract management. Another important aspect of contract management—contract close-out—is simply not being accomplished. Only about 5 percent of the completed contracts in Iraq are being closed out.

Contract management is the function of the Defense Contract Management Agency (DCMA). However, DCMA is focused on the management of weapons systems contracts (as is the majority of the acquisition community). Although DCMA has DoD's resident expertise in contract management, having absorbed all the Military Services professional contract managers when it was established, it is neither staffed nor resourced to provide operational contract management for the types of contracting efforts supporting expeditionary operations—base, post, camp, and station contracts. DCMA has not been engaged in managing contracts in-theater, except in a limited capacity (managing contracts that were awarded outside the theater of operations such as LOGCAP). Its role and staffing should be expanded and DCMA should be responsible for <u>all</u> post-award contract management for expeditionary operations. As a Combat Support Agency, DCMA, with its increased responsibility, should be led by a three-Star General or Flag Officer, as is the Defense Intelligence Agency and Defense Logistics Agency (DLA).[9] The individual selected and assigned must have extensive acquisition/contract management expertise.

[9] When DCMA's predecessor organization, the Defense Contract Management Command, was under DLA it was led by a two-Star general officer. It is now led by an SES.

SUCCESS MUST BE MEASURED

The Commission recommends a Secretary of the Army chartered Special Task Force be established and tasked to plan for, and achieve, the needed transformation with the proper sense of urgency. The Commission believes that key recommendations should be implemented within six months.

Within 30 days, the task force should develop an ambitious plan for implementing the Commission's recommendations, and provide that plan to the Commission for review. The transition plan—which should identify the sequence in which the projects will be accomplished and describe key aspects of each project—will help the Army bridge the gap between where its acquisition system is today and where it should be in the future. The plan must address all four major improvement areas: contracting personnel; organization and responsibility; training and tools; and legislative, regulatory, and policy assistance. The numerous projects to be included in the transition plan vary in complexity and are interrelated. Therefore, the Army should treat the plan as a program, operating with a consistent approach. One of the initial steps must be to appoint a Special Task Force Leader to develop program goals, objectives, and an integrated master plan for implementation. The program goals and objectives should be reviewed by the Commission. The implementation plan should include periodic coordination with this Commission. At a minimum, the Commission will measure success quarterly by reviewing program reports, with an annual program review.

II. Background

After looking at the entire landscape of acquisition issues in Kuwait, Afghanistan and Iraq, as the Commission has had the opportunity to do, it is evident that the problems experienced in Acquisition and Program Management in an Expeditionary Environment are not due to one particular problem nor an individual failure to perform, but rather because multiple Agencies and Departments have failed to fully recognize or comprehensively address the significance of the shifting challenges of the post-Cold-War environment.

In the decade and a half since the Cold War terminated, the Department of Defense and the Services have made significant changes to adapt to meet the expected challenges. As a quick postulate, it seems reasonable to accept that the warfighting successes in Bosnia, Afghanistan and Iraq, as well as the technological revolution, demonstrate that the Military warfighting tactics, weapons, and thinking has, and is, changing appropriately.

Over this same period the Army has transitioned many jobs that were previously performed by individuals in uniform during the Cold War to performance by contractors. Immediately after the Cold War ended, in their thinking about Defense in the 21st Century, many defense writers, Defense think tanks such as CNA, LMI, Rand, etc., as well as the Defense Components, began looking at the costs, benefits, and effectiveness of using uniformed military personnel to perform the full spectrum of tasks associated with delivering military capability. Although change always comes slowly, especially where people are concerned, there is overwhelming evidence, both analytical and now historical, that many tasks can be done more effectively and less expensively by contractors.

As a result of this progress in Defense personnel policies, each of the Services has outsourced tasks previously performed by personnel in uniform. This has significantly increased their effectiveness, their warfighting capabilities, and done so at significant savings to the taxpayer.

What is apparent to the Commission is that the Institutional Army has not made the necessary adaptations to the operational policy to extensively outsource support services (in the case of Iraq and Afghanistan, over 160,000 contractors—over 50 percent of the total force). Since these services are needed, and now are being provided by commercial vendors instead of organically, they can now only be fulfilled through the acquisition process; more specifically, by personnel who are specialists in contracting.

If the military commander has gained riflemen, but not added contract professionals who can acquire the support services his unit needs, then he has lost capability. Alternatively, if contracting for support services is being provided by another command, then the military commander's job has probably increased in complexity. If contracting capability has been outsourced from a military unit to a supporting organization staffed primarily by civilian personnel, and the existing regulations do not provide the same safety net (insurance, post-injury health support, tax treatment, non-capping of pay benefits, legal restrictions and waivers) for civilian personnel that are provided to military personnel, then the Defense Component has not

successfully adapted to the operational requirements of the post-Cold War expeditionary environment.

It is not as obvious that the Army, the DoD, or the Defense Agencies (nor other Federal Departments and Agencies, based on the testimony the Commission heard) have adapted to the operational changes which directly impact the ability to perform the critical support mission of reliably procuring the products and services our warfighters require in order to perform their mission. The changes pertinent to the acquisition and program management process which have occurred can generally be grouped into three major areas: workload, complexity, and tempo.

INCREASED WORKLOAD

After the great struggle with the Soviet Union, it was generally assumed that Defense Budgets would decrease, the urgency of purchasing high-tech equipment could be performed at a more reasonable pace, and the advantages of new management processes, improved training, and improved technology would permit the Defense Components to significantly reduce the quantity of individuals involved in the procurement process.

In an effort to recognize the postulated effects of the above efficiencies, accompanied by pressure from Congress, the DoD and the Army took significant cuts in the acquisition workforce and also deliberately choose not to shore up identified shortfalls in program management personnel in the Army.

However, because of other efficiency decisions, such as outsourcing, which were being concurrently enacted, the actual workload of contracting personnel (the people charged with writing, negotiating, monitoring, and enforcing performance of the contracts)—one of the workgroups which had been specifically targeted and reduced—was substantially increasing in complexity and volume.

INCREASED COMPLEXITY

Acquisition and contracting have increased in complexity as well. There are several reasons for this, key among them is the strategic decision to aggressively outsource support services. *Service Contracts,* those in which the Government purchases services, rather than hardware, tend to be more complex than is widely appreciated. To contrast a service and supply contract, consider a contract with a company to provide food services for our deployed Soldiers and a contract with a manufacturing firm for producing tanks. The tank contract will be based on detailed design and performance specifications. The lengthy process of drafting the design and performance specifications for the tank has taken years to complete. That effort has been resourced by large staffs of military and civilian armor officers, engineers, logisticians, working in consultation with tank builders, outside consultants and industry experts. The tank will be delivered some years hence (probably after many different contract changes, as requirements or performance problems are identified over the years and solutions are incorporated that facilitate the development and manufacture of the product), after being produced in a facility that has a number of resident Defense Contract Management Agency personnel monitoring production, and at a location in the United States. Contrast that with food services that must be provided anywhere in the world, and

as we have seen, in a hazardous environment. The Soldier expects the food services to be provided where they are needed, when needed, and in the quantities needed. He does not have years to wait for teams of engineers to define his requirement. He brings his need to the only place he can get it filled, a contracting office. The complexity of defining the warfighter's requirements adequately so that they can be used as the foundation of a binding contractual agreement that results in satisfactory performance for the warfighter has been overlooked by those responsible for resourcing the Army's shift to outsourcing support services. Neither the warfighter nor the contracting professional has resources available that can provide definitive assistance in this area.

Additionally, after the contract is awarded, there are no resources trained to monitor and ensure that the contractor is performing and providing the services needed by the warfighter. The inability to monitor contractor performance and enforce contracts is a critical problem in an expeditionary environment. Although not associated with these examples, the Commission heard of the difficulties associated with knowing whether a contractor had performed at all. When the critical need is to get a power station running, and there are no resources to monitor contractor performance, only the contractor knows whether the completed work is being sabotaged nightly. The Commission believes that the complexity of drafting service contracts and monitoring them, and the critical need for having the resources to perform these functions in an expeditionary environment, have not received the needed attention from the Army.

Coupled with the significant workload-mix shift from hardware to services contracts, with the consequential increase in workload, the Department of Defense had determined that the American warfighter can be better supported, and industry innovation can be better mated with the warfighter's needs, by using value-based procurements (except in the most simple of contracting actions). Value-based procurements have replaced the old practice of attempting (usually unsuccessfully) to define what is needed down to the last bolt for supplies or every step in the detailed Government process for performing services. Under the old approach, the resultant Invitation for Bids was thrown over the transom to industry, the received sealed bids were opened when the clock struck noon on the designated date, and the lowest price offeror was announced as the winner. Unless one is buying a simple commodity which is well-defined and widely available competitively, experience has shown that this process invariably did not provide our warfighters with what they needed.

The Department of Defense has moved to a "value-based procurement system," in which the potential contractors' proposals are evaluated to determine the best solution proposed to fill the requirement the warfighter has identified. This process places the warfighter at the center of what he does best—identifying what he or she needs, and it gives industry the opportunity to think of and propose cost-effective methods of fulfilling the need identified. This assigns industry the part of the acquisition process that it should do best, which is unconstrained conceptualizing, linking the problem with new technology, accurate cost prediction, and identifying the solution that best fits the parameters of the requirement. This is the essence of American industry. The Department of Defense and Agencies retain the responsibility for clearly defining their requirements, ensuring a process that fairly engages industry to propose the best solutions, and evaluating and comparing the proposed solutions to select the solution that appears to offer best value to the Government.

Value-based procurement is better for the both the American taxpayer and the American warfighter. However, experience shows that it also requires more and higher quality contracting and program management personnel. Unfortunately this is not the direction the Army has taken in resourcing.

> ***"Contracting for expeditionary services requires far greater sophistication."***
> (Army Acquisition SES)

INCREASED TEMPO

The biggest change from peacetime acquisition operations—in the continental United States (CONUS) or long-established bases outside the continental United States (OCONUS)—to acquisitions in support of expeditionary operations is the accelerated operations tempo. In an expeditionary environment, the requirements must be filled in days—not months—and the volume of requirements can quickly overwhelm a small contracting organization. Operation Iraqi Freedom was not the first military action in recent times where the Army had to deploy on an expeditionary mission. In the preceding decade the Army was deployed to Haiti, Bosnia, and Kosovo. Yet, from the perspective of those that were there on the ground at the outset and those that followed, there were no operational plans for providing acquisition support to the warfighter in-theater. In other words, the expeditionary experiences in Haiti, Bosnia, and Kosovo had not been leveraged into building an operational or institutional capability to support the next expeditionary military operation.

A key issue that quickly manifested itself in Iraq is the critical need for focused contracting personnel tailored to support expeditionary military operations and clear, concise, well-understood expeditionary contracting rules. It should come as no surprise that expecting an inexperienced contracting officer to learn how to adapt and implement exceptions to the Federal Acquisition Regulation (FAR) and/or the Defense Federal Acquisition Regulation Supplement (DFARS) in a high pressure environment with demanding time-critical priorities will result in mistakes, adverse actions, and ultimately delays.

The Commission received testimony from many authorities that all the necessary exceptions are well-documented in the DFARS, and increased knowledge, better training, and individual initiative are all that is needed. However, this does not address the problem and falls far short of institutionalizing the art of expeditionary contracting. According to the JCC-I/A Commander:

> "The FAR itself does have sufficient flexibility to get the job done, the problem is, it's not very user friendly. 'Expert practitioners' can and do find ways to use the FAR in innovative and creative ways. The problem is most of our Contingency Contracting Officers are not expert practitioners."

The new FAR/DFARS Part 18, Emergency Acquisitions, which cross references emergency flexibilities contained in other parts of the FAR, is too cumbersome for use in fast paced, expeditionary operations. What is needed is a field manual for contracting on the battle field—what the JCC-I/A commander describes as, "***a helmet card on steroids***." Much like an

infantryman has a field manual, expeditionary contracting officers need a quick reference tool that allows them to practice expeditionary contracting before setting foot in-theater and to continue using the same reference while deployed. Most important, contracting personnel must be trained and thoroughly familiar with the Expeditionary Contracting Manual prior to deployment. Doing it for the first time in-theater is not acceptable. Again, according to the JCC-I/A Commander:

> "It's been apparent for several years that available contingency contracting officer experience is declining. Right now my average experience level for my 171 warranted folks is 3.8 years—when I arrived it was over 5 years. The less experienced folks need an easy-to-use guide that covers the situations they commonly face, tailored to theater realities, and not homogenized general guidance."

DECLINING CAPABILITY

In spite of the large increase in workload, the increased complexity of the contracts, and the increased tempo required, there has been a dramatic reduction in the capability of the Army to meet this challenge. As the data in Figures 1 through 3 and Table 6 (see Section III–Findings) clearly illustrate, the number of Government civilians and senior Military officers in contracting positions has declined precipitously. This combination represents a "perfect storm" in Army contracting.

ARMY ACQUISITION MANAGEMENT

The Center for Naval Analysis (CNA) conducted an analysis of Army acquisition management in 2001,[10] that shows the Army significantly lagging behind the other Services in key areas such as leadership focus on acquisition, funding, budgeting, and requirements generation. Table 1 illustrates some of the CNA findings. Over six years later, the Commission found that the Army is struggling with many of the same challenges, both in peacetime and expeditionary operations.

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[10] Center for Naval Analysis, *The Army Acquisition Management Study: Congressional Mandate for Change*, May 2001.

Table 1. A 2001 Framework for Comparison: Six Years Later, The Army Faces the Same Challenges

Subject	Army	Navy/ Marine Corps	Air Force	Rationale for Army rating
Senior-level military/civilian relationship	Red/Yellow	Green	Green	◆ Limited joint decision-making
Control of acquisition by Assistant Secretary for Acquisition matters	Red	Green	Green	◆ AAE position weakened by MILDEP authority ◆ Tension with AMC HQ
Streamlined acquisition organizations	Yellow	Green	Yellow	◆ Materiel command adds layer of management complexity
Mission area focus of PEOs	Yellow	Green	Green	◆ DSAs (in AMC)have similar warfare focus as PEOs
S&T	Green/Yellow	Green/Yellow	Green	◆ Well-structured process, but some history of transitioning immature technologies ◆ Good user/tech involvement; but separate, relatively duplicative task force required just for FCS
T&E	Green/Yellow	Green	Green	◆ ATEC is good idea, but rated by Director of the Army Staff
Program stability (funding)	Red	Yellow	Green	◆ Acquisition used as bill payer ◆ Unstable funding of top priority programs
Resource management (programming)	Yellow	Green	Yellow	◆ Integration across PEGs is weak
Resource management (budgeting)	Red	Green/Yellow	Green/ Yellow	◆ No independent review ◆ Limited Chief/Secretariat interaction
Requirements generation process	Red	Green	Green	◆ 16 stovepipes operating with little integration ◆ Little top-down control
Acquisition Corps promotion rates	Red	Yellow	Green	◆ Lack of below-the-zone promotions
PM tenure	Red	Yellow	Red	◆ More than half of sampled PMs served less than 3 years
Acquisition workforce efficiency	Red	Yellow	Green	◆ More acquisition personnel per dollar of R&D/procurement

III. Findings

The Commission on Army Acquisition and Program Management in Expeditionary Operations was chartered by the Secretary of the Army to perform an independent assessment, to enable the Army to fulfill its role for providing acquisition and program management in support of expeditionary operations and national objectives.[11] The Commission was tasked to review "lessons learned" in recent operations and make recommendations that will ensure that future operations achieve greater effectiveness, efficiency, and transparency. (See Appendix B, Commission Charter.) Although the Commission reviewed the current state of the Army, its focus was developing recommendations for acquisition support of future expeditionary operations.[12]

To accomplish its review, the Commission spoke with over 100 individuals, who were all provided with a copy of the Commission charter in advance of participating in the Commission proceedings. Additionally, the Commission drew on the support of numerous organizations and individuals within the Department of Defense, State Department, Army, and Air Force who provided information and supporting data for the Commission's review.

By title, the Commission is focused on acquisition and program management. "Acquisition," within the context of the Commission's charter, is considered to be the act of acquiring something, as is succinctly defined in the Federal Acquisition Regulation (FAR), "…the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated."

The FAR goes on to state:

> *"Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract."* (FAR 2.101)

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[11] The Army currently is the DoD Executive Agent for contracting in Iraq and Afghanistan.

[12] The Commission did not focus on the incidence of current contracting fraud, waste, and abuse, which are being examined by the Army Contracting Task Force being led by Lieutenant General Ross Thompson. The Commission also did not examine equipment accountability issues, which are the focus of a DoD Inspector General investigation being led by Lieutenant General (Retired) Claude Kicklighter, nor private security contracts, which are the focus of a review by Ambassador Patrick Kennedy.

This definition is consistent with the "Acquisition" process as described in the DoD Directive 5000.1, Defense Acquisition System, which is the basis for the provision of effective, affordable, and timely systems to users. As the Commission conducted its review, it became apparent that there is a crisis in Army contracting. As a consequence, much of the Commission's findings concern Army contracting in an expeditionary environment.

"Contracting" is not limited to the process of drafting and executing contracts in a contracting activity. It involves everything from a warfighter identifying a need that must be filled, through contracting, through delivery and acceptance of the supplies or services from a contractor, to contract closeout. The Operational Army, or warfighter, plays a large and active role in "contracting."

Commencing September 6, 2007, the Commission heard testimony from a large number of experts experienced not only in Army acquisition, but well experienced with Army acquisition in expeditionary operations, primarily in Iraq and Afghanistan. At the outset, it is important to emphasize, because it is so compelling, that the most notable characteristic of the testimony was the unanimity in the perception of the problems and the gravity of the problems.

Iraq, Kuwait, and Afghanistan have illuminated numerous major problems with expeditionary Army acquisition and contracting.

EXPEDITIONARY ENVIRONMENT

Expeditionary operations are anticipated to be the norm in the 21st Century. Future military operations will be expeditionary and joint (and, likely, multi-agency), as were Desert Storm, Somalia, the Balkans, Afghanistan, and Iraq. Each situation is unique; and the next national security problem will be different also. However, nearly all warfighters and planners expect the next challenge will be expeditionary and the challenge, by necessity, will heavily involve contractor support. The Army and our Nation need organizations and talent poised to "hit the ground running."

The Operational Army Is Expeditionary But Essential Segments of the Institutional Army Have Not Adapted

While the Operational Army is on a war footing and has transitioned into an "Expeditionary Army" capable of prevailing in 21st Century conflicts, wide-ranging portions of the Institutional Army have not yet made the transition in the following areas to effectively support those operations to include:

- Defining operational requirements
- Financial management
- Personnel

- Contracting and contract management
- Training and education
- Doctrine, regulations, and processes

> ***Contracting, from requirements definition to contract management, is not an Army Core Competence. The Army has excellent, dedicated people; but they are understaffed, overworked, under-trained, under-supported and, most important, under-valued.***

Iraq has illuminated numerous major problems with expeditionary Army acquisition and contracting, including splintered responsibility in-theater (many "ad-hoc players": AMC, ACA, LOGCAP, Kuwait, Corps of Engineers, SOCOM, JCC-I/A, DCMA, CENTAF, MARCENT, U.S. AID, Department of State, and many more).

Five years into Operation Iraqi Freedom (OIF), deficiencies persist, including: leadership; organization; resourcing; career development, training, and education; expeditionary (including contingency and "sustainment") doctrine, policy, requirements, tools (including a database of Service statements of work, terms and conditions, standard contracts, pre-positioned authorities, class waivers and deviations); rapid acquisition and fielding; post-award contract management; and the in-theater integration of operational, logistic, and contractor forces/personnel. The entire Army must organize, plan, train, and exercise for expeditionary operations (both initial and sustained phases) and the solution for Army Acquisition and Program Management in Expeditionary Operations must address shortfalls across the entire doctrine, organizations, training, materiel, leader development, personnel, and facilities (DOTMLPF) spectrum to improve expeditionary contracting.

Lack of Recognition of the Significance of Contracts and Contractors in Expeditionary Operations

Contractors can be expected to make up a significant share of the "total force." Today, in Iraq contractors comprise more than 50 percent of the force. Because of this, contracting (including requirements translation, pricing, acquisition strategy, and contract management) must be part of all operational planning. Today, however, combatant commands (COCOMs) are not trained to appreciate the key role of contracting, nor to understand a COCOM's role in contracting (involvement in lawful exceptions to competition requirements, other FAR exceptions, PARC dollar value authority, and so forth). The Army needs to educate and train operational commanders on the important operational role of expeditionary contracting.

This can be accomplished by adding information in the command schools (e.g., the War College, CGSC). The Army needs to recognize it operates in a different mission environment, where it is relying on contractors to provide essential combat service support. This means command and control is different. For example, commanders complain about a lack of situational awareness of

who is in their battle space—they know who military personnel, where units are and what their mission is; the same is not true for the contractor personnel. The U.S. Army Corps of Engineers has established regional support centers to address this phenomenon, but nothing is being done on a doctrinal level. The Service schools also need to extend coverage to address the role of contractors. Contractors are an integral part of the mission at home or deployed. Commanders need to understand their responsibilities and authorities for the contractors supporting their mission at home so that leading contractors is second nature when deployed to expeditionary operations. "Contract planning" (requirements definition) positions on the operations and training (G3 or S3) staff should be established to assist with planning for exercises at the corps, division, and brigade combat team level. The Air Force "Top Dollar" program had realistic exercises for an intense two weeks; it now has a "Silver Flag" program where it trains the colonel who is the mission support group commander. Today, it is not clear who is responsible/accountable for assuring that this planning is done in the Army.

Lack of Training and Leadership Can Lead to Fraud

The need for strong leadership and a robust Army-wide training doctrine that trains on the use of Government contracting is reflected by the ongoing criminal investigations of contract fraud in Southwest Asia. The Army Criminal Investigation Division (CID) Command reported to the Commission that there were numerous open investigations involving contract fraud committed by Government personnel out of Kuwait, Iraq, and Afghanistan. A break-out of these Government personnel by position, rank, and service department underscores the critical need for the Army to overhaul the way it grows contract professionals and trains its personnel—in all Army branches—on expeditionary contracting practices.

The break-out of the personnel involved in Southwest Asia fraud cases is striking. At the time of this report, there are at least 78 open cases that involve a total of 103 personnel. Although the Air Force provides the large majority of contracting personnel in-theater (70 percent in Iraq/Afghanistan), the overwhelming number of personnel involved in the investigations are Army (96), as shown in Tables 2 and 3.

Table 2. Open Southwest Asia Fraud Investigations

Service	Percentage of Contracting Personnel in Iraq/Kuwait	Open Fraud Investigations
Air Force	70%	1
Army	28%	77
Navy	2 %	0
Total	100%	78

Table 3. Open Southwest Asia Fraud Investigations Involving Army Personnel

Army Employees Involved		Active	Reserve	National Guard	Retired
Army Officers	50	27	12	8	3
Army Enlisted	33	19	8	6	0
Dept of Army Civilians	13	83 Military			
Total	96				

Table 4 below provides further detail about the 96 Army personnel under investigation. It shows that the significant majority of fraud actions were committed by persons with relatively little training or background in Government contracting. Of the 96 Army personnel targeted by CID, 78 are not trained contract professionals (i.e., contracting officers). They are either contracting officer's representatives (which the Commission heard are inadequately trained, if trained at all) or perform other duties[13] related to the contract process—typically as an assigned "extra duty" that is in addition to their primary responsibilities. As discussed in this Report, the training of CORs is an *ad hoc* after-thought at best. The Commission has no reason to believe that the training of "other contracting" personnel is any better.

Table 4. Army Personnel Involved in Open Southwest Asia Fraud Investigations Generally Are Persons with Little Training or Background in Government Contracting

Army Employees Involved	
Contracting Officers	18
Contracting Officer's Representatives	21
Other	57
Total	96

Military Contracting Personnel Are Essential to Expeditionary Operations

The striking disparity between Army and Air Force personnel involved in fraud investigation suggests that the focused, in-depth training given U.S. Air Force personnel on Government contracting helps to prevent opportunistic, fraudulent behavior.

[13] The other duties include comptrollers, quality assurance engineers, technical advisors, and personnel on source selection boards. Generally speaking these are individuals with little training in Government contracting.

The Air Force has (or had) recognized the importance of contracting in expeditionary operations. They have directly linked contracting squadrons to expeditionary wings, thereby permitting them to train and deploy together. The Military contracting cadre[14] represents 37 percent of the Air Force's contracting workforce (versus the Army's 3 percent). They are proficient in providing for the requirements of the wing while at home and while deployed. The level of proficiency of this cadre is enhanced by the early entry of most of its personnel into the contracting workforce (e.g., for officers, as a 2nd Lieutenant), the variety of tasks undertaken, the training received, and, most recently, the potential for future promotion into a General Officer billet. A similar model is also used to develop their enlisted contracting cadre. The success of this approach is evidenced by the quantity and quality of Air Force contracting personnel—both officer and enlisted—available to fill the contracting void in Iraq, Afghanistan, and Kuwait. However, even in the Air Force, the Commission heard testimony that "the importance of career contracting personnel seems to have waned in recent years."

As noted above, currently, Army military represent about only three percent of its contracting workforce.[15] Unlike their Air Force counterparts, the Army military begin contracting careers no earlier than eight years after commissioning and there is no potential for future promotion to a contracting general officer position, given that there are none. Although the Army is the "Executive Agent" for contracting in Iraq and Afghanistan, the Army is unable to fill mission-critical billets in either quantity or qualifications of contracting personnel. Further, the JCC-I/A is led by an Air Force Major General; while 67 percent of the staff are Air Force contracting personnel; and those individuals handle the most complex contracts.

Special Operations Command Has Integrated Expeditionary Contracting Approach

The United States Special Operations Command (USSOCOM) has recognized the importance of expeditionary contracting to the successful completion of its mission. USSOCOM's contracting organization is structured to ensure that its Contingency Contracting Officers (CCOs) are prepared and trained prior to deployment by carefully managing their career development and ensuring that they have the tools necessary to fulfill their mission. The USSOCOM Contingency Contracting Cell (KCC) is a specialized unit available within the contracting organization to provide contracting support to the Special Operations Forces (SOF) in the areas of commodities (e.g., cold weather gear, secure internet tunnels, tow kits), small service contracts (e.g., vehicle repair, lease, modification), and small-to-medium construction projects (e.g., sniper ranges and shoot houses, renovation of team houses). The KCC is involved in the development of policies and doctrine to further ensure the success of CCOs when deployed. The KCC also provides important oversight of the CCOs to ensure mission success and compliance with statutory and regulatory guidance. To this end, KCC provides for the review and approval of large dollar actions in a timely fashion. The real-time involvement of this Cell ensures that: field contracting data is properly collected and reported; lessons learned are identified and used to update policies, guidance, and/or training as appropriate; and regular visits to units are conducted to perform

[14] The Air Force reports that it has 940 active duty Officers and 1,196 Enlisted members comprising its contracting cadre. The figure would be 33 percent excluding the guard or reserves.

[15] The Army reports that it has 279 Officers and 62 Enlisted members specializing in contracting.

informal audits. The KCC's dedicated, close support to the SOF does not compete with, or duplicate the efforts of the conventional contracting offices that may be present in support of an expeditionary operation. The Commission believes the USSOCOM KCC is a useful example of how to meld the contracting function with the warfighters to ensure the successful accomplishment of the overall mission.

Unnecessary Incremental Funding Increases Contracting Workload

Contracts in Iraq and Afghanistan have been incrementally funded causing unnecessary workload (in the form of "make work" contract modifications) and inefficient operations. Funds metered out incrementally cause unnecessary and non-value-added workload to an already overloaded contracting workforce. The people in the field repeatedly complained about this issue. They identify this as a major problem hampering their efforts to support the warfighter. Additionally, if there were a different, more efficient funding stream, the JCC-I/A might be able to negotiate better deals (e.g., through the promise of a certain amount of up-front money).

> ***In FY06, the LOGCAP contract alone had 141 incremental funding contract modifications.***

To the surprise of the Commission, not one contracting officer complained about "color of money" problems. But, all noted they are COMPLETELY and UNNECESSARILY burdened by incremental funding of requirements. Even though contracting assets are commonly known to be over-burdened in the field, the Army is providing operations and maintenance funds incrementally to contracting officers, at monthly or even shorter intervals. Testimony the Commission received indicated that in FY06 the LOGCAP contract alone had 141 incremental funding contract modifications. Due to the instability of funding, the Kuwait contracting office contracted for $1.6 billion during 2007 in an average of $8 million increments–which reportedly was an improvement (fewer transactions) than in 2006.

This issue cannot be overemphasized, for incremental funding appears to the Soldier in the field as an example of the Institutional Army being unconcerned about the forces (in this case, the contracting forces) in the field. This problem of incremental funding is so egregious, and so long-standing, yet it can be solved so easily (by simply stopping the practice) that it should be corrected immediately.

The Commission believes the funding challenge could also be addressed by using an "Overseas Contingency Operations Transfer Fund" approach—but only if it is adequately resourced—similar to what was used in the Balkans. This would be a Defense transfer fund without "color of money" or fiscal year limitations.

ARMY LACKS EXPEDITIONARY CONTRACTING SKILLS

The acquisition workforce is not geared to accomplishing service contracting with expeditionary forces. Service contracts—those in which the Agency or Department purchases services, rather than hardware—tend to be more complex than is widely appreciated. Services contracting, as compared to supply contracts, have grown 72 percent DoD-wide from $82.3 billion to $141.2 billion between FY96 to FY05. The complexity of defining the warfighters' requirements adequately so that they can be used as the foundation of a binding contractual agreement that results in satisfactory performance for the warfighter has been overlooked by those responsible for resourcing the Army's shift to outsourcing support services. Neither the warfighter nor the contracting officer has resources available that can provide assistance in this area.

Active duty Army officers do not have the needed skills and training when they arrive in-theater. This shortfall is further exacerbated by the fact that Army expeditionary contracting is focused on simplified acquisitions—low dollar threshold items with little complexity and minor construction. These are not the type of contracts that are needed by the warfighters in-theater. For example, JCC-I/A spends about $5 billion and processes about 38,000 actions a year equipping security forces, providing potable water, buying construction services, and the like. An approximation of the JCC-I/A spend profile is shown in Table 5 below:

Table 5. JCC-I/A Requirement Profile Identifies the Need for Contracting Professionals to Conduct and Manage Complex, High-Risk, High-Dollar Transactions in Support of Warfighters

Type of Buy	% of Actions	% of Dollars
Simple (Below Simplified Acquisition Threshold, or SAT)	86	30
Complex	14	70

Because of this requirement profile, the simple items are not where the need for contracting skills lie. If necessary, JCC-I/A can essentially contract out the buying support for simple purchases, hiring contractors to assist in that work, but the Joint Contracting Command has no such alternative for the skilled, trained Government contracting officers required for the larger, more complex buys. Today, the JCC-I/A has about 30 contracted "buyers" on staff assisting with small purchases.

The overall acquisition workforce (especially military) is weapons-systems oriented. Because of this, and as well prepared as they are, the Commission learned that even the Air Force's deployed Contracting Officers (COs) currently need about six weeks to transition their "mindset" from a CONUS peacetime perspective to one that can respond to the accelerated operational tempo demands of expeditionary operations. For example, the Commission heard testimony describing the steep learning curve repeatedly faced by newly deployed contracting personnel who must quickly understand that a $50 million source selection in-theater needs to be accomplished in six weeks, not the six or more months that would be a highly accelerated CONUS contracting time table.

In light of this, the Commander of the JCC-I/A asked the Defense Acquisition University (DAU) to change the way it teaches contingency contracting, with less focus on small procurements and more focus on complex services, construction, and contract administration. This has not yet been done. In addition, senior Army contracting personnel found the DAU (web-based) education to be inadequate for expeditionary contracting operations; as a consequence, many Army PARCs have established their own courses.

While expeditionary contracting training has focused on small, simplified purchases to support the warfighter, there has been a shift in what expeditionary contracting officers are currently buying in-theater, such as complex reconstruction efforts or nation building efforts. This underscores the need for people who can address issues like construction contracting, source selections, supply chain management, "leader-follower," and other acquisition strategies. JCC-I/A is building capabilities in-theater by assigning senior contracting personnel to outposts with less experienced contracting personnel. Also, the Commission learned that both the Army and the Marine Corps have recently begun sending their NCOs and Enlisted personnel to the Air Force's Mission Ready Airman Course to help develop and upgrade their expeditionary contracting skill sets.

Commission testimony indicated that the Army Corps of Engineers contracting workforce appears to have been better trained overall in expeditionary contracting than the average Army contracting officer, who is not prepared to handle the wide range of contracts that occurs in-theater (e.g., LOGCAP, large service contracts, huge buys of small items).

Insufficient Resources to Monitor Contractor Performance

Contract management is the essential post-award contracting function to ensure mission accomplishment, and to ensure that the Government obtains the required work on time and at the quality level called for by the contract. It is also an important control over fraud, waste, and abuse. Contract management CANNOT be a "pick-up game" in the Army—but the Commission heard that, in-theater, it was. The inability to monitor contractor performance and enforce contracts is a critical problem in an expeditionary environment. After the contract is awarded, there are no resources trained to monitor and ensure that the contractor is performing and providing the services needed by the warfighter. The Commission heard of the difficulties associated with knowing whether a contractor had performed at all. When the critical need is to get a power station running, and there are no resources to monitor contractor performance, only the contractor knows whether the completed work is being accomplished. The Commission believes that the complexity of drafting service and value-based contracts, and the critical need for having the resources to perform this function in an expeditionary environment, have not received the needed attention from the Army. Highly skilled, well-trained acquisition professionals performing the following functions are key to post-award contract management:

- Administrative Contracting Officer (ACO)–Primary interface to contractor
- Quality Assurance Representative (QAR)–Evaluates contractor performance
- Contracting Officer's Representative (COR)–Augments the QAR; ideally subject-matter expert embedded with the mission commander

With insufficient numbers of ACOs, Procuring Contracting Officers could address post-award contract management tasks, but they are too busy. Consequently, this vital task is rarely being done. Contract management that will ensure performance by the contractor is critical in an expeditionary environment, but it has not received the same emphasis from leadership as contract award.

Inadequate Quantity of Contracting Personnel In-theater

The Army has not done all it can to support the mission. There are far too few Army contracting personnel in-theater. According to the JCC-I/A Commander, even those that are there are not adequately qualified for their responsibilities: only 38 percent of the total Army Acquisition/Contracting Workforce in-theater are certified for the positions held; and, overall, Army contracting people mostly are not certified for the position occupied.[16] Of the percent authorized, only 80 percent of the contracting billets are filled by the Army, and the Commander has given up asking for additional personnel.

These unchallenged facts are indicative of structural human capital issues within the Army. In addition, there are basic organization problems, such as Army contracting personnel not being linked to Commands that deploy and, in the field, they are not linked to deployed Commands.

Workarounds have been developed and are currently in use; but, they are not effective. Reaching back for contracting support, approvals, authority, and decision making is unresponsive to the tempo of contingency operations and is inimical to any concept of warfare. However, administrative support (e.g., experts, lessons learned, and especially sample Statements of Work for service contracts) could be especially helpful, but does not appear to exist. With respect to the latter, the Commission heard testimony that SOCOM does have such examples available for its contingency contracting (deployed) personnel.

There is inadequate pricing support in-theater. Pricing estimates are too often considered as an independent cost analysis. This creates an opportunity for fraud, waste, and abuse. Where pricing occurs, contracting officers and NCOs perform this function. The most experienced contracting officers and NCOs can do it, and JCC-I/A assigns the most experienced contracting officers and NCOs (Air Force personnel with 10–12 years' experience) to the most complex actions. Again, reach-back support is ineffective because those out of theater do not have the same tempo and sense of urgency (and, of course, are often in a very different time zone).

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[16] 10 USC 1724(f) mandates the following for the Contingency Contracting Force:

The Secretary shall establish qualification requirements for the contingency contracting force consisting of members of the armed forces whose mission is to deploy in support of contingency operations and other operations of the Department of Defense, including—

(1) completion of at least 24 semester credit hours or the equivalent of study from an accredited institution of higher education or similar educational institution in any of the disciplines of accounting, business, finance, law, contracts, purchasing, economics, industrial management, marketing, quantitative methods, or organization and management; or

(2) passing an examination that demonstrates skills, knowledge, or abilities comparable to that of an individual who has completed at least 24 semester credit hours or the equivalent of study in any of the disciplines described in paragraph (1).

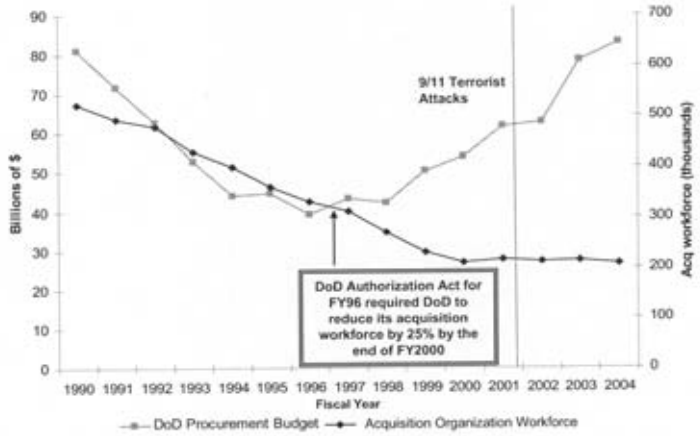
ARMY DOES NOT RECOGNIZE IMPORTANCE OF CONTRACTING

Army "culture" is focused on warfighting and thus neither recognizes the critical and complex nature of contracting nor rewards people in the contracting community. Contracting personnel incorrectly have been characterized as "shoppers," by some both inside and outside of the Army (and, consequently, reduced in both quantity and stature) as opposed to being viewed as true professionals. After the great struggle with the Soviet Union, it was generally assumed that Defense Budgets could decrease to a much-lower level, require a smaller Army, that the purchasing of high-technology equipment could be performed at a more reasonable pace, and that the advantages of new management processes, improved training, and improved technology would permit the Agencies to significantly reduce the quantity of individuals involved in the procurement process.

In an effort to recognize the postulated effects of the above efficiencies, accompanied by unrelenting pressure from Congress, the DoD and the Army took significant cuts in the acquisition force and also deliberately choose not to shore up identified shortfalls in program management and contracting workforce.

However, because of other efficiency decisions such as outsourcing which were being concurrently implemented, the actual workload of contracting personnel (the people charged with writing, negotiating, monitoring, and enforcing performance of the contracts) was substantially increasing in complexity and volume. The shortage of acquisition people is an overall DoD problem resulting from the drawdown in the first half of 1990s, with minimal-to-no build-up, as the DoD wartime operations and budget have soared. In fact, as Figure 1 depicts, the reduction in the DoD workforce accelerated after the FY96 DoD Authorization Act required a 25 percent reduction in the acquisition workforce just as the DoD procurement budget began a sharp increase.

Figure 1. DoD Acquisition Trends Set the Tone for Army Expeditionary Contracting

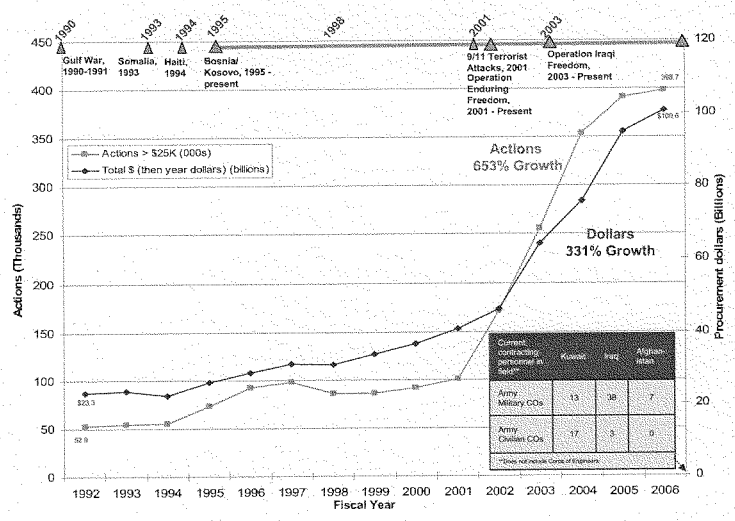


Source of workforce data: DoD IG Report D-2000-088, Feb 29, 2000 & DoD IG Report D-2006-073, April 17, 2006.
Source of Budget data: Annual Defense Reports, available at http://www.dod.mil/execsec/adr_intro.html.

No Increase in Workforce, Despite Seven-Fold Increase in Workload

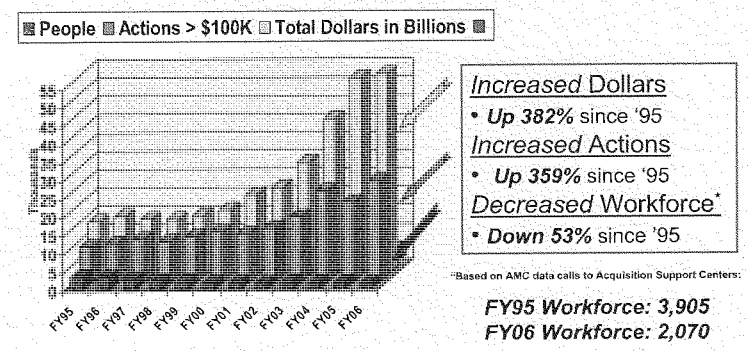
In 1990, the Army had approximately 10,000 people in contracting. This was reduced to approximately 5,500, where it has remained relatively constant since 1996. As the figure below illustrates, both the number of contract actions (workload) and the dollar value of procurements (an indicator of complexity) have dramatically increased in the past decade while the contracting workforce has remained constant. The dollar value of Army contracts has increased 331 percent from $23.3 billion in 1992 to $100.6 billion in 2006, while the number of Army contract actions increased 654 percent from approximately 52,900 to 398,700 over the same period. Figure 2 below illustrates the change in the dollar value and number of Army contract actions over the past decade.

Figure 2. A Challenge Almost 15 Years in the Making: Insufficient Army Contracting Personnel to Address the Workload, with the Added Demand of Southwest Asia Expeditionary Contracting Since 9/11 Response



As illustrated in Figure 3, the disconnect between increased workload and declining workforce is particularly acute at the U.S. Army Materiel Command (AMC).

Figure 3. The Army Materiel Command Contracting Workforce is Down 53 Percent Since Fiscal Year 1995



Lack of General Officers in Contracting Profession

As shown in Table 6, in the 1990s there were 9 General Officer positions for contract professionals (5 Army slots and 4 joint slots, at the one- and two-Star levels). Today there are no such Army slots and one joint slot, which currently is being filled by Air Force Major General Darryl Scott. The Army has moved from a significant proportion of military for this career field to about 3 percent of the contracting workforce. As a result of the lack of General Officer positions, there is little "career opportunity" for them (compared to the Air Force, which has over 30 percent military in their contracting organizations, and 2 General Officer positions and 1 joint General Officer position filled). Even DCMA, which as a Defense Agency should be a three-Star billet, is no longer headed by a General or Flag Officer.[17]

[17] In 1990, the Defense Contract Management Command became a Defense Agency and was renamed the Defense Contract Management Agency. Previously, DCMC was led by a two-Star General/Flag Officer, and was under the Defense Logistics Agency.

Table 6. Army Military in the Contracting Field Lack Opportunity for Career Growth to a Contracting General Officer Position

Army General Officer Positions – Now Eliminated			
1	DCS for Procurement & Production	MG	Redesignated May 92
	DCS for Procurement, AMC	MG	Eliminated Nov 91
	Redesignated DCS for Acquisition, AMC	BG	Eliminated Oct 92
2	DCG, Procurement & Readiness, MICOM	BG	Eliminated Nov 91
3	DCG, Procurement & Readiness, TACOM	BG	Eliminated Nov 91
4	Dep for Contracting, OASA(RDA)	MG	Redesignated May 92
	Redesignated Dir, Contracting, OASA(RDA)	BG	Eliminated Mar 93
5	Dir, Office of Competitive Sourcing, OASA(RDA)	BG	Eliminated Dec 98

Joint General/Flag Officer Positions – Now Eliminated			
1	Dir, DCMA	MG	Realigned to establish G/FO billet in MDA as of 13 May 92
2	Dep Dir, Aqn Mgt, DCMA	MG	Eliminated May 92
3	Cdr, Mid-Atlantic District (Defense Contract Management Command)	BG	Eliminated May 92
4	Cdr, Western District (Defense Contract Management Command)	BG	Eliminated May 92
General/Flag Officer Positions (Joint) – Temporary			
1	Cdr, JCC-I/A[a]	BG[b]	Established after 2001—filled by Air Force

[a]JCC-I/A is the Joint Contracting Command-Iraq/Afghanistan

[b]According to the Joint Duty Assignment Listing Annex, this is an O-7 billet. However, the incumbent is an O-8 (Maj Gen Scott, USAF)

The Army needs General Officers who know contracting. The Army needs General Officers who can serve as functional advocates for expeditionary operations and avoid the problems that are being experienced in Iraq, Afghanistan, and Kuwait.

The Army's lack of regard for the contracting profession means that any officer who chooses the contracting career field is "profile fodder" for performance evaluations, promotions, and when it comes to selecting General Officers. In contrast, in the Air Force, officers can aspire to command contracting squadrons or mission support groups. A few have even risen to the level of Air Base Wing Commander. It cannot be considered a coincidence that of 78 fraud investigations, 77 involve Army personnel.

The Army Military Lacks a Defined Career Path for Contracting Professionals

Army officers do not enter the contracting career field immediately. They spend essentially the first half of their career focusing on operations and they are close to a field-grade rank when they reach the juncture where a contracting assignment is possible. A deployed Army contracting field grade officer told the commission, "I am assigned to a field grade command with lieutenant qualifications." At this point they expect a field-grade assignment, but do not have the technical experience to command a contracting operation. This is a major disservice to those Army officers. They are not prepared to act as mentors; nor are they able to oversee and work on the more complex and high-dollar contract actions. Because of this, the JCC-I/A assigns Air Force contracting officers to the more complex actions and uses the Army officers for small purchases, low-complexity services, and minor construction.

> ***"I am assigned to a field grade command with lieutenant qualifications."***
> (Army contracting field grade officer, regarding his first acquisition assignment)

Currently, JCC-I/A has 16 Regional Contracting Centers. The composition of the commanders at those regional centers, shown in Table 7, illustrates the difference in skill and experience of operational Army and Air Force contracting officers.

Table 7. Command Composition at JCC-I/A Regional Contracting Centers Illustrates How the Army Approach to the Contracting Career Field Leaves Its Military Lacking the Technical Expertise to Successfully Command

Service	No. Military Regional Contracting Commanders	Average Years Contracting Experience	Average DAWIA Certification Level[18]
Army	9	3.5 years	3 - Level I (Basic or Entry) 3 - Level II (Intermediate or Journeyman) 3 - Level III (Advanced or Senior)
Air Force	7	13.5 years	7 - Level III

The Army clearly does not have enough military contracting officers (known as career field 51C), and, further, their career pattern to produce contracting officers leaves much to be desired. In 2003, there were over 500 military contracting officers; now there are less than 300 (about 280) in the entire Army. JCC-I/A alone requires 171 contracting officers for Iraq and Afghanistan. The Air Force and Navy have been able to staff 100 percent of their respective JCC-I/A staffing requirements, whereas the Army has only met 80 percent of its personnel commitment (after its commitment was reduced to reflect the Army's inability to staff Army positions). In the October 2007 cycle, JCC-I/A will populate the 12 unfilled Army positions with Air Force personnel because the Army does not have the resources to fill them. If the Army is serious about its commitment to support the expeditionary mission, it must channel more Soldiers to the contracting field. They need to train and prepare. Additionally, Army contracting officers (career field 51C) are now blended with the program managers (career field 51A) in the Army personnel system, under the umbrella of "acquisition." As a consequence, 51C contracting officers are more difficult to distinguish. In fact, the Army's ability to track its contracting officers has deteriorated to the point where only through a manual, "stubby-pencil" review can the Army leadership identify 51C contracting officers for deployment.

Of the military contracting professionals in JCC-I/A, the split between active duty military and reserve is approximately as shown in Table 8.

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[18] The 1990 Defense Acquisition Workforce Improvement Act (DAWIA) (10 U.S.C. 1701-1764) requires DoD to establish formal career paths for those people who want to pursue careers in acquisition. DAWIA's purpose is to improve the effectiveness of the military and civilian acquisition workforce through enhanced education, training, and career development, and thereby improve the acquisition process. DoD 5000.52M, Career Development Program for Acquisition Personnel, November 1991, defines a certification process, as well as career paths, with specific education, training, and experience requirements for those in acquisition positions. It is DoD's primary implementation of the law. Each acquisition functional area—including contracting, program management, and purchasing—is divided into three career levels for purposes of establishing standards and qualifications: Basic or Entry (Level I), Intermediate or Journeyman (Level II), and Advanced or Senior (Level III). See http://www.atlcareercenter.com/.

Table 8. Military Contracting Professionals in JCC-I/A

Service	Approx. No. of Officers	Active Duty	Reserve
Army	51	80%	20%
Air Force	>100	100%	0%
Navy	<20	50%	50%
Total	171		

Notably, the expertise of the Reserve personnel depends on whether their "regular" civilian jobs are in the contracting series. When this is the case, the Reservist is well qualified and a valued asset to the contracting center.

Role of Civilian Personnel in Expeditionary Contracting

As shown in Table 9, the Army does not have sufficient military contracting personnel (279 military out of over 5,800 total) and the civilian-to-military ratio is not sufficient to sustain expeditionary contracting operations. The Army needs a ready force of trained and skilled contracting personnel to deploy which is at least 20 percent military (or civilians with military-like commitments to deploy). In comparison, the Air Force has a 65 percent civilian to 35 percent military ratio. Overall, the ratio of Army military-to-civilian contracting personnel is significantly less than the other services and dramatically less than the Air Force.

Table 9. The Army Civilian-to-Military Contracting Personnel Ratio Is Insufficient to Sustain Expeditionary Contracting Operations

	Army	Air Force[a]	Navy
Procurement $[b]	$100.6 Billion	$180 Billion	$73.7 Billion
Procurement Actions	398,748	61,000	282,910
Total Contracting personnel	5,821	6,878	5,017
Military Contracting personnel	279	2,136	1,272
Civilian Contracting personnel	5,563[c]	4,792	3,435
Military Reserve/National Guard	195	510	Unavailable

[a] *Air Force Contracting*, briefing to the Commission by Mr. Charles E. Williams, Jr., 21 September, 2007.
[b] Federal Procurement Data System—NG.
[c] DMDC Report DRS 16242 provided to the Commission by DAU.

The commander of JCC-I/A believes military are essential to expeditionary contracting. Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) demonstrated that the contracting professionals—military and civilian—are needed to immediately follow our combat forces—from pre-conflict, through combat, into the current reconstruction and sustainment phase. There are thirty civilians serving in JCC-I/A. While some of the most senior individuals at JCC-I/A are civilians, the quality of the civilians ranges from excellent to some not meeting readiness standards. Most civilians are volunteers, often with inadequate or wrong skill sets for

the job at hand, and often getting their required contracting experience on-the-job as part of their deployment. Army civilian contracting personnel who deploy for expeditionary contracting are undervalued—in compensation; education and training; career opportunities; and other occupational incentives. As a result, many approved contracting positions go unfilled, especially in-theater. The Army owes this dedicated core of patriots its appreciation and better treatment. The Army can accomplish this by providing enhanced career and job incentives.

The Commission heard at least four systemic incentive areas that negatively impact civilian participation in contingency operations.

1. *Pay cap.* Originally put in place to constrain congressional abuse, the pay cap is a self-imposed impediment which constrains the length and frequency of civil servant tours. Raising the cap would merely move the point where the problem occurs, and significant effort goes into managing pay to stay within various limits which are also confusing. The pay caps should be waived completely in contingency operations and then these constraints and inefficiencies would cease to be a planning and operational constraint. This also would permit and incentivize longer tours.

2. *Tax free status.* Amazingly, our Government civil servants do not qualify for favored tax treatment when deployed in support of OCONUS expeditionary operations. Our deployed military are tax free from the moment they hit the ground. Contractors, who take longer tours than DoD civilians, qualify for favorable tax treatment. If DoD is to incentivize its civilian workforce to deploy to what can be extreme and hostile work environments, they must be afforded tax treatment comparable to that offered its military.

3. *Armed Forces Civilian Service Medal.* The Commission heard testimony addressing the awards process for recognizing contributions and sacrifice of deployed DoD civilian personnel. In particular, the Commission learned that the Armed Forces Civilian Service Medal (AFCSM) is not available to DoD civilians deploying to Iraq or Afghanistan. Established in August 1997, this honor recognizes DoD civilians who "support designated operations under the same or similar conditions as our military members, thereby strengthening the unique partnership between our uniformed members and the civilian workforce." As a general rule, when the Chairman of the Joint Chiefs of Staff has approved issuance of the Armed Forces Service Medal (AFSM) for military participation in humanitarian or peacekeeping operations, the AFCSM may then be awarded to DoD civilians who participate in the same operation. Unfortunately, when DoD elected to award the global war on terrorism (GWOT) medal instead of the AFSM, it eliminated the regulatory predicate for award of the AFCSM to DoD civilians. This action took an important honor off the table for our DoD civilian workforce.

4. *Long-term medical care for theater injury.* Government civilians currently receive immediate medical care for injuries incurred in-theater. But they are not extended long-term medical care. Thus, they lack long-term medical benefits coverage comparable to that of the military, despite making a similar personal sacrifice by going in harm's way on an expeditionary deployment.

Personnel Policies Impede the Use of Civilians in Expeditionary Operations

Throughout the Cold War, the Air Force and Navy had civilians in the theater of operations to maintain complicated equipment or provide specialized services. In the last decade, and particularly since 9/11, the Army also has extensively utilized its civilian workforce to support expeditionary operations.

The Army's employment of contracting expertise within its civil servant corps has not been complemented with the planning necessary to effectively implement this decision. As the most basic example of how little personnel and operational planning has been performed, during the first two weeks of hearings, the Commission was "informed" by each witness that it was "illegal" to order civil servants to the theater, followed by examples of how this legal impediment led to various problems.

However, that widely "understood" concept is inaccurate. What is true is that the civil servant can be ordered anywhere, including the theater, but can choose to resign rather than accept those orders. The misinterpretation that a legal—rather than a practical—impediment exists is widespread throughout the Army. In addition, the Commission heard that during the events in Afghanistan and Iraq, the most common policy with respect to civil servant use was to rely on "volunteers" to fill civil servant billets established outside the United States, rather than obtaining personnel based on skill sets and expertise. Not surprisingly, many people informed this Commission that the Army's approach to employing its civilian workforce to support expeditionary operations did not work.

The Commission believes the employment of qualified civilians did not work because neither the Army nor DoD had plans or processes in place to make it work. For example, the volunteers were required to be sent on "detail," and thus the *providing office* not only had to pay all costs, including the significant and unplanned international travel associated expenses from *existing budgets not subsequently augmented* by the Army or Congress (yet, in contrast, pertinent uniformed individual personnel accounts were augmented). Equally important, DoD and Army personnel policy did not permit detailed employees to be backfilled by new accessions or temporary employees. As a result, unlike military personnel (where increased wartime costs are offset by supplemental or emergency funds from Congress, and operating units are manned and equipped to perform expeditionary operations), the Army activities that provided civil servant volunteers during Operation Iraqi Freedom were asked to perform an increased wartime workload with fewer assets and significantly decimated operating funds. The Commission was told that, as a consequence, stateside managers **actively discouraged** civil servant employees from "volunteering" for service "in-theater."

Individual Army organizations informed the Commission they are in the process of developing or implementing different plans to incentivize and care for the civil servants, just as the Army does for its deploying Soldiers (e.g., promotion potential based on duty in combat zones, health care if injured in operational environment, safety net for family, and so forth). These "grass roots" efforts have emerged because the Army-DoD establishment has failed to act: this is not a priority with the Army and DoD personnel commands in Washington. Different Army

organizations are consequently developing a patchwork of plans, all of which are less effective than they could be if centrally coordinated and endorsed by Army and DoD civilian personnel rules and regulations.

Impact on Contractors Performing on the Battlefield

Acquisition workforce issues have had a profound impact on contractors performing on the battlefields in Iraq and Afghanistan. Reports presented in a lessons learned document prepared by a joint Government and contractor task force convened in 2004 cited numerous systemic weakness in DoD acquisition policies and processes. The lessons learned briefed by the Professional Services Council to the AMC Commander, General Paul Kern, in November 2004 reported inadequacies in contracting, contract oversight, poor requirements planning, a frustrating application of traditional U.S. laws and regulations being promoted by the audit community, all of which was compounded with few contracting officers on the scene to mitigate or render timely decisions. Early concerns voiced by industry indicated the Government failed to properly plan for contractor personnel deployment needs, security, life insurance, and support entitlements. Companies interviewed by the Commission over the past two months echoed that many of these concerns still exist today. The most common complaint expressed by contractors interviewed centered on problems experienced by a continually rotating workforce and how the lack of on-the-ground support forced a dependence on CONUS teams that were not adequately informed on mission impacts and contract action details.

The latest contractor census conducted in Southwest Asia reported that over 160,000 contractor personnel[19] are employed on the battlefields of Iraq and Afghanistan. Contracts range from simple to complex and cover the full gamut of contract services and supplies. To date, DoD has incurred costs in excess of $19 billion for logistics support and combat support services for our deployed forces. And that does not include the additional funding obligated to rebuild Iraq since reconstruction efforts began in 2004.

Use of traditional business and contract management processes do not work properly in a non-traditional, high-threat environment. In particular, contractors interviewed commented that the Army Corps of Engineers has maintained that construction contracts should be awarded as firm-fixed-price contracts. Contractors expressed that, because of uncertainties that exist in a high-threat environment like Iraq, they are pressured to price their risk into firm-fixed-price contracts rather than being permitted to propose under cost-reimbursement terms and conditions that would make it easier to factor risk into the price. Government contracting officials who believe that traditional practices in requirements planning, contract award, and contract management processes have often found, after it is too late to recover, that a traditional approach was ill-suited for the non-traditional environment. In addition to the improper application of contract type the problem of how to manage restrictions and limitations on funding also has been cited as causing excessive costs where leasing was the only option for requirements funded with operations and maintenance, Army (OMA) dollars. Other concerns include use of competition, poorly defined statements of work, and availability of records needed to satisfy the audit community.

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[19] Included in this figure are most subcontractors, ex-patriots, host nation, and third-country nationals. These numbers also include contractor personnel in Kuwait.

INADEQUATE CONTRACTING REGULATIONS FOR EXPEDITIONARY OPERATIONS

Today, we have a "FAR, rules-based," contracting workforce preparing contracts in an operations tempo "exception-to-the-FAR"-based environment. The commander of JCC-I/A and the contracting personnel in Kuwait all believe there is a critical need for a clear, concise, well-understood Expeditionary Contracting Manual. An Expeditionary Contracting Manual would support the expedited processes and operation tempo necessary for procuring the supplies and services needed by our warfighters in the expeditionary theater of operations, while limiting the discontinuities in the manner in which the different DoD Services apply the requirements and exceptions contained in the Federal Acquisition Regulation. (Not only do the Services apply the FAR differently; different organizations within the Services, such as the Army Corps of Engineers, and the Special Operations Command (SOCOM), often differ on how particular regulatory requirements are applied.) In addition, while Congress has given the State Department unique capabilities important to expeditionary situations, the State Department uses an Agency-unique supplement to the Federal Acquisition Regulation that differs from DoD.

The Defense Department's Operational Plans and Joint Force Development office (J-7) is building Tactics, Techniques, and Procedures (TTPs) that could serve as a backdrop for the future Expeditionary Contracting Manual. The TTPs must be developed to recognize the situation and priorities of any future expeditionary operation because the peacetime CONUS business process is ill-suited and counter to the operational tempo that is experienced in expeditionary operations.

The Commission also heard testimony from the Joint Rapid Acquisition Cell, which operates under the authority granted to the Secretary of Defense to overcome restrictive and inefficient processes to deliver timely equipment and services to the warfighter in response to urgent operational needs. The Commission believes that similar authority should be applied so that the contracting procedures in the Expeditionary Contracting Manual are the most effective and efficient that could be established and documented for expeditionary operations.

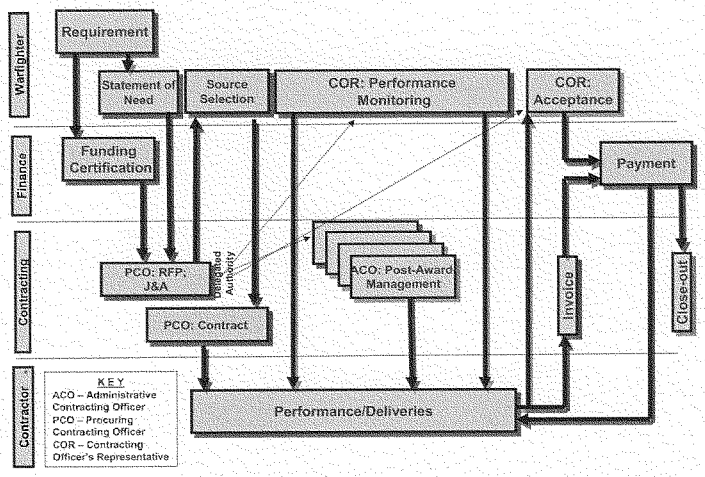
All contractors interviewed by the Commission also favored the concept of an Expeditionary Contracting Manual and voiced support for the idea that "acquisition rules of engagement" consider the various phases of an expeditionary operation. Contractors felt that the manual should provide greater relief for contractors during the early stages of an operation when the risk and uncertainties are highest. Auditors also need to be trained in the Expeditionary Contracting Manual and the impact that the phases of an expeditionary operation have on both the contracting officer's and a contractor's compliance with traditional rules and regulations.

LACK OF RECOGNITION OF COMPLEXITY OF CONTRACTING

As shown in Figure 4, contracting involves multiple stakeholders, including the Operational Army (the warfighter), the Institutional Army (financial management and contracting professionals), and contract support. These stakeholders all must contribute to a successful

acquisition. No single person can cover all the various contracting processes nor provide the necessary work products, which include a defined requirement, statement of need, funding certification, a contract, contract modifications, post-award management, oversight of performance/deliverables, and acceptance documentation. Too often, both in peacetime and during expeditionary operations, the focus of the contracting process is on contract award, with post-award management being neglected.

Figure 4. Contracting Is More than Writing Contracts



Requirements Development and Contract Management Are Not Being Trained or Staffed

The Army has failed to recognize the importance of the contract requirements development process—that is, translating a Commander's requirements into a statement of need that serves as the basis for a binding contract. Despite the critical role that contracting plays in expeditionary operations, no training of commanders on this important operational requirement occurs in the Service schools. The importance of the ability to translate a combatant commander's requirement into a responsive contract statement of work cannot be overstated. Only a very experienced contracting officer or NCO familiar with the commodity or service can help write the statement of work. All too often, however, the inability to generate an effective contract statement of work is due to a lack of trained personnel who can translate their commander's intent into a requirement that can readily be given to and adopted by the contracting officer. This deficiency only further underscores the importance of training all leaders on requirements development. Stated another way, although the Services do a superb job of training on the importance of operational planning, they fail to train on a key component to that planning process—contract requirements development. Additionally, sometimes the problems in-theater are the result of a

lack of 51A (program and acquisition) military personnel rather than 51C (contracting) personnel. Army operational personnel are not aware of the depth of personnel needed to support an acquisition—it involves a rich skill set and a combination of 51A (program and acquisition) and 51C (contracting) military officers to be successful.

Insufficient Focus and Resources on Post-Award Contract Management

A major area of concern that the Commission found alarming is the failure of both the Army and Defense organizations to perform a mission that is critical to operational success in-theater, and where the Army was, and clearly still is, failing: contract management. As stated above, the few contracting resources available in-theater are focused on awarding contracts, and, as a result, only about 5 percent of the completed contracts in Iraq are being closed out.

> ***"In Iraq contract management for non-LOGCAP was a 'pick-up game.' When done at all, it was a secondary function."***
> (Former Senior Army General Officer)

Contract Management Functions

Contract administration functions may be retained by a contracting activity or delegated to the Defense Contract Management Agency (DCMA). There are over 70 functions performed in the post-award phase by the following individuals:

- *Administrative Contracting Officer (ACO):* Monitors the contractor's business, cost, and financial management systems. Usually serves as the lead for the post-award contract management team. Primary interface to the contractor.
- *Quality Assurance Representative (QAR):* Collects and evaluates contractor performance data, and monitors process management. Issues contract deficiency report.
- *Contracting Officer's Representative* (COR). Augments the QAR by evaluating contractor performance data, and monitoring process management. CORs are ideally subject-matter experts embedded within the mission.
- *Property Administrator (PA):* Conducts annual reviews of the contractor's government-furnished property system. Manages claims for lost, damaged, and destroyed property; performs or coordinates property disposal. May have a unique warrant that authorizes negotiation of property claims.

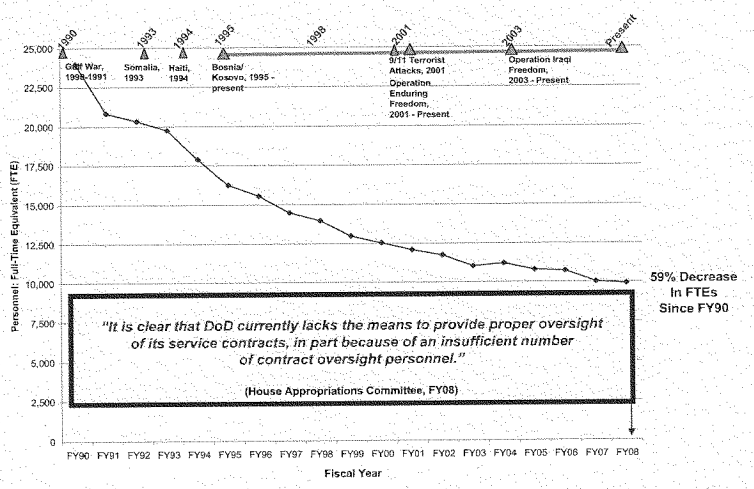
Under the peacetime CONUS model, contracting activities typically delegate contract management responsibilities for weapons systems and production-type contracts to DCMA, whose representatives are co-located in a contractor's plant. Contracting activities seldom delegate similar management duties for services or base, post, camp, and station-type contracts—which are essential to expeditionary contracting—to DCMA.

ROLE OF DEFENSE CONTRACT MANAGEMENT AGENCY

As its title indicates, the Defense Contract Management Agency is focused on contract management, which is critical to operational success. DCMA provides a broad range of acquisition management services to ensure the integrity of the contractual process. DCMA manages 360,000 prime contracts valued at $900 billion. DCMA has a staff of 9,899 personnel at 67 Contract Management Offices who oversee the work performed at over 900 industry plants throughout the United States and in 26 countries.

DCMA has DoD's resident expertise in contract management, having absorbed all the Military Services' professional contract managers when it was established. However, it is not currently staffed nor resourced to provide operational contract management for base, post, camp, and station contracts on military installations.[20] DCMA is also not currently positioned to perform most expeditionary contract management functions. Significantly, DCMA has not been engaged in managing contracts in the USCENTCOM theater of operations, except in a limited capacity: managing service contracts that were awarded outside the theater of operations (e.g., LOGCAP). In fact, as shown in Figure 5, since fiscal year 1990, DCMA's civilian workforce has been reduced 59 percent from 23,960 to 9,899.

Figure 5. DCMA Personnel Trends, FY 1990 to FY2008



[20] DFARS 242.202, Assignment of Contract Administration, provides:

(ii) Contract administration functions for base, post, camp, and station contracts on a military installation are normally the responsibility of the installation or tenant commander. However, the Defense Contract management Agency (DCMA) shall, upon request of the military department, and subject to prior agreement, perform contract administration services on a military installation.

Role of Contracting Officer's Representatives

Contracting Officer's Representatives (CORs), who are an essential part of contract management, are at best a "pick-up game" in-theater. CORs represent the "last tactical mile" of expeditionary contracting. However, CORs are assigned as contract managers/administrators as an "extra duty," requiring no experience. A COR is often a young Soldier who does not have any experience as a COR. Most have at least some functional area expertise (e.g., a COR assigned on a vehicle contract generally comes from the motor pool). Although being a COR would ideally be a career-enhancing duty, the COR assignment is often used to send a young Soldier to the other side of the base when a commander does not want to have to deal with the person. Additionally, little, if any, training is provided. To further compound matters, generally all COR training is geared for a low-operations, low-risk tempo, so it is barely adequate. Despite this, there are still too few CORs. Moreover, COR turnover is high, frequently leaving many gaps in contract coverage. To address these deficiencies, JCC-I/A requires contracting officers to contact CORs once a month regarding their duties and to address issues encountered.

Audit and Oversight Functions

Today, due to inadequate training and staffing, we have dedicated a greater number of auditors (yet another endangered species in the DoD contracting community) in the USCENTCOM area of operations to review the contract-related problems than should be required. The auditors are provided from various organizations, including:

- The Special Inspector General for Iraq (SIGIR)
- The Army Audit Agency (AAA)
- Defense Contract Audit Agency (DCAA)

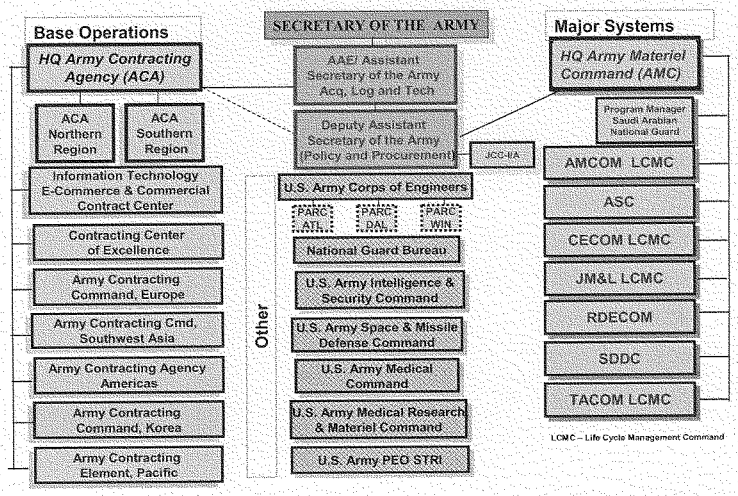
JCC-I/A has excellent relationships with the audit and oversight community. SIGIR meets monthly with the JCC-I/A commander and the JCC-I/A staff meets weekly with SIGIR, DCAA, and AAA. None of this is doctrinal; rather, JCC-I/A closely coordinates with the auditor community as a form of "contracting triage," i.e., dedicating limited contracting resources to address critical problem areas.

Inadequate Organization and Responsibility to Facilitate Contracting

Today, multiple commands have responsibility for contracting. (To put this organizational framework in its broadest context, see Appendix C, Organization Charts, where the current configuration for the Headquarters, Department of the Army, and the Army Acquisition Executive [the Assistant Secretary of the Army (Acquisition, Logistics and Technology)] are highlighted.) As shown in Figure 6, the "as-is" Army contracting organizations include the Army Contracting Agency (which primarily supports base operations), the Army Materiel Command (which primarily supports major systems), as well as others (e.g., the U.S. Army Corps of

Engineers, which primarily supports construction, and the JCC-I/A, which supports certain theater requirements within Iraq and Afghanistan).

Figure 6. As-Is Army Contracting Organizations



(Note that this figure actually makes the existing Army contracting organizations appear more linear than they actually are; a true depiction would look more like a "spaghetti" diagram.)

Under the current organization, none of the contracting commands have responsibility to synchronize all aspects of contracting below the Army Secretariat level. This adversely affects those within the contracting profession and outside the profession. Within the contracting profession, no single advocate for a "cradle to grave" career plan for excellence exists. Outside the profession, commanders and contractors have to deal with multiple heads of contracting activities (HCAs)/principal assistants responsible for contracting (PARCs). These multiple interactions can result in varying policy interpretations and poor operations. These effects are compounded in the expeditionary environment, with its heightened contracting workload, complexity, and tempo.

EXTREMELY POOR INTERAGENCY OPERATIONS

General Petraeus, the Commander of the Multi-National Force-Iraq, to whom JCC-I/A reports, only has about 50 percent of the in-theater contracts under him. The lack of integration of the contracting activities is a concern from an accountability, performance, and life-cycle support perspective. There are many independent contracting and management organizations in-theater with no clear responsibility for overall integration, quality, management or oversight. Just the DoD organizations include JCC-I/A, GRD, AFCEE, AMC, CSA, AAA, DLA, Medical

Command, and DCMA. Operational commanders should not have to try to figure out who is responsible for acquisition and management of a particular service or commodity.

The lines of authority for command versus contracting differ. For Command authority, it flows from Admiral William J. Fallon at Central Command to General David Petraeus Multi National Force - Iraq (MNF-I) commander, to Major General Scott, commander JCC-I/A. For contracting authority it flows from the Head of the Agency to the Senior Acquisition Executive. There are three Army contracting chains of command in Iraq: JCC-I/A, AMC, USACE.

A current focus in media is security contracts; JCC-I/A only "owns" about 25 percent of these contractors. Further, half of the contracts performed in-theater are under the JCC-I/A. DoD has no insight into non-DoD actors, but has been called in previously to "pick up the pieces." USAID is undermanned; they are even worse off than JCC-I/A. JCC-I/A spends close to $1 billion per year in State Department money (JCC-I/A conducts contracting for actions over $500,000 that uses State Department economic redevelopment funds for the provincial reconstruction teams). It confuses contractors to have to operate under different procedures (e.g., those of USAID, Commerce, State, etc.). This tends to have negative consequences, such as driving costs up by not achieving economies of scale, or having to compete for scarce resources. One senior contracting official stated it made sense for the JCC-I/A to have authority over all contractors performing in-theater.

As shown in Table 10, the U.S. Army Corps of Engineers (USACE) authorities are much less than that for JCC-I/A.

Table 10. In-Theater Contracting Authorities of JCC-I/A vs. USACE

Organization	Approval Threshold
JCC-I/A	$500 million
USACE	$7.5 million

This unnecessarily lower authority level for USACE translates into a slower decision for the Army Corps of Engineering contracting. Under the JCC-I/A authority, an in-theater resource is available to approve decisions that require approval one level above the CO. In his 20 months at JCC-I/A, the Commanding General has only needed to go to CONUS for approval once. In contrast, the lower threshold for USACE means that they must go back to the CONUS PARC for approval more frequently.

In the Cold War environment, it was not envisioned there would be other Departments or Agencies engaged so much on the field of conflict. Today, the military commander who is supported by a "joint" contracting organization actually has a disparate group of well-meaning professionals sitting side-by-side applying different rules to the same situation.

While it is recognized that the State Department, Justice, Commerce, Treasury, *et al.* bring impressive tool kits, which represent some of the most effective tools America has to offer and are critically essential to nation-building, in the Cold War era, these players only entered after

the battlefield was relatively secure. They were not the integrated partners which successful expeditionary operations may require.

Additionally, in the Cold War environment, while Joint Operations were obviously required, the different Services were normally physically separated and usually supported by their own infrastructure. In the Expeditionary world, that is obviously not true. So, in a particular geographic region, service support is not only required by a different Service mix of uniformed military personnel, but also by DoD and other Department civilian specialists as well as contractors who may be providing supporting services or unique expertise.

IV. Actions Needed (Based on Commission Findings)

The Commission believes that the problems identified in this report will not be corrected solely by accomplishing any list of corrective actions, no matter how thoughtful, thorough and extensive the list, unless this is also accompanied by a significant change in the organization of the Army contracting community, and the acquisition community within which the contracting function lies. The problems are so severe that there is a significant dysfunctional issue which must be addressed. In fact, while this Commission, other commissions, task forces, and auditors look at the current contracting issues and bring fresh eyes to the problems, the Commission believes that all attempted remedies will be temporary unless we return to basic organizational and Army leadership principles.

The sections below identify the Commission's four main recommendations. In order to ensure the accepted recommendations of this Commission are implemented, the Commission recommends a Special Task Force be chartered by the Secretary of Army to implement these Commission recommendations within a year.

1. **Recommendation:** Increase the Stature, Quantity, and Career Development of the Army's Contracting Personnel, Military and Civilian (Especially for Expeditionary Operations)

Despite the increasing importance of the contracting process to the Army's performance, the skill and experience required to execute those processes has not been valued by the Army. Numerous attempts over the last 20 years, both legislative and organizational, to modify that value culture have not succeeded. Despite the outstanding professionalism and talent that is resident at every level of the Army, without significant systemic change, the Army contracting processes can be expected to inevitably return to below-mediocrity.

In order to provide for increased and prolonged professionalism and problem-solving in the military environment, in order to recognize the increased complexity and cost of modern military products and services, and in order to prevent the suboptimal migration of senior military billet assets from contracting positions within the acquisition corps to the operating forces,[21] additional General Officers and an SES billet should be authorized by Congress and specifically assigned to the Secretary of the Army, so that they may only be assigned to acquisition and contracting billets as the Secretary specifies. These General Officers will, through normal Army staffing

[21] In the 1990s there were 5 Army slots and 4 joint slots available for General Officers in key contracting and contract management positions. Today, there are no Army slots and only one joint slot (which is currently being filled by an Air Force two-Star officer from the contracting career field). Over this period the Army Competition Advocate has been decreased from a two-Star billet to a colonel while the Defense Contracting Management Agency has been decreased from a joint two-Star billet to a civilian.

assignment policy, also drive the assignment of the necessary officer, enlisted personnel, and civil servants which should populate this critical area.

In order to implement the above, Congress must

- Authorize a core set of ten additional General Officers for contracting positions (similar to what existed in 1990).
  - Authorize a total of five General Officers for contracting for the Army:
    - Authorize two Major Generals for Army contracting positions—one for the Commander of the Army Contracting Command and one on the staff of ASA (AL&T) for the Deputy for Contracting and Director of the Army Contracting Corps.
    - Authorize three Brigadier General contracting positions—one for the Army Contracting Command's Expeditionary Contracting Organization, one for the Army Contracting Command's Installation Contracting Organization, and one for the Chief of Contracting, U.S. Corps of Engineers.
    - Assign the billets to the Army Secretary.
  - Authorize five joint General or Flag Officer contracting billets in JCCs/JFCOM/DCMA. (JCCs are Joint Contracting Commands that exist for each expeditionary operation.)
    - Authorize one joint General Officer three-Star as the Commander of the Defense Contract Management Agency, with assignment responsibility for this billet residing in the Under Secretary of Defense for Acquisition, Technology, and Logistics.
    - Provide the Services back-fill authorizations for joint positions, similar to that granted when the Services fill COCOM positions.
- Maintain existing civilian Senior Executive Service contracting authorizations in the Army workforce, plus one new deputy.

The Secretary of the Army should:

- Establish "contract planning" (requirements definition) positions. Planning should be conducted by the operations and training (G3 or S3) staff at the corps, division, and brigade combat team levels.
- Establish a separate Army Contracting Promotion Board for both military and civilian contracting professionals and ensure functional independence of contracting professionals.
- "Fence" the five Army General Officer billets to the Secretary of the Army.

- Establish a Major General Deputy for Contracting and Director of the Army Contracting Corps reporting to the ASA(ALT)/Army Acquisition Executive.

- Increase the number of military (by 400) and civilian (by 1000) in the Army contracting workforce, which involves about a 25 percent increase. (The Commission makes this recommendation after considering both the Air Force and Marine Corps model for determining the number of military.) Ultimately, the Commission recommends that a ratio of 70/30 percent (civilian to military personnel) is appropriate for the total Army Acquisition Force, and a ratio of 80/20 for the Contracting Corps.

- Ensure that Army military contracting personnel, both officers and non-commissioned officers/enlisted, start their contracting career much earlier than is currently the case. The Commissioned Officer contracting career track should start on entry, but the officer should be assigned for two or more years to a combat branch, then rotate in various contracting roles. This approach capitalizes on the significant strength of company-level operational experience. Following the initial entry tour, the officer should attend the common portion of the advanced course, and achieve DAWIA Level I certification through DAU (e.g., at Fort Lee, the Officer could take both the common core of the advanced course and also obtain Level I certification at the Army Logistics Management College). Enlisted personnel will assess directly into the contracting career field.

- Capture expeditionary contracting lessons learned, incorporate them into systemic forums, and provide feedback to the force for continuous improvement. For example, these lessons learned should be considered in the development of curricula and be institutionalized in the Center for Army Lessons Learned (CALL).

- Establish a separate, centrally managed Contracting Corps (not Branch) for Army military and civilian contracting personnel.

- Establish a skill identifier and manage military contracting personnel, e.g., "51C" (thus separating contracting professionals as a distinct professional category within the overall acquisition workforce).

- Adequately fund career planning programs, education and training, promotion potential, and contracting internships—all focused to establish an expert workforce skilled in supporting expeditionary operations.

- Ensure that the expeditionary contracting deployment is not someone's first assignment. Contracting personnel sent into a theater of operations need to be highly skilled, adequately trained, and prepared for the assignment, rather than an *ad hoc* "pick-up game" of willing but unqualified players.

- Create an environment that fosters civilian contracting personnel participation in future expeditionary operations.

  - Pursue changes in laws and policies to provide incentives for civilians to go to combat areas, including but not limited to: adequate life insurance, long term health

care for war inflicted injuries, extended temporary promotion, theater of war tax benefits, and eliminating pay caps.

- Make successful service in expeditionary operations a major advantage for civilian promotion.
- "Pre-volunteer" and pre-qualify (e.g., pre-medically clear) civilians for expeditionary operations.
- Ensure that the civil servants have the appropriate formal training as well as diverse geographical and career experience.
- Add sufficient billets to the Secretariat and the Army G-1 staffs for the management of the civilian and military contracting workforce.

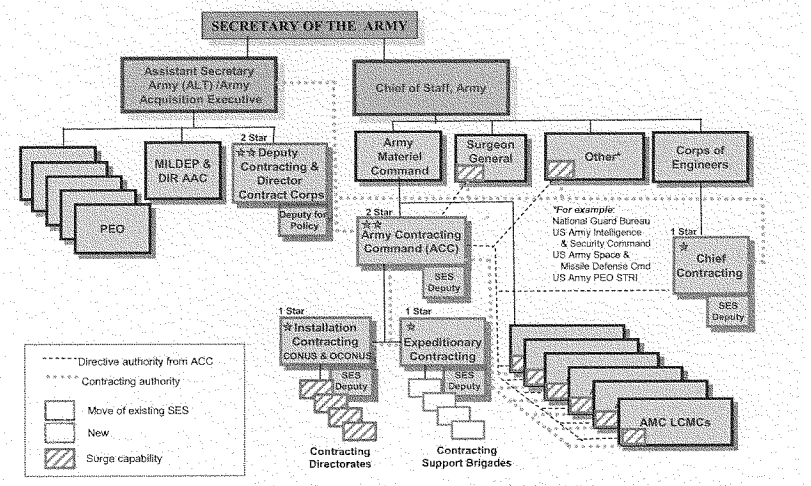
The Secretary of the Defense should:

- Assign DCMA the role of all base, post, camp, and station contract management (so that it trains and operates in peacetime the way it will operate in wartime). (Note—If DCMA does not fulfill the contract management responsibility worldwide, this requirement will not go away; it must be established and resourced by the Services.)
  - Establish Defense Contract Management Agency (DCMA) as the center-of-excellence for expeditionary contract management.
  - Assign DCMA responsibility for all contract management, including expeditionary.
- Adequately resource DCMA (in terms of people and money) for this expanded role, and have the required training.
  - Assign DCMA the resources from the Services that are currently involved in base, post, camp, and station contract management.
  - Request the budget to provide DCMA with 583 additional billets (for Army positions).
- Require a complete review and rewrite (as necessary) of each applicable personnel directive impacting civilian personnel involvement in military operations. Topics to be explored should include, among others, the following:
  - Law of warfare (can civilians be armed?) and Geneva Convention.
  - Conditions under which civilian will receive benefits of POW/MIA
  - Conditions under which civilians will receive medical treatment for life
  - Conditions under which civilians will receive disability pensions.

2. RECOMMENDATION: RESTRUCTURE ORGANIZATION AND RESTORE RESPONSIBILITY TO FACILITATE CONTRACTING AND CONTRACT MANAGEMENT IN EXPEDITIONARY AND CONUS OPERATIONS

In order to restructure the organization and responsibilities to best facilitate effective and efficient contracting and contract management in support of both expeditionary and garrison operations, the Commission recommends a reorganization and realignment of contracting responsibilities as illustrated in Figure 7.

Figure 7. Recommended Army Contracting Organizations and Responsibilities



A key element of the organization depicted in Figure 7 is the ability to draw on multiple resources to meet any surge requirement for expeditionary contracting support. Organizations with contracting as their primary mission are a natural resource to meet this need. This includes not only the entire Army Contracting Command, but also the proposed Chief of Contracting within the Corps of Engineers. In addition, as shown in the hatched boxes in Figure 7, contracting resources annexed or subordinate to an organization provide another pool of talent from which to draw qualified personnel to support expeditionary operations. The Expeditionary Contracting organization with its Contracting Support Brigades by definition is the first to deploy.

- Establish a Deputy for Contracting and Director of the Contracting Corps as a Major General billet reporting to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology. This staff position is responsible for all contracting policy and all contracting career management, including establishing and maintaining education and training standards for the civilian and military contracting workforce. The SES Deputy

for Contracting Policy (currently the Deputy Assistant Secretary for Policy and Procurement) will be a direct report to the Deputy for Contracting.

- Establish an Army Contracting Command, commanded by a Major General, reporting to the Commanding General, U.S. Army Materiel Command. The SES Deputy (currently the Deputy for Contracting, U.S. Army Materiel Command) will be a direct report to the Commander, Army Contracting Command.

  - Provide the Army Contracting Command with universal directive authority over all Army contracting organizations. Although contracting resources will be on the table of distribution and allowances (TDA) of the Head of Contracting Activity (HCA) they support, the Army Contracting Command will have directive authority for all Army contracting resources. Directive authority provides the Commander of the Army Contracting Command the ability to task Army commands with a contracting capability to have a trained, skilled, ready, designated, and responsive expeditionary contracting capability. This includes contracting personnel assigned to all AMC commands, Army PEOs, direct reporting PMs, the Surgeon General, the U.S. Army Corps of Engineers, and other Army commands with contracting functions including the National Guard Bureau, the U.S. Army Intelligence and Security Command, and the U.S. Army Space & Missile Defense Command. In other words, the Army Contracting Command, through its directive authority for all Army contracting resources, will enable a surge capability to resource the staffing needs of the Expeditionary Contracting Command when supporting deployed forces. (Note that surge capability can be drawn from all Army contracting organizations, including those with contracting as their primary mission and those that are within another organization.) The Army Contracting Command will be tasked to eliminate the current *ad hoc* "pick-up" process that now ensues upon deployment. The directive authority also provides the Command the responsibility for uniform policy implementation and the readiness of the contracting workforce.

  - Provide the Army Contracting Command with contracting authority directly from the Assistant Secretary of the Army (Acquisition, Logistics and Technology). Due to the unique and highly specialized nature of their mission, the Army Corps of Engineers and the Surgeon General of the Army (U.S. Army Medical Command and the U.S. Army Medical Research Command) should receive contracting authority directly from ASAALT, as should the entities shown in the "Other" category in Figure 7, rather than through the Army Contracting Command.

- Establish an Expeditionary Contracting Command, commanded by a Brigadier General, under the Army Contracting Command. The Expeditionary Contracting Command, which will primarily be comprised of military personnel, would be responsible for providing skilled, trained, contracting personnel for the support of expeditionary forces, which will be organized into Contracting Support Brigades and assigned to deployable or deployed commands. This organization should be structured to ensure that contracting personnel are prepared and trained prior to deployment and have the tools necessary to fulfill their mission in an expeditionary environment. The Expeditionary Contracting Command will develop procedures and doctrine to ensure the success of deployed

contracting personnel and provide oversight of those activities to ensure compliance with statutory and regulatory guidance. The Expeditionary Contracting Command will ensure that there is in-theater capability and, as required by mission, reach-back capability for conducting independent cost/price analyses, awarding contracts, and managing contracts—but reach-back support should only be used for those standard efforts suitable for reach-back support (e.g., provision of standard statements of work through a web site). (In general, the Commission does not believe reach-back support that is dependent on the availability of people is well-suited to expeditionary operations; however, certain reach-back tools may prove useful.) The Expeditionary Contracting Command will collect and report expeditionary contracting data, lessons learned, maintain and update policies, guidance, and/or training as appropriate, and regularly perform internal audits of its expeditionary units.

In peacetime, the Expeditionary Contracting Command should provide contracting support to and train with the expeditionary forces that they will be expected to support upon deployment of those forces. This will permit the Army to grow a corps of personnel that will be trained as an integral part of the expeditionary force and be imbued with the skills necessary to support that force both while at home and deployed. By eliminating the current *ad hoc* "pick-up" process that now ensues upon deployment, the Army will be able to ensure that the necessary cadre are in place and available with the skills necessary to accomplish the mission. Expeditionary contracting requires unique rules and tools to enable contracting professionals to apply the same contracting principles while operating at a mission-critical tempo. The fast-paced expeditionary environment requires greater experience, skill, and judgment of contracting professionals. The Air Force model exemplifies this tailored, holistic approach and is considered to be the reason why the Air Force has been able to step up and assume the lion's share of the contracting role in Iraq and Kuwait.

The SES Deputy, which is a new position, will be a direct report to the Commander, Expeditionary Contracting Command.

- Establish an Installation Contracting Command, commanded by a Brigadier General, under the Army Contracting Command. The Army Installation Contracting Command, which will primarily be comprised of civilian personnel, will provide contracting support of all Army installations throughout the Continental United States (CONUS) and Outside Continental United States (OCONUS) Theaters of Operation, including those of the Installation Management Command (IMCOM); Training and Doctrine Command (TRADOC); Forces Command (FORSCOM); Army Materiel Command (AMC); Army Test and Evaluation Command (ATEC); Headquarters, Department of the Army - Office of the Secretary of Defense–The Joint Staff; U.S. Army Central; U.S. Army, Pacific; Eighth Army; U.S. Army Europe; U.S. Army South; Army Chief Information Officer (CIO-G6); 9th Army Signal Command (NETCOM); and Program Executive Office Enterprise Information Systems (PEO EIS). The SES Deputy (currently the Director, U.S. Army Contracting Agency) will be a direct report to the Commander, Installation Contracting Command.

- Establish a Chief of Contracting for the Army Corps of Engineers who is a Brigadier General. The Chief of Contracting will be directly responsible for assuring the training, resourcing, and operational readiness of contracting professionals within the Corps of Engineers, who are skilled in the specialized field of construction contracting. Because of the importance of construction contracting to the expeditionary mission, the Chief of Contracting will collaborate with the Commander, Army Contract Command on meeting operational requirements. The SES Deputy, a position that should be filled by an existing SES, will be a direct report to the Chief of Contracting.

- Create an Integrated Expeditionary Command (IEC) in-theater for each major operation.

  - The IEC could combine Department of State/U.S. AID and DoD and perhaps report to the President through Secretary of Defense/CJCS and Secretary of State. The newly established U.S. Africa Command (AFRICOM) would be a prototype of how this command might organize and operate.

  - The Commander should be a Senior Military Officer with "political" experience and understanding. The Deputy Commander should be a senior State Department person.

  - The IEC Commander would have contracting and contract management authority over the Combatant Commander, the Ambassador, and U.S. AID—but not authority over military operations (which remains with the COCOM) or political issues (which remain the State Department's role). The command would have authority for priorities over a "joint money pool"—(combining DoD and U.S. AID recovery and other funds e.g., from allies or others) and have "management flexibility with full transparency"

  - The Integrated Expeditionary Command would be the single contracting and contract management authority in-theater and be commanded by the single Head of Contracting Activity (HCA) for all agencies participating in the contingency with all service and agency PARCs reporting to the Joint HCA. The IEC would integrate (and have authority over) the large number of post-conflict contract groups currently performing in-theater.

  - The Integrated Expeditionary Command would have responsibility for assuring adequate assignment of Contracting Officer's Representatives for contracting and contract management support—including assuring they are qualified and doing their quality-assurance and program management oversight job (integrate DCMA representatives).

  - The Integrated Expeditionary Command should run "exercises" with standby personnel (e.g., Africa scenario) focused on "Post-Conflict Management." The exercises should include contractors as well as contracting personnel and contracts scenarios.

  - The Integrated Expeditionary Command should also have an organic legal, audit, and Inspector General capability (similar to the SIGIR)—that addresses all contracts,

including LOGCAP—involved in-theater, to provide timely oversight and serve as a visible deterrent to fraud, waste, and abuse.

- One executive reporting directly to the USD(AT&L) should be responsible and accountable for DoD contracting policy, education, training, and readiness.
- Redefine DCMA's scope. The Commission strongly believes that:
  - DCMA should be responsible for all expeditionary contract management.
  - DCMA should be responsible for all post, camp, and station contract management (functions normally retained by the PCO), so that it trains and operates in peacetime the way it will operate in wartime.
  - DCMA should be provided the resources from the Services which are currently involved in these responsibilities.
  - DCMA should be provided 583 billets (for Army support).
  - Congress should approve a new three-Star billet for DCMA, with this new General or Flag Officer reporting to the Under Secretary of Defense for Acquisition, Technology, and Logistics. The officer filling this command billet would be responsible to the Secretary of Defense for maintaining for maintaining the highest standards of performance and functional expertise. General and Flag Officers of all Services would compete to fill this billet.

3. **RECOMMENDATION**: PROVIDE TRAINING AND TOOLS FOR OVERALL CONTRACTING ACTIVITIES IN EXPEDITIONARY OPERATIONS

- *Train as we fight:* JFCOM and Army training exercises must stress rapid acquisition, logistics, and contracting in expeditionary operations. We need to capture lessons learned and inculcate them into the military leadership schools. The Army needs to train operational commanders on the important role contracting plays in expeditionary operations. This training should focus all leaders (officers and NCOs) on determining requirements, translating those requirements into statements of need suitable for incorporation into statements of work (and subsequently enforceable contracts), and then overseeing performance. Additionally, all logistics officers and NCOs should be earmarked as potential CORs/Program Managers (for in-theater service contracts). This education should include not only a basic appreciation of the contract process, but "how to do it," to include the development of "tools" immediately available for expeditionary operations. All military "exercises" (both Command Post and Field Training Exercises) should include contracting operations and planning requirements to reinforce and train on lessons learned. Because of their critical role in contract oversight, and to reduce the potential for fraud, waste, and abuse, COR procedures should be taught in leader development courses for all Army branches.

- *Develop and field the contract "tools"* needed for the expeditionary forces including, but not limited to, sample contracts, statements of work, pre-agreed-to waivers, etc.

- *Focus DAU to train and educate the civilian and military acquisition, logistics, and contracting workforce for expeditionary operations, in addition to weapons systems contracting.* Work with DAU to make training for expeditionary contracting operations more "applied." Training in contingency contracting should cover both military (Active Duty, Reserves, and National Guard) and civilians. DAU's Contingency Contracting Center of Excellence needs to be more visible, hands-on, practical, and effective. DAU needs to adopt an agile training program that better captures lessons learned and then quickly incorporates those lessons into its blocks of instruction—both at the school house and on its web site.

- *Provide DAU the necessary resources* for the through-put it will experience based on the Commission's recommendation that, following an Army military contracting professional's initial entry tour, he or she obtain Level I certification through DAU.

- *Provide Contracting Officer's Representatives with necessary training, prior to any military operation.* Each Service (including the Army) should have trained Contracting Officer's Representatives, pre-planned and approved (also, a representative of the audit/IG community and legal counsel), in order to support COCOM needs.[22]

4. RECOMMENDATION: OBTAIN LEGISLATIVE, REGULATORY, AND POLICY ASSISTANCE TO ENABLE CONTRACTING EFFECTIVENESS IN EXPEDITIONARY OPERATIONS

Legislative changes necessary for expeditionary operations include:

- Increase in General Officer billets for Contracting and Joint Contracting (with "fencing" for contracting professionals) including a new three-Star billet for DCMA.

- Increase contracting personnel:

  - Increase Army military by 400 and civilian by 1000, for a total of 1400 new billets, plus an Army personnel increase of 583 to fill DCMA billets (for Army support).

- Propose legislation to provide incentives for expeditionary contracting personnel to sign-up for "pre-volunteer" commitments, and obtain advance medical clearance, to go to an expeditionary theater of operations when required. These incentives would help recruit and retain quality civilians to work in expeditionary operations.

  - Eliminate the pay cap. This impediment constrains the length and frequency of civil servant tours in support of expeditionary operations. The pay caps should be waived completely, thereby eliminating a significant planning and operational constraint.

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[22] The Commission notes that the Army Logistics schools have already started training company-grade officers and warrant officers in contract management.

This relatively low-cost measure will pay big dividends by permitting and incentivizing longer tours for quality civilian contracting personnel dedicated to supporting the critical demands of expeditionary operations.

- Establish tax-free status for Government civilians deployed to support OCONUS expeditionary operations. Currently in Iraq, Afghanistan, and other regions in Southwest Asia, military pay is exempt from taxes from the moment a Soldier hits the ground, while his Government civilian counterpart is not. Even contractor employees (who take longer tours than DoD civilians) can qualify for IRS tax exemption. We need to provide equitable tax treatment for deployed civil servants and provide this as an incentive.

- Armed Forces Civilian Service Medal (AFCSM). When the Department elected to award the GWOT medal instead of the Armed Forces Service Medal to military, it eliminated the regulatory predicate for award of the AFCSM. This action took an important honor off the table for our DoD civilian workforce. The Defense leadership should re-look its regulations/policy in this regard, and make the AFCSM available for DoD civilians involved in direct support of expeditionary operations.

- Life-insurance (war-zone supplemental coverage) and long-term medical coverage. As with our military, Government civilians deployed in support of expeditionary operations require and deserve comparable life insurance and long-term medical benefits coverage. Assuring comparable coverage not only recognizes the personal sacrifice frequently required for expeditionary deployments, but will provide peace of mind to some of the Army's most dedicated employees and their families.

- Proposed legislation to provide flexibility in funding—enable funding flexibility through an adequately resourced contingency operations transfer fund. This would be a Defense transfer fund without "color of money" or fiscal year limitations with the DoD responsible for providing Congress with insight via reporting on expenditures and savings. This recommendation is based on the Balkans "Overseas Contingency Operations Transfer Fund," which was approved by Congress.

- Proposed legislation to provide waiver of small business and U. S. labor provisions, Buy American, Berry Amendment, Specialty Metals and other such provisions to allow rapid, local buying, if required in expeditionary operations.

Regulatory changes for expeditionary operations: Establish an Expeditionary Contracting Manual to support the expedited processes and tempo necessary for procuring the support needed by our warfighters in the theater of operations. Contracting personnel need a packaged set of processes and procedures to follow in order to maximize efficiency and effectiveness. When those processes and procedures are not provided, or are inappropriate for the situation (as they were/are in Iraq, Afghanistan, and Kuwait), operational effectiveness of contracting suffers. Contracting professionals would benefit greatly and operate more efficiently and effectively if they had a "field manual" for contracting on the battlefield. Much like an infantryman has a field manual, expeditionary contracting officers need a quick reference that allows them to practice expeditionary contracting before setting foot in-theater. The Expeditionary Contracting Manual

should be used to train Soldiers in-garrison so they are trained with the same contracting reference tool that they will use on the battlefield.

The Expeditionary Contracting Manual should address the situations expeditionary contracting officers commonly face—e.g., obtain services and products immediately, with minimal restrictions at the outset of an expeditionary operation. As the expeditionary operation matures, the extent of acquisition flexibility should reflect the "phase" of the expeditionary operation,[23] with the establishment of more restrictive regulatory oversight, as directed by the senior commander, either military or civilian, in the supported area.

Policy changes necessary for expeditionary operations: OMB, the OSD Comptroller, the Army Comptroller and the Army Materiel Command Comptroller must all apportion money intelligently so as to not unnecessarily burden the contracting officers in the combat arena. Currently, OMB is providing quarterly apportionments, and subsequent adjustments by the commands made the situation in the field even less tolerable.

[23] Using the situation which existed in Iraq, the envisioned phased steps would occur as follows: Phase I would have existed during the period from the President's direction to invade through the establishment of the Iraqi Governing Council and the second Iraqi budget; Phase II would have been up until the Iraqis were given their sovereignty; and we are currently in Phase III.

Abbreviations and Acronyms

The following abbreviations and acronyms appear in the Commission report:

AAA	Army Audit Agency
ACA	Army Contracting Activity
ACO	Administrative Contracting Officer
AFCSM	Armed Forces Civilian Service Medal
AFSA	Armed Forces Service Award
AMC	Army Materiel Command
APG	Aberdeen Proving Ground
ASA(ALT)	Assistant Secretary of the Army (Acquisition, Logistics & Technology)
BCOT	basic contingency operations training
BCT	brigade combat team
BRAC	base realignment and closure
CECOM	Communications-Electronics Command
CENTAF	U.S. Central Command Air Forces
CGSC	Command and General Staff College
CNA	Center for Naval Analysis
CO	Contracting Officer
COCOM	Combatant Command
CONUS	Continental United States
COR	Contracting Officer Representative
CPX	Command Post Exercise
DA	Department of Army
DAU	Defense Acquisition University
DAWIA	Defense Acquisition Workforce Improvement Act
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DEPSECDEF	Deputy Secretary of Defense
DFARS	Defense Federal Acquisition Regulation Supplement
DIA	Defense Intelligence Agency

DLA	Defense Logistics Agency
DoD	Department of Defense
DOTMLPF	Doctrine, Organizations, Training, Materiel, Leader Development, Personnel, and Facilities
EFAR	Expeditionary Federal Acquisition Regulation
FAR	Federal Acquisition Regulation
FTX	Field Training Exercise
G.O.	General Officer
GWOT	Global War on Terrorism
HCA	Head of the Contracting Activity
J-7	Joint Force Development
J&A	justification and approval
JCC-I/A	Joint Contracting Command—Iraq and Afghanistan
JFCOM	U.S. Joint Forces Command
JTF	Joint Task Force
LCMC	Life Cycle Management Command
LMI	Logistics Management Institute
LOGCAP	U.S. Army Logistics Civil Augmentation Program
MARCENT	U.S. Marine Corps Central Command
MNF-I	Multi National Force-Iraq
NCO	Non-commissioned officer
NCR	national capital region
O&M	operations and maintenance
OCONUS	Outside the Continental United States
OCOTF	Overseas Contingency Operations Transfer Fund
OEF	Operation Enduring Freedom
OIF	Operation Iraqi Freedom
OMA	operations and maintenance-Army
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
PA	Property Administrator
PARC	Principal Assistant Responsible for Contracting
QAR	Quality Assurance Representative

R&D	research and development
SAT	simplified acquisition threshold
SES	Senior Executive Service
SIGIR	Special Inspector General for Iraq Reconstruction
SOW	statement of work
TACOM	Tank and Automotive Command
TTPs	Tactics, Techniques, and Procedures
USACE	U.S. Army Corps of Engineers
USAF	U.S. Air Force
USAID	U.S. Agency for International Development
USCENTCOM	U.S. Central Command
USD(AT&L)	Under Secretary of Defense (Acquisition, Technology & Logistics)
USMC	U.S. Marine Corps
USSOCOM	U.S. Special Operations Command

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Acknowledgments

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Participation in Commission Proceedings

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Appendix A: Commission Member Biographies

In his announcement identifying the Commission members, the Secretary of the Army stated "Each Commissioner was handpicked for his widely recognized knowledge, judgment, and vision in the fields of acquisition, logistics, or program management. They are uniquely prepared to address this challenge." Brief biographies for Commission Chairman and each member are provided below.

COMMISSION CHAIRMAN

The Commission Chairman is:

Dr. Jacques S. Gansler, Chairman, former Under Secretary of Defense (Production and Logistics). Dr. Gansler is a Professor and holds the Roger C. Lipitz Chair in Public Policy and Private Enterprise in the School of Public Policy at the University of Maryland. As Under Secretary of Defense for Acquisition, Technology and Logistics from November 1997 until January 2001, Dr. Gansler was responsible for all matters relating to Department of Defense acquisition, research and development, logistics, acquisition reform, advanced technology, international programs, environmental security, nuclear, chemical, and biological programs, and the defense technology and industrial base with an annual budget of over $180 Billion, and a workforce of over 300,000. Prior to this appointment, Dr. Gansler was Executive Vice President and Corporate Director for TASC, Incorporated, an applied information technology company, in Arlington, Virginia. From 1972 to 1977, he served as Deputy Assistant Secretary of Defense (Materiel Acquisition), responsible for all defense procurements and the defense industry; and as Assistant Director of Defense Research and Engineering (Electronics) responsible for all defense electronics Research and Development. His prior industrial experience included I.T.T., Singer Corporation, and Raytheon Corporation. Dr. Gansler is a Member of the National Academy of Engineering and a Fellow of the National Academy of Public Administration. He has served on numerous Corporation Boards of Directors, and governmental special committees and advisory boards: including Vice Chairman, Defense Science Board; Chairman, Board of Visitors, Defense Acquisition University; Director, Procurement Round Table; Chairman, Industry Advisory Board, University of Virginia, School of Engineering; Chairman, Board of Visitors, University of Maryland, School of Public Policy; member of the FAA Blue Ribbon Panel on Acquisition Reform; member of the Federal Emergency Management Agency (FEMA) Advisory Board (10 years); and senior consultant to the "Packard Commission" on Defense Acquisition Reform. Additionally, Dr. Gansler was a Visiting Scholar at the Kennedy School of Government, Harvard University for many years where he was a frequent guest lecturer in Executive Management courses. Dr. Gansler holds a BE in Electrical Engineering from Yale University, a MS in Electrical Engineering from Northeastern University, a MA in Political Economy from the New School for Social Research, and a Ph.D. in Economics from American University.

COMMISSION MEMBERS

The Commission members are:

Mr. David J. Berteau, former Principal Deputy Assistant Secretary of Defense (Production and Logistics). Mr. Berteau is a director with Clark and Weinstock and a Fellow of the National Academy of Public Administration. His career includes service as a senior Department of Defense official under four Secretaries of Defense, culminating as the Acting Assistant Secretary of Defense for Production and Logistics. Mr. Berteau has also served as a senior vice president at SAIC. He is currently a Senior Associate of the Center for Strategic and International Studies and serves on both the Defense Acquisition University Board of Visitors and the Procurement Round Table. He chaired the National Research Council Committee on Manufacturing Trends in Printed Circuit Technology, which produced its report in December 2005. He served on the NASA Advisory Council and has been on several Defense Science Board panels. Mr. Berteau has also served on the adjunct faculty of Georgetown University and Syracuse University. He is a graduate of Tulane University and holds a Master of Public Affairs from the LBJ School of Public Affairs at the University of Texas at Austin.

David M. Maddox, General, U.S. Army (Retired), former Commanding General, U.S. Army, Europe and 7th Army. General Maddox serves as a consultant to industry, academia, and Defense agencies, bringing his leadership, experience, and operations research expertise. He has commanded at every level from platoon through NATO Army Group to Theater. General Maddox led the reduction of Army forces in Europe from 213,000 to 75,000, closed 410 installations, and totally restructured the forces, footprint, and training of U.S. Army forces in Europe. He is a member of the National Academy of Engineering, the Army Science Board, and has been awarded the Commander's Award for Civilian Service, the Military Operations Research Society's Wanner award, and the INFORMS' Steinhardt award. He is a 1960 graduate of Virginia Military Institute and holds a Master of Science from Southern Illinois University.

David R. Oliver Jr., Rear Admiral, U.S. Navy (Retired), former Director, Office of Management and Budget, Coalition Provisional Authority, Iraq. David Oliver is the President and Chief Executive Officer of EADS North America Defense, with responsibility for programs that focus on U.S. defense, homeland security and national security markets. Previously, Admiral Oliver served as the Principal Deputy Under Secretary of Defense for Acquisition, Technology, and Logistics through two Administrations until July 2001. Admiral Oliver's military decorations include the Defense and Navy Distinguished Service Medals as well as six awards of the Legion of Merit. His awards for public service include the Bronze Palm to the Department of Defense Award for Distinguished Public Service. He is a graduate of the United States Naval Academy and holds a MA in Political Science and International Affairs (Middle East) from American University.

Leon E. Salomon, General, U.S. Army (Retired), former Commander, U.S. Army Materiel Command. General Salomon is currently a Supply Chain/Logistics Consultant. Following his Army retirement, General Salomon served as Vice President for Purchasing and Logistics and, in turn, the Senior Vice President for Procurement at Rubbermaid, Inc prior to his retiring in 1999. General Salomon is currently is on the boards of several companies, is the Honorary Colonel of the Ordnance Corps, Emeritus, and is a Senior Fellow of the Association of the United States Army. General Salomon entered the Army as a Private and was commissioned as a Second Lieutenant of Infantry after graduating from Officer Candidate School. General Salomon holds a Bachelor of Science in Chemistry and Biology from the University of Florida and a Master of Science in Management Logistics from the U.S. Air Force Institute of Technology.

Mr. George T. Singley III, former Deputy Director, Defense Research & Engineering (DDR&E). Mr. Singley was President of the Engineering, Training and Logistics Group of Science Applications International Corporation (SAIC) until his recent retirement. Mr. Singley had previously served as Sector Vice President of the Engineering, Logistics and Strategic Solutions Sector of SAIC and the President and CEO of Hicks and Associates, Inc., (H&AI), a wholly owned subsidiary of SAIC. Mr. Singley was the Army's Deputy Assistant Secretary for Research and Technology & Chief Scientist from 1988 to 1995. Mr. Singley has also served as the Army Program Executive Officer for Combat Support Aviation and as the Assistant Director of Army Research and Technology. Mr. Singley is a Member of the Association of the United States Army Council of Trustees, Member of the Georgia Tech Research Institute External Advisory Board and a Member of the Army Science Board. He is a Past Vice Chairman of the National Academy of Sciences Board on Army Science and Technology and Past National Vice President of the Army Aviation Association of America. He is an Honorary Fellow and past Chairman of the American Helicopter Society (AHS). Mr. Singley received an M.B.A. degree from the College of William and Mary, an M.E. degree in Mechanical Engineering from Old Dominion University, and a B.E.A. degree in Mechanical Engineering from the University of Delaware.

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Appendix B: Commission Charter

SECRETARY OF THE ARMY
WASHINGTON

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY
(ACQUISITION, LOGISTICS & TECHNOLOGY)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL
MANAGEMENT AND COMPTROLLER)
CHIEF OF STAFF, ARMY
GENERAL COUNSEL
DEPUTY UNDER SECRETARY OF THE ARMY
ADMINISTRATIVE ASSISTANT TO THE SECRETARY OF
THE ARMY
DIRECTOR OF THE ARMY STAFF
THE AUDITOR GENERAL
THE INSPECTOR GENERAL
THE JUDGE ADVOCATE GENERAL, ARMY
THE PROVOST MARSHAL GENERAL

SUBJECT: Commission on Army Acquisition and Program Management in Expeditionary Operations

The Army's performance as the DoD Executive Agent with the authority and responsibility for providing acquisition and program management in support of Army expeditionary operations and national objectives is critical. To assist the Army in its execution of this role, I hereby establish a Commission of senior consultants to the Department of the Army.

The "Commission on Army Acquisition and Program Management in Expeditionary Operations" shall be led by the Hon. Jacques Gansler. The Commission shall review the Army's policies, procedures, and operations in this area, and make findings and recommendations as to their effectiveness and compliance with applicable laws and regulations, in accordance with the attached Charter. The Commission shall submit the results of its review, in writing, directly to me within 45 days.

To assist the Commission in discharging its duties and responsibilities, Army organizations, officials, and personnel are directed to cooperate with the Commission's requests for information and assistance. The Administrative Assistant to the Secretary of the Army and Director of the Army Staff shall ensure that the Commission's personnel and administrative support requirements are satisfied. The Commission shall remain in effect until dissolved, in writing, by me.

Pete Geren

Enclosure

CHARTER

Commission on Army Acquisition and Program Management in Expeditionary Operations

Background. 21st Century security needs (such as the current operations in Iraq and Afghanistan) place many different requirements on support of the in-theatre troops than those previously planned for or experienced -- such as the unpredictable and extremely rapid buildup of massive forces; large-scale local procurements; detailed tracking of the extremely large volume of arms and munitions being rapidly built up; and the assurance that all of these rapidly configured, remote activities are being done effectively, efficiently and legally, in an unfamiliar and hostile environment.

Objective. Establish a bipartisan Commission of experienced, senior experts as a subcommittee of the Army Science Board to review the "lessons learned" in recent operations, and make recommendations to assist the Department of the Army in ensuring that future such operations achieve greater effectiveness, efficiency and transparency.

Reporting Chain and Composition. The Commission will report through the Army Science Board to the Secretary of the Army and will be led by the Honorable Jacques Gansler. Colonel George Sears will serve as the Executive Director. The Commission will be composed of senior outside experts with acquisition, logistics, and program management backgrounds.

Scope of Review. The Commission will review the following matters:

- Army acquisition and program management activities in the Central Command (CENTCOM) area of operations;

- Adequacy of organizational alignment of responsibilities for acquisition and program management;

- Adequacy of personnel staffing, in terms of numbers, skills, and training;

- Adequacy of Army's oversight and management authority;

- Responsiveness of Army's acquisition and program management activities;

- Sufficiency of visibility over total assets subject to Army acquisition and program management;

- Sufficiency of controls to prevent, identify, and report criminal actions, waste, and abuse;

- Sufficiency (to include auditability) of budgeting and financial management procedures;

- Sufficiency of extant legislation

Change 1

Report. Within 45 days following its establishment, the Commission shall submit through the Army Science Board to the Secretary of the Army a written report setting forth its findings and recommendations regarding the matters identified above.

Cooperative Effort. All Army organizations, officials, and personnel are directed to cooperate fully with the Commission's requests for information and assistance.

Support. The Administrative Assistant to the Secretary of the Army, the Director of the Army Staff (DAS), and the Executive Secretary of the Army Science Board shall ensure that the Commission receives personnel and administrative support sufficient to accomplish its responsibilities.

Effective Period. The Commission shall remain in effect until dissolved in writing by the Secretary of the Army.

SECRETARY OF THE ARMY
WASHINGTON

SEP 24 2007

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Commission on Army Acquisition and Program Management in Expeditionary Operations

Previously, I announced the appointment of the Hon. Jacques Gansler as the Chair of the "Commission on Army Acquisition and Program Management in Expeditionary Operations," which I have charged with the critical responsibility of reviewing and recommending improvements to the Army's policies and procedures for conducting acquisition and program management functions during military operations. Today, I am pleased to announce the appointments of the following Commissioners:

Mr. David Berteau;
General (Retired) David M. Maddox;
Rear Admiral (Retired) David R. Oliver;
General (Retired) Leon E. Salomon; and
Mr. George T. Singley, III

Each Commissioner was handpicked for his widely recognized knowledge, judgment, and vision in the fields of acquisition, logistics, or program management. They are uniquely prepared to address this challenge, and I regard their efforts as crucial to the continued success of our Army and our Nation in an era of persistent and sustained expeditionary operations. I expect that the Commission's findings and recommendations will establish the blueprint for the adaptation of the Army's acquisition management strategy into the next decade.

In carrying out its assigned mission, the Commission is authorized to communicate directly with any and all Army organizations, officials, and personnel and to seek the assistance of relevant Army components. I underscore my prior directive to all Army components to assist the Commission in discharging its duties and responsibilities. Please extend to the Commission your fullest support and cooperation as it conducts its important work.

Pete Geren

DISTRIBUTION A

Commission on Army Acquisition and Program Management in Expeditionary Operations

References:

Secretary of the Army Memorandum, *Commission on Army Acquisition and Program Management in Expeditionary Operations*

Charter, *Commission on Army Acquisition and Program Management in Expeditionary Operations*

Amendments:

Effective immediately, the references above are modified as follows:

To reflect that the Commission on Army Acquisition and Program Management in Expeditionary Operations is established as a subcommittee of the Army Science Board, a Federal Advisory Committee.

To reflect that the Commission shall have access to special advisors not serving as members of the group who can provide advice and expertise, as required by the Commission, in matters subject to Commission review.

To reflect that the Commission shall conduct its work and report its findings and recommendations through the Army Science Board to the Secretary of the Army. The Report is due not later than 45 days after the Commission's establishment as a subcommittee of the Army Science Board.

To reflect that the Executive Secretary of the Army Science Board, among others, shall shall ensure that the Commission's personnel and administrative support requirements are satisfied.

Approved:

Pete Geren — SEP 2 4 2007

Secretary of the Army — Date

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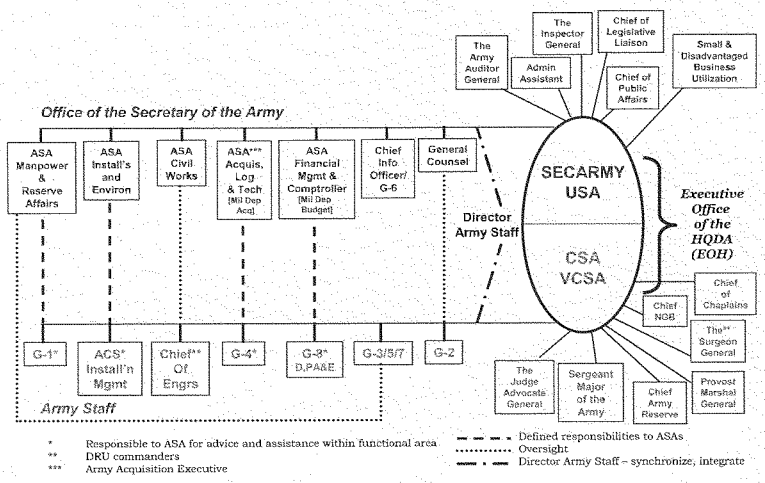
Appendix C: Organization Charts

The following organization charts for the Headquarters Army and the Assistant Secretary of the Army (Acquisition, Logistics and Technology) are offered to provide context.

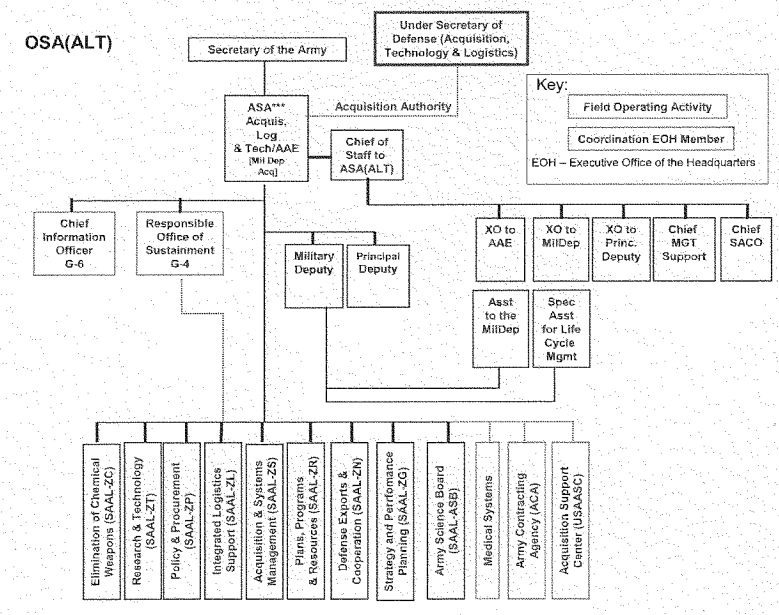
Figure C-1. Organization of Headquarters, Department of The Army



Acronyms:

AASA: Administrative Assistant to the Secretary of the Army
AAG: Army Auditor General
ACSIM: Assistant Chief of Staff, Installation Management
ASA(ALT): Assistant Secretary of the Army for Acquisition, Logistics and Technology
ASA(CW): Assistant Secretary of the Army for Civil Works
ASA(FM&C): Assistant Secretary of the Army for Financial Management and Comptroller
ASA(I&E): Assistant Secretary of the Army for Installations and Environment
ASA(M&RA): Assistant Secretary of the Army for Manpower and Reserve Affairs
CCH: Chief of Chaplains
CIO/G-6: Chief Information Officer
COE: Chief of Engineers
CSA: Chief of Staff of the Army
CNGB: Chief, National Guard Bureau
DAS: Director of the Army Staff
DUSA (BT): Deputy Under Secretary of the Army for Business Transformation
OCAR: Chief, Army Reserve
OCLL: Chief, Legislative Liaison
OCPA: Chief, Public Affairs
OGC: General Counsel
OTIG: The Inspector General
OTJAG: The Judge Advocate General
OTSG: The Surgeon General
SA: Secretary of the Army
SADBU: Small and Disadvantaged Business Utilization Office
SMA: Sergeant Major of the Army
USA: Under Secretary of the Army
VCSA: Vice Chief of Staff of the Army

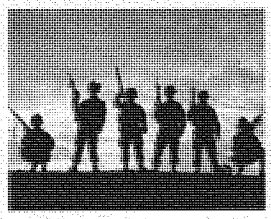
Figure C-2.Organization of Assistant Secretary of the Army (Acquisition, Logistics, and Technology)



Appendix D: Commission Presentation

The Commission members prepared a presentation to summarize the important points within this report. The slides from that presentation are presented in this appendix.

Urgent Reform Required:
Army Expeditionary Contracting



An Independent Assessment:
Report of the
"Commission on Army Acquisition and
Program Management in Expeditionary Operations"

October 31, 2007

Commission Charter

- An independent Commission, chartered by the Secretary
  - Review lessons learned
  - Make recommendations to assist the Army in ensuring that future operations achieve greater effectiveness, efficiency, and transparency
- Areas for study:
  - Army acquisition activities in Central Command (CENTCOM) area
  - Organizational alignments of responsibility
  - Personnel staffing – numbers, skills, and training
  - Oversight and management
  - Responsiveness; visibility; and controls
  - Budgeting and financial management
  - Sufficiency of extant legislation
- Commission not chartered to address:
  - Current fraud issues (covered by LTG Ross Thompson's Army Contracting Task Force)
  - Equipment accountability (the focus of DoD Inspector General LTG (Ret) Claude Kicklighter)
  - Private security contracts (the focus of AMB Patrick Kennedy)

PAGE 2

Commission Membership

- Dr. Jacques S. Gansler, Chairman, former Under Secretary of Defense (Acquisition, Technology & Logistics)
- David J. Berteau, former Principal Deputy Assistant Secretary of Defense (Production & Logistics)
- David M. Maddox, General, U.S. Army (Retired), former Commander, U.S. Army Europe
- David R. Oliver Jr., Rear Admiral, U.S. Navy (Retired), former Director, Office of Management and Budget, Coalition Provisional Authority, Iraq
- Leon E. Salomon, General, U.S. Army (Retired), former Commander, U.S. Army Materiel Command
- George T. Singley III, former Deputy Director, Defense Research & Engineering

PAGE 3

Commission Acknowledgments

- Anderson Jr., Frank J. Brigadier General U.S. Air Force (Retired), President, Defense Acquisition University
- Assad, Shay, Director Defense Procurement and Acquisition Policy
- Bass, Joseph, Colonel, U.S. Army, Commander, 408th Contracting Support Brigade (Kuwait)
- Bailey, Angela, DCMA Recruitment and Special Projects Office
- Ballard, Tina, Deputy Assistant Secretary of the Army (Policy & Procurement)
- Beasley, William, Director (Acting), Office of the Secretary of Defense, Joint Rapid Acquisition Cell
- Benecz, Joseph, U.S. Army Audit Agency
- Birch, Jeffrey, Knowledge Project Officer for Contracting, Defense Acquisition University
- Bodie, William, Vice President, KBR
- Bowen, Stuart, Special Inspector General for Iraq Reconstruction
- Bolton, Claude, Assistant Secretary of the Army (Acquisition, Logistics and Technology)
- Brown, R. Mark, Brigadier General, U.S. Army, PEO Soldier
- Buhrkuhl, Robert L. Dr., Director Financial Management and Comptroller, Force Structure, Requirements, Resources and Strategic Assessment Center, Headquarters (USSOCOM)
- Cashen Jr., Robert L., Brigadier General, U.S. Army, Deputy Director of the War on Terrorism (J-5)
- Chappell, Harold, Vice President, CH2M Hill Services
- Chiavini Jr., Vince, Division Chief, Worldwide Programs Office of Logistics Management, U.S. Dept. of State
- Cho, William, Captain, 408th Contracting Support Brigade (Kuwait)
- Chiarelli, Peter, Lieutenant General U.S. Army, Special Assistant to the commander of the United States Central Command for the Development of Regional Military Capability
- Clarke, Emily, Director, Business Operations and Enterprise Systems, Office of the Deputy Secretary of the Army (Logistics and Procurement)
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- [illegible]rey, Carol, Government Accountability Office
- Cole, Wade, 408th Contracting Support Brigade (Kuwait)
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- Dailey, John, Gulf Region Division-Regional Implementation Teams, U.S. Army Corps of Engineers
- Dominy, Charles, Lieutenant General U.S. Army (Retired), Vice President, Government Affairs, IAP Worldwide Services, Inc.
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- [illegible]gart, Edward, PARC, Communications-Electronics Life Cycle Management Command
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- Freeman, Michael, Sergean Major, U.S. Army, 408th Contracting Support Brigade (Kuwait)
- Glorioso, Charito, 408th Contracting Support Brigade (Kuwait)
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- Graciopiene, James, Vice President, KBR
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- [illegible]on, Yolanda Ms., 408th Contracting [illegible]rt Brigade (Kuwait)
- Harrison, Ted, Colonel, Commander, 410th Contracting Brigade (Americas)
- Hatch, Michael, Senior Counsel, KBR
- Haynes, Eunice, Sergeant First Class, U.S. Army, 408th Contracting Support Brigade (Kuwait)
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- Jones, Robert, Senior Vice President, Fluor Government Group
- Jones, Merle Ms., 408th Contracting Support Brigade (Kuwait)
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- Kilgore, Wesley, Director Major Procurement Fraud Unit, U.S. Army Criminal Investigation Command
- Kiser, Douglas, Lieutenant Colonel, U.S. Army, 408th Contracting Support Brigade (Kuwait)
- Lampe, Debra Ms., 408th Contracting Support Brigade (Kuwait)

PAGE 4

To be continued...

Commission Acknowledgments (Continued)

- Lee, Deidre, Director of Management and Chief Acquisition Officer, FEMA
- Loehrl, James, Director of the Acquisition Center and PARC, U.S. Army Sustainment Command
- Long, William, Major, U.S. Air Force Logistics Management Agency
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- Mendoza, Wendell, Major, U.S. Army, 408th Contracting Support Brigade (Kuwait)
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- Mundle, Verona, 408th Contracting Support Brigade (Kuwait)
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- Myers, Vernon, Major, 408th Contracting Support Brigade (Kuwait
- Nash, David, Rear Admiral (Retired) , U.S. Navy
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- Parsons, Jeffrey P., Deputy for Co[illegible] U.S. Army Materiel Comma[illegible]
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- R[illegible], Joanna, 408th Co[illegible] Support Brigade (Kuw[illegible]
- Rosenblum, D[illegible] President, CH2M Hill Ser[illegible]
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- [illegible] Government [illegible]ility Office
- [illegible]way, Stan, Presi[illegible] Services Council
- Stevenson, M[illegible] Lieutenant General, U.S. Army, Co[illegible]ing General, U.S. Army Ammunition [illegible]ons Support Co[illegible]
- [illegible] David, President, [illegible] Worldwide Services, [illegible]
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- Thompson, [illegible], Lieutenant General, Army Deputy to the Assistant Secretary of Army for Acquisition, Logistics and Technology and Director, Acquisition Career Management
- Thompson, Victoria, 408th Contracting Support Brigade (Kuwait)
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- Uhler, Dale G. Dr., Acquisition Executive and Senior Procurement Executive, USSOCOM
- Urias, John, Major General, U.S. Army (Retired)
- Van Antwerp, Robert, Lieutenant General, U.S. Army, Chief of Engineers and Commander of the U.S. Army Corps of Engineers
- Vandenlier, Vicki Ms., 408th Contracting Support Brigade (Kuwait)
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- Wallace, William S., General, U.S. Army, Commander, U.S. Army Training and Doctrine Command
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- Winters, Brian, Colonel, U.S. Army, Chief Functional Area 51 Military Contracting Officer Management
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- Williams, Charles, Jr., Deputy Assistant Secretary (Contracting), Assistant Secretary (Acquisition), U.S. Air Force
- Yelton, David, 408th Contracting Support Brigade (Kuwait)
- Young, Bryon, Director, U.S. Army Contracting Agency
- Zamparelli, Steve, SAF/AQC

PAGE 5

Over 400 interviews

General agreement on issues and need for reform

Bottom Line Up Front: The Four Key Elements to Future Success

1. Increase stature, quantity, and career development of contracting personnel, military and civilian (especially for expeditionary* operations)
2. Restructure organization and restore responsibility to facilitate contracting and contract management in expeditionary and CONUS operations
3. Provide training and tools for overall contracting activities in expeditionary operations
4. Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations

*The term "expeditionary" includes both OCONUS and domestic emergency operations

PAGE 6

Major Findings

- The acquisition failures in expeditionary operations require a systemic fix of the Army acquisition system
- Although the Operational Army* is expeditionary and on a war footing, it does not yet fully recognize the impact of contractors in expeditionary operations and on mission success:
  - Requirements (definition and flexibility)
- Critical segments of the Institutional Army** have not adapted to support responsive acquisitions and sustainment for expeditionary operations:
  - Financial management
  - Personnel (civilian and military)
  - Contracting and contract management
  - Training and education
  - Doctrine, regulations, and processes
- Contracting (from requirements definition through contract management) is not an Army "core-competence"
- The Army has excellent, dedicated people, but they are under-staffed, overworked, under-trained, under-supported, and, most important, under-valued

*Operational Army: Consists of numbered armies, corps, divisions, brigades, and battalions that conduct full spectrum operations around the world.
**Institutional Army: Supports the Operational Army. Institutional organizations provide the infrastructure necessary to raise, train, equip, deploy, and ensure the readiness of all Army forces.

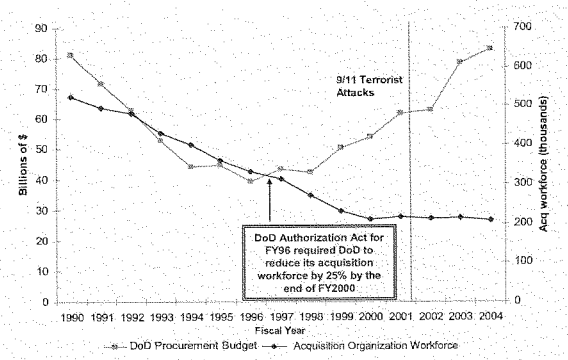
PAGE 7

Major Problem Areas

- Contracting should be a core capability of the Army, but it currently is treated as an operational and institutional side issue
- This Commission was unable to get consistent or reliable data on Army contracting career field (military and civilian)
- Only ~3% of Army contracting personnel are active duty military. Many more trained and experienced military personnel (officers and non-commissioned officers) are required in the expeditionary environment
- Despite ~7x workload increase and greater complexity of contracting:
  - Stagnant or declining civilian and military contracting workforce
  - Only 56% of the military officers and 53% of the civilians in the contracting career field are certified for their current positions
  - Army civilian personnel policies are outdated
  - No longer any Army General Officer positions for career contracting professionals (formerly 5 in Army and 4 in Joint Organizations) and trained G.O.s not being used
- Lack of planning and training for expeditionary contracting and contract management (e.g., exercises, civilian "pre-volunteers," leadership courses)
- Lack of recognition (by operators) of the impact of contracting and contractors in expeditionary operations (yet over 50% of "force" in Iraq is contractors)

PAGE 8

Overall DoD Acquisition Workforce Declined Even as Procurement Budgets Increased



Source of workforce data: DoD IG Report D-2000-088, Feb 29, 2000 & DoD IG Report D-2006-073, April 17, 2006.
Source of Budget data: Annual Defense Reports, available at http://www.dod.mil/execsec/adr_intro.html.

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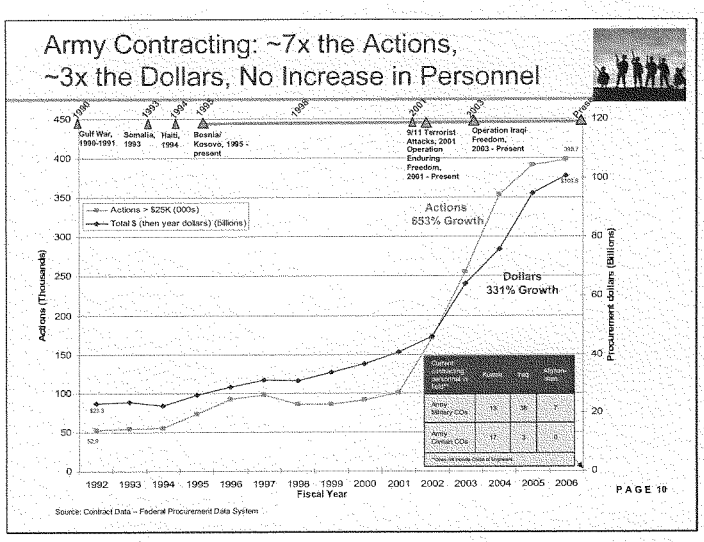
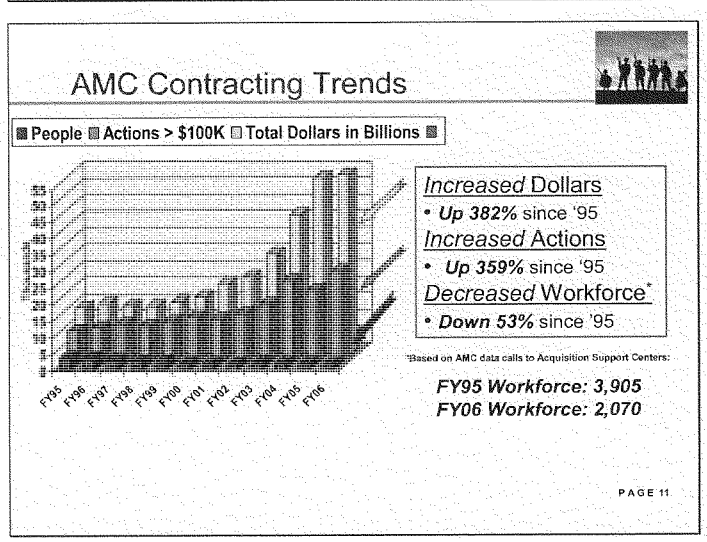

Army Contracting: ~7x the Actions, ~3x the Dollars, No Increase in Personnel
Gulf War, 1990-1991
Somalia, 1993
Haiti, 1994
Bosnia/ Kosovo, 1995 - present
9/11 Terrorist Attacks, 2001 Operation Enduring Freedom, 2001 - Present
Operation Iraqi Freedom, 2003 - Present
Actions > $25K (000s)
Total $ (then year dollars) (Billions)
Actions 853% Growth
Dollars 331% Growth
Actions (Thousands)
Procurement dollars (Billions)
Fiscal Year
PAGE 10
Source: Contract Data – Federal Procurement Data System


AMC Contracting Trends
People
Actions > $100K
Total Dollars in Billions
FY95
FY96
FY97
FY98
FY99
FY00
FY01
FY02
FY03
FY04
FY05
FY06
Increased Dollars
• Up 382% since '95
Increased Actions
• Up 359% since '95
Decreased Workforce*
• Down 53% since '95
*Based on AMC data calls to Acquisition Support Centers:
FY95 Workforce: 3,905
FY06 Workforce: 2,070
PAGE 11

Elimination of Army General Officers in Contracting Career Field

Army General Officer Positions – Now Eliminated			
1	DCS for Procurement & Production	MG	Redesignated May 92
	DCS for Procurement, AMC	MG	Eliminated Nov 91
	Redesignated DCS for Acquisition, AMC	BG	Eliminated Oct 92
2	DCG, Procurement & Readiness, MICOM	BG	Eliminated Nov 91
3	DCG, Procurement & Readiness, TACOM	BG	Eliminated Nov 91
4	Dep for Contracting, OASA(RDA)	MG	Redesignated May 92
	Redesignated Dir, Contracting, OASA(RDA)	BG	Eliminated Mar 93
5	Dir, Office of Competitive Sourcing, OASA(RDA)	BG	Eliminated Dec 98

Joint General/Flag Officer Positions – Now Eliminated			
1	Dir, DCMC	MG	Realigned to establish G/FO billet in MDA as of 13 May 92
2	Dep Dir, Aqn Mgt, DCMC	MG	Eliminated May 92
3	Cdr, Mid-Atlantic District (Defense Contract Management Command)	BG	Eliminated May 92
4	Cdr, Western District (Defense Contract Management Command)	BG	Eliminated May 92
General/Flag Officer Positions (Joint) – Temporary			
1	Cdr, JCC-I/A[a]	BG[b]	Established after 2001—filled by Air Force

[a]JCC-I/A is the Joint Contracting Command-Iraq/Afghanistan

[b]According to the Joint Duty Assignment Listing Annex, this is an O-7 billet. However, the incumbent is an O-8 (Maj Gen Scott, USAF)

Source: Data provided October 1, 2007, to the Commission by Deputy Chief General Officer Management Office (GOMO)

PAGE 12

Military Competence Essential to Expeditionary Contracting

- Army has not recognized importance
  - Military (279 Officer; 62 Enlisted); Civilian ~5,500 (GS-1102)
  - FY06 procurement actions: 398,748
  - Army active duty military (~3% of contracting workforce) begin contracting careers approximately 7 years after commissioning
  - No current Army General Officer billets
  - Army civil servant personnel policies outdated
- Air Force has/had
  - Military (940 Officer – active only; 1,196 Enlisted); Civilian ~4,800
  - FY06 procurement actions: 61,000
  - Air Force military (37% of contracting workforce) begin careers as 2nd Lieutenant
  - Potential promotions to General Officer positions
  - Air Force contracting squadrons linked directly to expeditionary wings
  - However, even in the Air Force, "the importance of career contracting personnel seems to have waned over the past years"
- Army "Executive Agent" for Iraq and Afghanistan, but Army unable to fill billets in either quantity or qualifications
  - Air Force Major General commanding JCC-I/A
  - 67% of the JCC-I/A contracting workforce staffed by Air Force; and Air Force handling most complex contracts

PAGE 13

Major Procurement Frauds (as of 9/24/07)

Far More Than Just Contracting Officers

Service	Percentage of Contracting Personnel in Iraq/Kuwait	Open Fraud Investigations
Air Force	70%	1
Army	28%	77
Navy	2 %	0
Total	100%	78

Army Employees Involved	
Contracting Officers	18
Contracting Officer Representatives	21
Other	57
Total	96

Army Employees Involved		Active	Reserve	National Guard	Retired
Army Officers	50	27	12	8	3
Army Enlisted	33	19	8	6	0
Dept of Army Civilians	13	83			
Total	96				

Source: Data provided September 21, 2007, to the Commission by U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit, and subsequently updated on September 24, 2007

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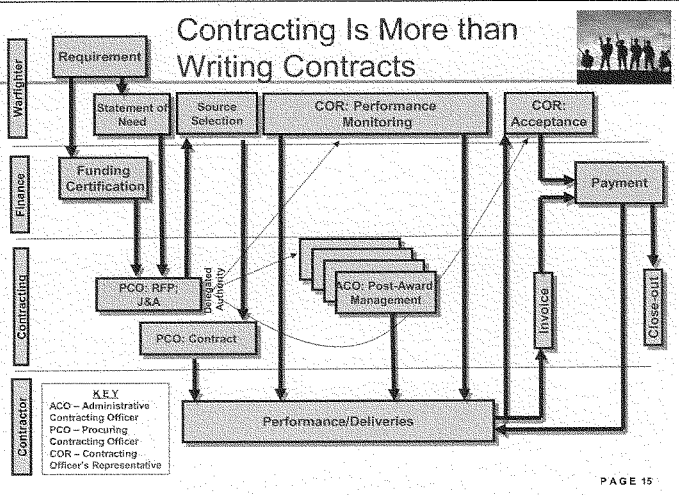
Contracting Is More than Writing Contracts



PAGE 15

Post-Award Contract Management

"In Iraq, contract management for non-LOGCAP was a 'pick-up game.' When done at all, it was a secondary function." (Former Senior Army G.O.)

- Contract management is the essential post-award contracting function to ensure mission accomplishment, and it is an important control over fraud, waste, and abuse; it CANNOT be a "pick-up game" in the Army
- There are 70+ FAR functions performed in the post-award phase
- Certain acquisition professionals are key to post-award contract management:
  - Administrative Contracting Officer (ACO) – Primary interface to contractor
  - Quality Assurance Representative (QAR) – Evaluates contractor performance
  - Contracting Officer Representative (COR) – Augments the QAR; ideally subject-matter experts embedded with the mission
- CORs are not identified and trained prior to deployment; consequently, they are ill-prepared to execute their contract management duties, and even then it is an additional duty
- With not enough ACOs, PCOs could do this – but they are too busy and therefore it is **not being done**

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To be continued...

Post-Award Contract Management (Continued)

- Contract administration functions may be retained by a contracting activity or delegated to the Defense Contract Management Agency (DCMA)
  - Contracting activities typically delegate weapons system, production-type contracts to DCMA, whose representatives are co-located in a contractor's plant
  - Contracting activities do not normally delegate services or base, post, camp, and station-type contracts to DCMA; not considered its mission by DCMA (but allowable by regulation)
- DCMA is performing OCONUS contract administration for LOGCAP and a few other small, in-theater efforts
- DCMA is not currently positioned to perform all expeditionary contract administration functions and does not serve as center-of-excellence for expeditionary contract management
  - Inadequate resources (people and money)
  - Narrow CONUS mission does not include base, post, camp, and station or service contracts
  - No military leadership heading DCMA

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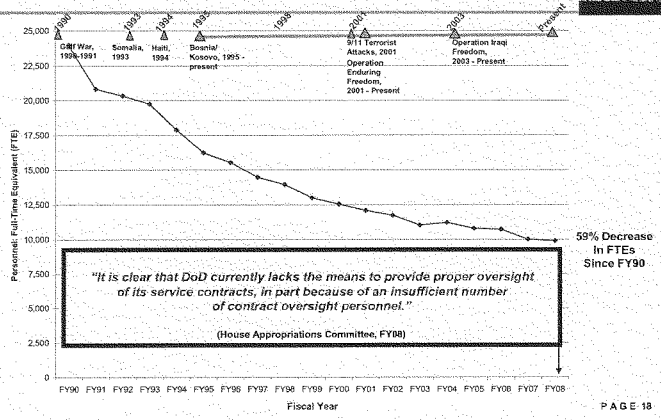
DCMA Personnel Continue to Decrease



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Some Quotes From Commission Hearings

- *"I am assigned to a field grade command with lieutenant qualifications."* (Army contracting field grade officer regarding his first acquisition assignment)
- *"I can't get certified Army personnel (civilian or military) to fill my needs."* (Air Force G.O. in Iraq)
- *"Only 38% of those in contracting positions in-theater are certified for the positions they hold."* (Senior DoD official)
- *"In-theater, we had lots of people in Washington telling us the rules, but little sense of urgency."* (Former Army Contracting Official)
- *"We're not training as we fight."* (Army G.O.)
- *"In-theater, we could do no pricing and no contract close-outs."* (Former Army Contracting Officer)
- *"We have a joint contracting command in name only [in I/A]; in reality, it isn't a joint command in key ways."* (Army G.O.)
- *"We need to have a section in every leadership course on contracting and contractors."* (Army G.O. back from Iraq)
- *"Next time I go overseas, I don't want it to be ad hoc."* (Army G.O.)
- *"Contracting for expeditionary services requires far greater sophistication."* (Army SES)
- *"If I would have known about the contracting issue in advance, I would have done something about it."* (Army Senior G.O.)
- *"We have problems in both service and weapon systems contracting."* (Retired G.O.)

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Institutional Issues

Institutional Army support to Iraq/Afghanistan/Kuwait inadequate

- Too much incremental funding
  - Causes unnecessary, "make work" contract modifications and inefficient operations
  - For example, in FY 06 LOGCAP had 141 incremental funding contract modifications
- No Expeditionary FAR (EFAR) defining allowable expedient actions, to be used in training and provided to field
- Contracting training not modified for need
  - Need more focused expeditionary contracting training, plus expeditionary contracting education
  - Rapid acquisition of materiel solutions, force sustainment, and reconstruction
- Contracting reach-back not responsive or effective
- Pricing personnel needed in theater and CONUS
- Contracting Officers Representatives (CORs) need to be identified, trained, and ready in the units prior to any deployment
- Combat commanders not trained in importance of requirements definition, contracting, and contractors in expeditionary operations
- Contract close-outs are not occurring because of shortage of trained personnel
- Little to no visibility of contractor assets or personnel in theater of operations
- Army civilian personnel system not oriented for expeditionary operations

"We are deploying civilians to the theater based on rules established 30 to 40 years ago."

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To be continued...

Institutional Issues (Continued)

- Requested improvements to align contracting with needs of Combatant Commander (June 2006 memorandum from Commanding General, Multi National Forces-Iraq (Gen. Casey))
- Very little progress

Statutory relief

1. Expand funding authority
2. Adjust GAO protest and CICA stay provisions
3. Automatically apply express option to GAO decisions for protests
4. Amend CICA to allow HCA to establish publication parameters
5. Automatically exempt from Berry Amendment and Balance of Payments
6. Exempt DoD civilians from tax when deployed in combat zones

Regulatory initiative

7. Develop contingency FAR

Departmental initiatives

8. Establish clear lines of authority for all government organizations
9. Create Standing Joint Contingency Acquisition Committee to develop policy
10. Provide automated contingency contract writing system

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Iraq Is a Wake-Up Call; It Is the Army's Acquisition/Contracting "Tipping Point"

Iraq has illuminated numerous major problems with expeditionary Army acquisition and contracting, including:

- Diffused responsibility in-theater (many "ad-hoc players": AMC, ACA, LOGCAP, Kuwait, Corps of Engineers, SOCOM, JCC-I/A, DCMA, DLA, CENTAF, MARCENT, U.S. AID, Department of State, etc.) and in Pentagon
- Five years into Operation Iraqi Freedom (OIF), deficiencies persist:
  - Leadership
  - Organization
  - Resourcing: personnel, "color of money," sense of urgency, cash flow, etc.
  - Career development, training, and education
  - Expeditionary (contingency, "sustainment", etc.) doctrine, policy, requirements, and tools (database of Service statements of work, terms and conditions, standard contracts, pre-placed authorities, class waivers & deviations)
  - Rapid acquisition and fielding
  - Post-award contract management
  - In-theater integration of operational, logistics, and contractor forces/personnel
- Bottom line: Solution must address shortfalls across the Doctrine, Organization, Training, Materiel, Leader Development, Personnel, and Facilities (DOTMLPF) spectrum to improve expeditionary contracting

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Fix the Cause, Not the Symptoms

- Future military operations will be expeditionary and joint (and, likely, multi-agency)
  - Desert Storm, Somalia, Balkans, Afghanistan, and Iraq situations all "unique," and the next national security problem will be also different – **but it will definitely be expeditionary and heavily involve the need for contractor support**
  - Army and U.S. Government need organizations and talent poised to "hit the ground running"
- Institutional Army's ability to support warfighter currently undermined by a systemic peacetime, CONUS culture and bureaucracy
  - Does not sufficiently value or recognize importance of contracting, contract management, and contractors in expeditionary operations
  - Is slow to respond and is not prepared to meet expeditionary needs
  - Is an unsynchronized activity among the many Army buying commands
- Adding more auditors is not the solution *("between SIGIR, AAA, and DCAA there are already more auditors in the field today than Government contract personnel")*
- Name change to "generating force" has not resulted in an expeditionary approach to contracting

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The Four Key Elements to Future Success

1. Increase stature, quantity, and career development of contracting personnel, military and civilian (especially for expeditionary operations)
2. Restructure organization and restore responsibility to facilitate contracting and contract management in expeditionary and CONUS operations
3. Provide training and tools for overall contracting activities in expeditionary operations
4. Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations

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Element 1: Contracting Personnel

Increase stature, quantity, and career development of contracting personnel, military and civilian (especially for expeditionary operations)

- Increase Army military (+400) and civilian (+1,000) contracting personnel (~25 percent of the total), plus Army personnel (+583) to fill DCMA billets for Army Support
  - Civilian and military (GS-1102 and 51C) to decrease the ratio of contract actions to contracting personnel
    - General Officers, Officers, Warrant Officers, and Non-Commissioned Officers
    - Support for non-major weapon system acquisitions
    - Cost/price analysts
- Army-wide career development
  - A funded "cradle to grave" career plan for excellence
  - The management of both civilian and military contracting personnel should be the responsibility of one office
  - Create a Contracting Corps: officer and enlisted
    - Officer career track should start on entry, but assigned for 2+ years to a combat branch, then rotate in various contracting roles
    - Following initial entry tour, achieve DAWIA Level I certification in contracting through DAU (equivalent to an Advanced Course)
    - Enlisted assessed directly into the Corps

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To be continued...

Element 1: Contracting Personnel (Continued)

- Establish Generals and Civilian SESs
  - Congress should authorize 10 additional General Officers for contracting positions (similar to what existed in 1990)
    - 5 for Army (fence the billets by providing them to the Service Secretary)
    - 5 Joint—including a 3-Star billet for DCMA
  - Maintain existing civilian SES contracting authorizations, plus 1 new deputy
  - Establish a separate Army Contracting Promotion Board for both military and civilian contract professionals (similar to Army Medical Board) to ensure the development of world-class contracting professionals, as well as leaders, and avoid "profile fodder"
- Establish "contract planning" positions (requirements definition)
  - Planning should be conducted by the operations and training (G3 or S3) staff at the corps, division, and brigade combat team level
- Conduct major review of all civil service policies applicable to those who may be expected to deploy to theater

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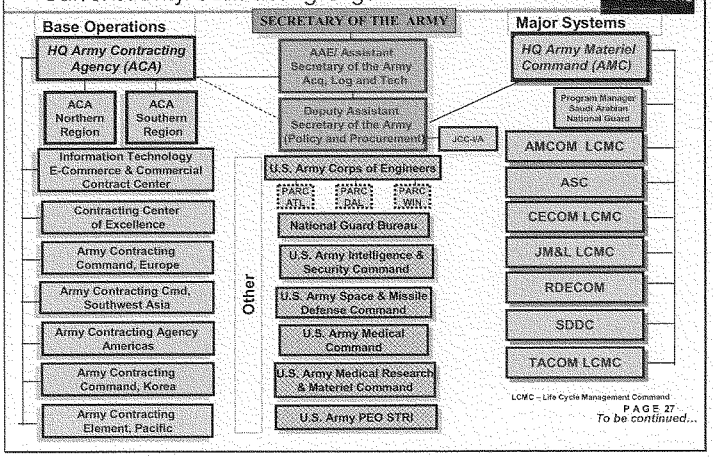
Element 2: Organization and Responsibility: Current Army Contracting Organizations



PAGE 27

To be continued...

Element 2: Organization and Responsibility (Continued)

Organizational/Institutional Change

- Need a single "Army Contracting Command" responsible for making "contracting" (in its broadest sense) an "Army, high-quality, core-competence"

This will take time, but it is essential to address the acquisition problems of recent years – both in expeditionary operations as well as in Army-wide contracting and weapons buying

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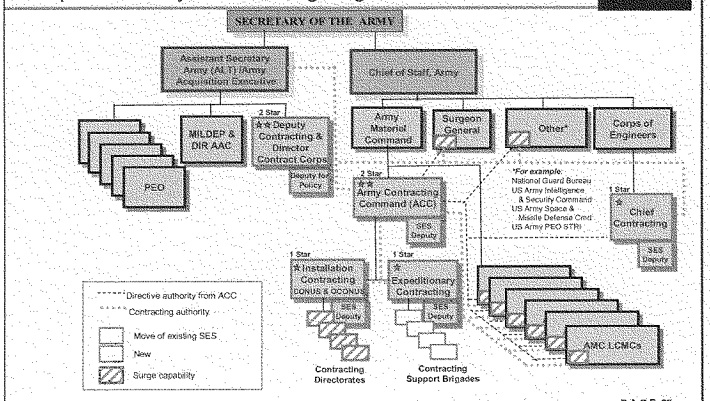
To be continued...

Element 2: Organization and Responsibility: Proposed Army Contracting Organizations



PAGE 29

To be continued...

Element 2: Organization and Responsibility (Continued)

Why a 2-Star Army Contracting Command:

- Currently, multiple commands have responsibility for contracting
  - None of these commands have responsibility to synchronize all aspects of contracting below the Army Secretariat level
  - Commanders and contractors have to deal with multiple HCAs/PARCs on policy interpretation issues for both service and weapons contracting issues
- The Army Contracting Command:
  - The command would act as the Center of Excellence for contracting by being responsible to the Chief of Staff, Army (CSA) for Army-wide policy implementation
  - The Commander would–
    - Be responsible for providing a trained, ready, and relevant expeditionary contracting capability
    - Have Directive Authority over all Army Contracting Capabilities with respect to Civilian Education, Training, and Mobility agreements. The Secretary of the Army and CSA can go to one command for status and readiness of the contracting workforce

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To be continued...

Element 2: Organization and Responsibility (Continued)

Leadership requirements:

- MG-led AMC Contracting Command, with SES deputy, including:
  - BG-led, rapidly-deployable, expeditionary contracting organization
    - Will include the Contracting Support Brigades, including an audit presence
  - BG-led installation contracting organization, with SES deputy, (CONUS and OCONUS installations)
- MG Director of the Army Contracting Corps reporting to the ASA(AL&T) responsible/accountable for policy, competition advocacy, personnel, training, and readiness of the contracting force Army-wide
  - Military and Civilian
  - Contracting personnel assigned to commands but centrally managed
- Create BG Chief for Contracting, COE
- Create 5 Joint General Officer Billets (JCCs*/JFCOM/DCMA)

*JCCs=Joint Contracting Commands for each expeditionary operation

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Element 2: Organization and Responsibility (Continued)

- Establish Defense Contract Management Agency (DCMA) as center-of-excellence for expeditionary contract management
- Assign DCMA responsibility for all contract management for
  - Expeditionary contract management
  - Base, camp, and station contract management
- Establish Director as 3-Star billet (all Services eligible)
- Adequately resourced (people and money) for this expanded role, and have the required training
  - Increase DCMA billets by 583 (for Army support)
- Note--If DCMA does not fulfill the contract management responsibility worldwide, this requirement will not go away; it must be established and resourced by the Services

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Element 3: Training and Tools

Provide training and tools for overall contracting activities in expeditionary operations so we do not repeat mistakes of Operation Iraqi Freedom/Operation Enduring Freedom

- Teach role and importance of contractors in expeditionary operations in--
  - Officer Advanced Course, Command & General Staff College; War College; Sergeant Majors Academy; etc.
  - Courses for warrant officers and NCOs*; and
  - 3-5 day course for newly selected BGs
- Require contracting events in all combat exercises
- Section in all Army leadership courses
  - Army Field Manual FM 3-100-21, "Contractors on the Battlefield" (section 2-47 and 2-48) contains "Training with Contractors" guidance, but it has not been implemented
- Support "communities of practice" (e.g., contracting blog)
- "Expeditionary readiness report" including operational contracting preparedness, with reporting down to (at least) the brigade combat team level
- Incorporate expeditionary contracting lessons learned
  - School houses and courses
  - Center for Army Lessons Learned (CALL)

*Logistics company grade and warrant officers training has started; SOCOM also has an integrated contingency contracting approach

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Element 4: Legislative, Regulatory, and Policy

Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations

- Legislative assistance
  - Increase in General Officer billets for Contracting and Joint Contracting
    - "Fencing" for contracting officers
    - Service back-fill authorizations for joint positions
  - Increase Army contracting personnel authorizations by 1,983:
    - Army military by 400 and civilian by 1,000
    - DCMA military and civilian billets by 583 (for Army support)
  - Added benefits for volunteer civilian personnel serving in a combat zone (e.g., tax waiver, life insurance, long-term medical coverage, pay cap removal)

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To be continued...

Element 4: Legislative, Regulatory, and Policy Assistance (Continued)

- Legislative assistance (continued)
  - "Standby" flexibility in funding (an adequately resourced "Overseas Contingency Operations Transfer Fund") and in "local buying" waivers – for future expeditionary operations (similar to U.S. AID flexibility)
    - Defense transfer fund without "color of money" or fiscal year limitations
    - Provide Congress with insight via reporting on expenditures and savings
    - Based on Balkans "Overseas Contingency Operations Transfer Fund" (approved by Congress)
  - Waiver of small business and U.S. labor statutory provisions, Buy American, Berry Amendment, Specialty Metals, etc. to allow rapid, local buying if required in expeditionary operations
- Regulatory assistance - Expeditionary Contracting Manual
- Policy assistance
  - Need comptroller authorities at all levels (OMB, OSD, Army, and command) to allocate and apportion money intelligently
    - Do not unnecessarily burden the contracting officers in the combat arena
    - Longer periods of apportionment needed for expeditionary situations
      - Currently quarterly apportionments
      - Not long ago, monthly (or less) apportionments

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Recommended Model: Joint

- Need a uniformed, rapidly-deployable expeditionary contracting force and standing JCC (with pre-volunteered civilian support)
- Each COCOM should have trained Contracting Officer's Representatives, pre-planned and approved (also, a representative of the audit/IG community)
- Train as we fight: JFCOM and Army training exercises must stress rapid acquisition, logistics, and contracting in expeditionary operations
- Expeditionary Contracting Manual; handbook; and tactics, techniques, and procedures (TTPs) needed, with training
- Focus DAU to train and educate the civilian and military acquisition, logistics, and contracting workforce as needed for expeditionary operations (as well as weapons systems contracting)
- One executive at OSD responsible and accountable for DoD contracting policy, education, training, and readiness (reporting directly to USD(AT&L))

Also need to address multi-agency issues. AFRICOM may be a way to start to do it

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Reminder: The Four Key Elements to Future Success

1. Increase stature, quantity, and career development of contracting personnel, military and civilian (especially for expeditionary operations)
2. Restructure organization and restore responsibility to facilitate contracting and contract management in expeditionary and CONUS operations
3. Provide training and tools for overall contracting activities in expeditionary operations
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A Plea from the War Zone

"There are things Commanders in the field see as problems that people in DC don't think are problems – we should listen to the Commanders.

This problem is pervasive DoD-wide, because workload continues to go up while contracting and acquisition assets go down – there is a cost to these trends that is paid in risk, and we don't realize how big the bill is until there's a scandal.

The civilian personnel system does not serve an expeditionary force well – the system needs to provide superior short-term and career incentives to civilians who stay close to the combat mission.

Until you put Generals back in charge of contracting, the career field will continue to get no respect or resources."

(G.O., speaking of his experience of contracting in Iraq)

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Summary

- Too often it takes a crisis to bring about major change – the Iraq/Kuwait/Afghanistan contracting problems have created a crisis!
- Maintaining this essential focus on contracting excellence will only be more difficult as budget supplementals decrease
- Changes are clearly required in the area of Army contracting – especially for the expected future expeditionary operations
- These changes are essential to make the Institutional Army the Generating Force in both name and capability for contracting
- It is up to Army Military and Secretariat leadership to bring about the needed changes

The time to act is now!
High-quality contracting must be an Army core competence

- A "special task force for implementation," chartered by the Secretary of the Army, must be tasked to plan for, and achieve, the needed transformation

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[Question for the record with answer supplied follows:]

QUESTION SUBMITTED BY SENATOR DANIEL K. AKAKA

ARMY CONTRACTORS

1. Senator AKAKA. Secretary Bolton, General Thompson, and Ms. Condon, I asked Dr. Gansler during the hearing if the Army should be using contractors to develop scopes of work, preparing independent government cost estimates, analyzing the performance of contractor costs, and measuring contractor performance. He indicated that he thought it was appropriate, even necessary, given that there was nobody available in theater to do the work.

The Federal Acquisition Regulations (FAR) state that "The agency head or a designee shall prescribe procedures for . . . ensuring that no purchase request is initiated or contract entered into that would result in the performance of an inherently governmental function by a contractor and that all contracts or orders are adequately managed so as to ensure effective official control over contract or order performance." The FAR further states that "Inherently governmental function" means, as a matter of policy, a function that is so intimately related to the public interest as to mandate performance by government employees. This definition is a policy determination, not a legal determination. An inherently governmental function includes activities that require either the exercise of discretion in applying government authority, or the making of value judgments in making decisions for the Government.

Please explain how the Army is ensuring that it is meeting the requirements of the FAR when using contractors to perform the above functions, which appear to be "inherently governmental functions." How long would it take to replace the contractor with government staff to perform these functions, and is it the Army's plan to do so?

Secretary BOLTON, General THOMPSON, and Ms. CONDON. The functions identified in your question (i.e., developing scopes of work, preparing independent government cost estimate, analyzing the performance of contractor costs, and measuring contractor performance) are normally not inherently governmental functions. If it is necessary to contract for these functions, safeguards are used to address any potential organizational conflicts of interest. We recognize that in certain circumstances these tasks may, however, approach being inherently governmental because of the nature of the function, the manner in which the contractor performs the contract, or the manner in which the Government administers contractor performance. This analysis is best performed by the requiring activity since they have knowledge of how the contract will be performed and administered.

Since February 23, 2006, the Secretary of the Army has required senior leaders to be responsible for the review of contract requirements. Since February 2, 2007, the Secretary of the Army has encouraged in-sourcing these kinds of tasks where appropriate, especially when necessary to maintain proper command and control of Army core competencies. The Secretary of the Army further clarified on September 4, 2007, that we must transform to meet enduring requirements in our core competencies with military and civilian employees, and only use contractors for surge and specialized needs.

Finally, effective January 2008, the Department of Defense (DOD) Federal Acquisition Regulation (FAR) Supplement was amended to address procedures for the preparation of the written determination required by FAR 7.503(e), that none of the functions to be performed by contract are inherently governmental. The new rule requires DOD personnel to prepare the determination using DOD Instruction 1100.22, Guidance for Determining Workforce Mix, and to also include a determination that none of the functions to be performed are exempt from private sector performance, as addressed in DOD Instruction 1100.22. Determining the length of time needed to rebalance the mix between contractors performing these tasks and an organic workforce requires an assessment of the scope of such tasks performed by contractors in comparison to existing in-house capability. The Army is starting to use a contractor inventory similar to that which would be required by the pending National Defense Authorization Bill for Fiscal Year 2008 to support this ongoing analysis.

[Whereupon, at 4:25 p.m., the subcommittee adjourned.]

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