

**RECORD VERSION**

**STATEMENT BY**

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**AND**

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**BEFORE THE**

**SUBCOMMITTEE ON READINESS AND MANAGEMENT SUPPORT  
COMMITTEE ON ARMED SERVICES  
UNITED STATES SENATE**

**ON**

**ARMY CONTRACTING IN IRAQ AND AFGHANISTAN**

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## **Introduction**

Thank you for this opportunity to report to you again 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 future combat operations. In this statement, we address the (1) work of the Army Contracting Task Force; (2) the steps that the Army is taking to implement the recommendations of the Commission on Army Acquisition and Program Management in Expeditionary Operations, which released its final report, "Urgent Reform Required: Army Expeditionary Contracting," on October 31, 2007; and (3) the steps that the Army is taking to implement relevant requirements of the National Defense Authorization Act for Fiscal Year 2008, including the acquisition workforce requirements in Sections 807 and 852 of that Act.

We are grateful for the wisdom, guidance, and strong support that you and other Members of Congress have shown for our efforts. Our goal is to be good stewards of the resources provided by Congress and to free human and financial resources for higher priority operational needs.

As background, Secretary of the Army Pete Geren chartered the Commission on Army Acquisition and Program Management in Expeditionary Operations chaired by Dr. Jacques Gansler, the former Under Secretary of

Defense for Acquisition, Technology and Logistics. The Gansler Commission provided an independent, long-term, strategic assessment of the Army's acquisition and contracting system – and its ability to support expeditionary operations and sustained high operational demand in an era of persistent conflict. To complement the work of the Commission, the Army Contracting Task Force was established to review current contracting operations and take immediate action where appropriate. The recommendations of the Commission were consistent with the findings of the Task Force. We are currently addressing structural weaknesses and shortcomings identified, with a view to improving both current and future expeditionary contracting operations. We are committed to finishing the development and then implementing an Army-wide contracting campaign plan to improve doctrine, organization, training, leadership, materiel, personnel, and facilities. Achieving this objective will require resources, time, and sustained leadership focus. The contracting campaign plan will continue the initiatives already underway in the Army.

Since our last report to you, Secretary Geren has directed the realignment of the U.S. Army Contracting Agency (ACA) to the U.S. Army Materiel Command (AMC) and the establishment of the U.S. Army Contracting Command (ACC) (Provisional) under AMC. The ACC (Provisional) stand-up ceremony on March 13, 2008 is in keeping with the Gansler Commission's second recommendation – to restructure Army contracting organizations and restore responsibility to better facilitate contracting and contract management in expeditionary and U.S.-based operations. The ACC, whose first Executive Director, Mr. Jeff Parsons, will

testify before this Committee, is a two-star level command with two one-star level subordinate commands – an Expeditionary Contracting Command and an Installation Contracting Command.

Before we continue, we would also like to publicly thank Deputy Secretary of Defense Gordon England for presenting on February 26, 2008, the first Armed Forces Civilian Service Medals (AFCSM) for service in Iraq. As a result of the Gansler Commission's recommendations on contracting effectiveness, the Department of Defense (DoD) reviewed its regulations/policy with regard to the AFCSM and agreed to make this honor available for DoD civilians involved in direct support of expeditionary operations. This was a policy change and no legislation was required.

### **Gansler Commission Implementation Update**

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.

Secretary Geren directed the establishment of an Army Contracting Campaign Plan under the Acting Under Secretary of the Army to ensure that the Gansler Commission's findings and recommendations are implemented as quickly as possible without the loss of any momentum. We are making steady progress in this area.

With regard to the first recommendation to increase the stature, quantity, and career development of the Army's contracting personnel, we have a number of initiatives underway. We now have 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 – by planning and coordinating contracting operations in a theater. These brigades oversee Contingency Contracting Battalions and teams – Active, Reserve, and National Guard – in executing the ASCC's contracting support plan. The contracting brigades, battalions, and teams are being activated and will eventually total seven brigades, 11 battalions, 18 senior contingency contracting teams, and 153 contingency contracting teams. These brigades, battalions, and teams will coordinate and integrate their plans with Army Field Support Brigades. These two new brigade designs support the Army modular force in the development of a single, fully integrated planning cell to provide quick response, command, and control of acquisition, logistics, and technology activities needed to support and enable the full spectrum of operations.

The Army plans to grow our military contracting structure in the Active force as well as our civilian contracting workforce. We realize the need for members of the military to begin their acquisition careers earlier. Plans are underway to move the accession point for military officers two to three years earlier, immediately following their Branch qualification at the Captain level (normally at the four to five year mark in their development). For Non-Commissioned Officers, the accession point will occur upon achieving the rank of Staff Sergeant. We have implemented a policy stating that military members will not deploy during their first year in contracting. This will help ensure the requisite training is accomplished prior to deploying on an expeditionary contracting mission. Lastly, the Army is formally interviewing units as they return from theater to capture "expeditionary contracting" lessons learned and incorporate the findings into doctrine, training guides, and user handbooks.

With regard to the second recommendation to restructure organization and restore responsibility, as stated in our introduction, we established the ACC on March 13, 2008. This new command will leverage contracting assets across AMC and will better prepare us to support expeditionary operations. The one-star Expeditionary Contracting Command will be a deployable Headquarters, enabling the proper oversight and structure for extended conflicts. In addition, regarding the recommendation to establish a Chief of Contracting for the U.S. Army Corps of Engineers (USACE) headed by a one-star and supported by

a deputy from the Senior Executive Service, the USACE is developing a concept plan, and we are working with them to complete, publish, and implement this plan.

Concerning recommendation three to provide training and tools, the Army is assessing opportunities to improve contingency contracting training at our Combined Training Centers. In addition, we are expanding the mission of the Battle Command Training Program by including acquisition professionals to train brigade, division, and corps organizations. We are also evaluating ways to incorporate contractor training into all military exercises. At present, 12 professional military education courses have new or enhanced operational contract support subject matter, and we have put in place an intensive training and management program for our Contracting Office Representatives (CORs). In addition, all Army CORs must complete the Defense Acquisition University's on-line continuous learning module, "*COR with a Mission Focus*," prior to appointment. For example, since October 1, 2007, 190 CORs have been trained in Kuwait. All contracts awarded now by the Kuwait Contracting Office have a trained COR performing surveillance.

To improve our contingency contracting training and doctrine, we have taken several actions. We are taking a set of concrete steps which include: (1) working with the Joint community on the final draft of Joint Publication 4-10, *Operational Contract Support*; (2) distributing the recently released *Joint Contingency Contracting Handbook*; (3) developing Field Manual 4-10, *Commanders Guide to Contracting and Contractor Management* and Field

Manual Interim 4-93.42, *Contract Support Brigade*; (4) accelerating efforts to enhance leader education in contracting and contractor management; (5) re-examining the training curriculum and timing for all newly accessed acquisition officers and civilians; and (6) re-examining the accession point for contracting officers and non-commissioned officers into the Army Acquisition Corps. In addition, we are evaluating solutions to develop and field a *Virtual Contracting Enterprise* to provide electronic, web-based tools to enable total visibility and analysis of the full scope of our entire contracting mission.

The Department is actively assessing and developing its position regarding the appropriate numbers of General and Flag Officers and Senior Executive Service authorizations for contracting positions. Our report to the congressional committees in response to section 849 of the Fiscal Year 2008 (FY2008) National Defense Authorization Act (NDAA) will contain additional information on this subject.

As the Department reviews the Commission's recommendations and appropriate implementation actions we are assessing the possibility of recommending specific supportive legislative actions. As required by section 849 of the FY2008 NDAA, we will submit a report to the congressional defense committees with the results of our assessments by May 28, 2008, and will provide additional information at that time.

## **Army Contracting Task Force Update**

The Task Force was directed to implement reforms and corrections immediately to correct deficiencies specifically identified in Kuwait, which have already resulted in significant improvements in contracting operations. Several new leaders are now in place, along with new internal control processes for effective checks and balances.

A systematic review of Kuwait contract files from Fiscal Year 2003 to Fiscal Year 2006 was directed to identify issues that weren't already being addressed by an ongoing investigation by either the U.S. Army Audit Agency (AAA) or the U.S. Army Criminal Investigation Command (CID). A 10-person military team deployed to Kuwait and completed a review of 339 contracts under \$25,000. The team found poor contract documentation, referred several contracts to AAA and CID for additional analysis, and documented "lessons learned" for future expeditionary contracting support.

The review of contracting actions over \$25,000 is almost complete at the U.S. Army Tank-automotive and Armaments Command (TACOM) Life Cycle Management Command (LCMC) in Warren, Michigan. Roughly 90 boxes of contract files were sent there from Kuwait. The review of 319 contracts is complete. Several of these contracts have been referred to AAA and CID for further analysis. The team specifically recommended improvements in the areas of source selection procedures, lease versus buy analyses, performance based

contracting research, and solicitation and contract review processes. The TACOM team is also reviewing financial data to ensure appropriate disbursements and accounting of payments.

Work continues with the orderly transfer of existing and future major contract actions from Kuwait to the U.S. Army Sustainment Command (ASC) at Rock Island, Illinois, a subordinate command under AMC. ASC established a dedicated 12-member team, supported by legal professionals, charged to assist in resolving a number of claim actions, definitizing unpriced actions, and negotiating new contracts for requirements in ways that will result in significant cost avoidance or savings. The leasing of non-tactical vehicles was renegotiated with an estimated savings of \$36.6 million over a three-year period.

Several other initiatives designed to enhance contracting support for contingency operations are underway. The Army established a team to examine our contingency contracting force design and determined the need to add three additional contracting support brigades, five additional contingency contracting battalions, three additional senior contingency contracting teams, and 48 additional contingency contracting teams. These were included in the totals on page four.

The Army Contracting Task Force final report was completed on March 17, 2008, and has been presented to the Secretary of the Army for his review and consideration. The details in the report will be included in the Section 849 of the FY2008 NDAA report to Congress.

## **Acquisition Workforce**

We would like to discuss the steps the Army is taking to implement Sections 807 and 852 of the FY2008 NDAA, and briefly highlight Section 851. The Army has implemented a contractor inventory system as referenced in Section 807. In 2002, the DoD Business Initiative Council approved the Army as the DoD pilot to test a contractor manpower and cost reporting process, designed to provide better visibility over the labor and costs associated with the contract workforce and the missions supported by that workforce. The Contractor Manpower Reporting system was implemented in March 2005. With this process already in place, we will work closely with DoD to define, refine, and implement the contractor inventory requirements of Section 807.

The Army is actively engaged in helping to shape DoD's response to the FY2008 NDAA, Section 851 which requires a separate section on the Defense acquisition workforce in the DoD Human Capital Strategic Plan. This plan is directly linked to implementation of FY2008 NDAA Section 852. In supporting this effort, the Army is taking aggressive action to review its existing workforce development programs and define opportunities to improve the Army's acquisition workforce. Section 852 requires that DoD address acquisition workforce needs in three separate areas: recruitment, training, and retention.

A joint acquisition workforce group composed of the military services and defense agencies have met to facilitate the prioritization. These joint meetings have facilitated the prioritization and funding strategy in order to determine best value investment for the DoD acquisition workforce. Although

some of the initiatives represent Service-specific programs, pilots, or opportunities, the proposed initiatives in many cases represent best practices from among the Services and those that have potential for enterprise across DoD. The details and merits of these and other initiatives will be presented to the Service Acquisition Executives in the near future as we move to final recommendations and decisions on how best to execute the Defense Acquisition Workforce Development Fund.

Over the next few weeks, we will jointly discuss and analyze all Section 852 initiatives to determine the best enterprise solutions for our recruitment, training, and retention challenges. This has been a very robust process, and when the funding is provided, DoD and the Services will be poised to implement the highest priority solutions in a way that optimizes DoD results. The Army appreciates the opportunities that Section 852 will provide our workforce. These programs will help ensure a well-trained and educated workforce, focused on providing the Soldier with world-class capabilities.

## **Conclusion**

As stewards of American taxpayers' dollars, the Army is improving its structure and capacity to manage contracts to better support expeditionary operations and improve overall contractor performance.

Expeditionary military operations in Iraq and Afghanistan have placed extraordinary demands on our contracting system and the people who make it work. As stated before, the vast majority of our military and civilian contracting

personnel perform well in tough, austere conditions. We know that the success of our warfighters and those who lead them is linked directly to the success of our contracting workforce, and we are working hard to ensure that contracting is a core competency within the Army. We are also working hard to change the culture in the Army to one that recognizes the critical and complex role of contracting as a core competency. The Army's focus on contracting is not just for contracting professionals. Warfighters set requirements and help manage contract execution, and they must be totally involved in their part of the contracting process.

The commitment of our contracting professionals and to our contracting professionals must be 100 percent. They must stay focused on supporting the warfighter, and inspire the confidence of the American people. This will not be easy; it will take time, but getting it done is essential. We cannot and will not fail – our warfighters and our taxpayers deserve no less.