

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

AFGHANISTAN CONTRACTS: AN OVERVIEW

- - -

THURSDAY, DECEMBER 17, 2009

United States Senate,
Committee on Homeland Security and Governmental Affairs,
Ad Hoc Subcommittee on Contracting Oversight
Washington, D.C.

The Subcommittee met, pursuant to notice, at 2:03 p.m.,
in Room 342, Dirksen Senate Office Building, Hon. Claire
McCaskill, Chairman of the Subcommittee, presiding.

Present: Senators McCaskill, Kirk and Bennett.

OPENING STATEMENT OF SENATOR MCCASKILL

Senator McCaskill. Thank you all very much for being
here, and this hearing will come to order.

I have a great opening statement that an incredibly
competent and conscientious staff has helped me with, but I
think instead of delivering it I think I will make it part
of the record. I think I will tell a story.

Fresh out of auditing in the State of Missouri, having
run a government auditing agency for a number of years, I
came to the United States Senate and was honored to get a
seat on the Armed Services Committee. So, as I began to
learn about the conflict in Iraq, I kept coming back to
contracting because the auditor in me was surprised at some
of the things I began learning about contracting in Iraq.

1 So I went to Iraq, and the purpose of my trip was not
2 to do what many Senators do when they go to Iraq, which is
3 to look at the conflict through the prism of the military
4 mission. I went specifically for the reason to oversee
5 contracting and what was going on with contracting. So I
6 spent, frankly, more time in Kuwait, which will not surprise
7 some of you, than I actually spent in theater.

8 And I had many different things that happened on that
9 trip that are seared into my hard drive--realizations about
10 the lack of coordination and integration between various
11 pots of money, amazing lapses in scoping contracts, in
12 making contracts definite enough that they could be
13 enforced, particularly from any kind of accountability
14 standpoint and the government getting their money back when
15 it had been abused and misused by contractors. I will,
16 though, tell you one of many stories I could tell you
17 because I think it is so illustrative of how bad the problem
18 was in Iraq.

19 We were sitting in a room where LOGCAP was administered
20 in Iraq. This was not in Kuwait. As so often the case, I
21 say this with affection, when you are getting a briefing
22 from the military, there was a PowerPoint. In fact, I think
23 there must be a law somewhere that you are not allowed to
24 get a briefing from the military without a PowerPoint.

25 There was a PowerPoint, and there were a lot of

1 important people in the room. There were command staff.
2 There were lots of people that clearly had the military
3 command authority in the area, but they turned over the
4 discussion of the LOGCAP contract to a woman in the room,
5 clearly a civilian and maybe the most knowledgeable about
6 the LOGCAP contract in the room. And I think they turned it
7 over to her because she was the one that was trying to make
8 the trains run on time and knew a lot about it.

9 She put up a PowerPoint showing the LOGCAP contract by
10 year. As many of you remember, the first year, the LOGCAP
11 contract wildly exceeded the estimates by billions of
12 dollars. I think, I cannot remember now, and I have not
13 gone back to look, but my recollection is the first year was
14 maybe 17 or 18 billion dollars on LOGCAP, and the original
15 estimate was less than a billion.

16 Then she showed a bar graph of the years, and you saw a
17 big drop in the LOGCAP contract after the first year to the
18 next year, and then it kind of leveled out and was still a
19 huge amount of money.

20 So she got through the presentation, and you could tell
21 she was kind of nervous, and so I was trying to help her.
22 Right? I was trying to be kind. I know sometimes in this
23 hearing room and others, it does not appear that I am kind

24 I was trying to be kind to her, and I said to her,
25 well, you left out what you all did to bring that contract

1 down so much after the first year.

2 There was an awkward, uncomfortable silence in the room
3 as everyone kind of shifted and looked at each other. And,
4 with God as my witness, she looked at me across that table
5 and said, it was a fluke.

6 That is the best example I can give you of several
7 examples of how contracting went wild in Iraq.

8 So here we are in Afghanistan, and I know many of you,
9 because you reference it in your testimony, have gone
10 through SIGAR's book of hard lessons. I know many of you
11 understand the challenges now that we face in contracting.

12 But one thing is clear; we will have more contractors
13 in Afghanistan than we will have men and women in uniform.
14 There is no doubt about that.

15 We will spend. A significant chunk of the tens of
16 billions of dollars in Afghanistan will be spent through
17 contractors. So the purpose of this hearing, and it will be
18 the first of several hearings we will have, is to begin to
19 get an overview as to how the ground has changed as it
20 relates to contracting during a contingency.

21 How is the coordination occurring, if it is?

22 How integrated is the effort?

23 Most importantly, is the mission now saturated with the
24 knowledge that if we are going to have contractors do supply
25 lines, make breakfast, do the laundry, build not only the

1 buildings for our men and women in uniform but also
2 buildings and roads for the people of Afghanistan, do the
3 taxpayers have any better shot of getting value for their
4 money this time than they did in Iraq? I certainly hope
5 they do.

6 And I want to thank all of you for being here today,
7 and look forward to your testimony, and a work in progress
8 as we begin to try to get a real handle on how we spend
9 money in a contingency, to make sure that we do not waste
10 the billions and billions and billions of dollars that went
11 up in smoke in Iraq.

12 [The prepared statement of Senator McCaskill follows:]

13 / COMMITTEE INSERT

1 Senator McCaskill. I will turn it over to you, Senator
2 Bennett, for your statement.

3 OPENING STATEMENT OF SENATOR BENNETT

4 Senator Bennett. Thank you very much, Madam Chairman,
5 and I am interested in your story.

6 I have a very quick story about when I went to Iraq and
7 was being shown in Kuwait--as you rightly put it, that is
8 where everything jumps off--the transportation program of
9 how they were shipping material from Kuwait to Iraq. A very
10 competent lieutenant colonel was in charge of this, and he
11 was obviously very much on top of the whole thing.

12 I asked him, are you regular Army or Reserve? And he
13 said, I am Reserve.

14 I said, what do you do in civilian life? And he said,
15 I am a distribution manager for Wal-Mart.

16 I decided, well, for once, the Army has the right joint
17 of the civilian experience and the military assignment.

18 That may be a jumping-off to pick up on where you have
19 led us with your opening statement. The challenge in
20 Afghanistan where, as you have correctly noticed, mentioned,
21 we have as many contractors, contracting personnel as we
22 have military personnel, and that ratio is going to stay the
23 same if in fact we may not end up with more contracting
24 personnel than we have military personnel.

25 They are both engaged in exactly the same thing, which

1 is a counterinsurgency kind of battle which means the
2 contractor cannot sit back and say, well, I have done my
3 job, but I am not engaged in the counterinsurgency because
4 the way we deal with counterinsurgency, to take the slogan
5 of the Iraq surge, is that you control it, then you hold it,
6 and then you build. The contractor is very much involved in
7 the holding and the building, and must work hand in glove
8 with the military, and cannot have its own separate command
9 and control system and its own separate management plan
10 without being completely integrated in this kind of
11 circumstance.

12 It is not your traditional war where the military does
13 all of the warfighting and the contractor simply fills in
14 the back functions. So I agree with you that you have
15 described this properly.

16 Now I am encouraged by the initiatives, some of the
17 things we have learned in Iraq. I agree with you, there are
18 a lot of lessons in Iraq that we need to learn that maybe we
19 have not.

20 But the Commander's Emergency Response Program that
21 allows the military to, if something needs to be done
22 quickly, put out the money to do it quickly--do we make sure
23 that we do not cross the line there of having the commanders
24 do something that AID and the State Department should be
25 doing, in the name of the Commander's Emergency Response

1 Program? That is another part of this where there needs to
2 be some coordination.

3 So I guess basically what I am saying is when the
4 government agencies outsource the work that they want
5 performed, they cannot outsource the results, and that is
6 too often what happens. You outsource the work, and you
7 say, well, that is the contractor's responsibility, and we
8 do not have to oversee the results.

9 Everything has to be properly coordinated, and the
10 work, the challenge that we have from our witness panel is
11 to see that the military, the State Department, AID and the
12 contractors are all meshed together for the best result
13 there.

14 I believe in contracting. I think it is a great
15 improvement over the old military where everything had to be
16 done by a soldier somewhere, even if it had nothing whatever
17 to do with the military mission. But, as we move to that
18 good idea, the challenge of coordinating all of that becomes
19 a very serious one, and it is very laudatory that you are
20 holding this hearing to try to probe into how that is done.

21 Senator McCaskill. Thank you, Senator Bennett.

22 Let me introduce the witnesses. We have with us today
23 William Campbell, who is the Director of Operations for the
24 Under Secretary of Defense, the Comptroller, at the United
25 States Department of Defense where in addition to oversight

1 of operation and maintenance accounts, he has responsibility
2 for the development of the Overseas Contingency Operations
3 Request. Previously, Mr. Campbell served as Acting Deputy
4 Assistant Secretary of the Army for Budget.

5 We have Ed Harrington, who is the Deputy Assistant
6 Secretary of the Army for Procurement. He is a former
7 senior U.S. Army officer with more than 28 years of
8 experience in weapons acquisition and contracting. He also
9 served as Director of the Defense Contract Management Agency
10 from 2001 to 2003.

11 Charles North is a Senior Deputy Director of the
12 Afghanistan-Pakistan Task Force at the U.S. Agency for
13 International Development. Mr. North has been with USAID
14 since 1987. He previously served as the Director of USAID's
15 Policy Office and the Regional Director for the Western
16 Hemisphere in the Office of the Director of Foreign
17 Assistance in the State Department.

18 Daniel Feldman is the Deputy Special Representative for
19 Afghanistan and Pakistan at the U.S. Department of State.
20 Mr. Feldman is one of two deputies to Ambassador Holbrooke,
21 the Special Representative for Afghanistan and Pakistan. He
22 previously served as Director of the Multilateral and
23 Humanitarian Affairs at the National Security Council during
24 the Clinton Administration and was the Counsel and
25 Communications Advisor on this Committee, the Senate

1 Homeland Security and Governmental Affairs Committee. Most
2 recently, Mr. Feldman was a partner at Foley and Hoag.

3 Jeff Parsons is Executive Director of the Army
4 Contracting Command. Mr. Parsons also serves as the
5 principal advisor to the Commanding General of the Army
6 Materiel Command on Contracting Matters and as the Army
7 Materiel Command Career Program manager for the Contracting
8 and Acquisition Career Program.

9 It is the custom of this Committee to swear in all
10 witnesses that appear before us. So, if you do not mind, I
11 would like to ask you to stand.

12 Do you all swear that the testimony that you will give
13 before this Subcommittee will be the truth, the whole truth
14 and nothing but the truth, so help you, God?

15 Colonel Campbell. I do.

16 Mr. Harrington. I do.

17 Mr. North. I do.

18 Mr. Feldman. I do.

19 Mr. Parsons. I do.

20 Senator McCaskill. Thank you. Let the record reflect
21 that the witnesses have all answered in the affirmative.

22 We will be using a timing system today. We would ask
23 that your oral testimony be no more than five minutes, and
24 we will put your entire written testimony as part of the
25 record.

1 Once again, I want to thank all of you for your service
2 to your Country. None of you are in these jobs because you
3 are making the big bucks. You are obviously working in the
4 jobs you are working because you care about your Country and
5 want to contribute. So let's start with that, and we will
6 begin with Mr. Campbell.

1 TESTIMONY OF WILLIAM H. CAMPBELL, III, DIRECTOR OF
2 OPERATIONS, OFFICE OF THE UNDER SECRETARY OF
3 DEFENSE (COMPTROLLER), DEPARTMENT OF THE ARMY,
4 U.S. DEPARTMENT OF DEFENSE

5 Colonel Campbell. Thank you, Chairman McCaskill,
6 Senator Bennett. I appreciate the opportunity to explain
7 from a budget perspective the actions of the Department of
8 Defense to improve the oversight of reconstruction projects
9 in Afghanistan. My remarks in particular, though, will
10 focus on the Commander's Emergency Response Program, or the
11 CERP program.

12 As you may know, CERP began as a U.S.-funded program in
13 fiscal year 2004 and is designed to enable local commanders
14 in Iraq and Afghanistan to respond to urgent humanitarian
15 relief and reconstruction requirements within their area of
16 responsibility. It is a valuable tool that commanders use
17 to fund projects that will immediately assist the local
18 populations.

19 In testimony before the Senate Armed Services Committee
20 last April, General Petraeus called CERP "a vital
21 counterinsurgency tool for our commanders in Afghanistan and
22 Iraq." He added, "Small CERP projects can be the most
23 efficient and effective means to address a local community's
24 needs, and where security is lacking it is often the only
25 immediate means for addressing these needs."

1 Since 2004, DoD has obligated approximately \$1.6
2 billion for CERP programs in Afghanistan. That includes
3 about \$551 million in fiscal year 2009. Of those projects,
4 about 2,300 projects in 2009, two-thirds of those funds were
5 spent on transportation projects, but about 90 percent of
6 all the projects were valued at \$500,000 or less.

7 Now recognition of the program's effectiveness and the
8 value, Congress has authorized for fiscal year 2010 about
9 \$1.3 billion for the CERP program, and we understand will
10 appropriate \$1.2 billion for the program. CENTCOM plans to
11 allocate the bulk of those funds to operations in
12 Afghanistan.

13 Now, by its nature, CERP involves decentralized
14 implementation by local commander in theater. Its hallmarks
15 are responsiveness to urgent needs and flexibility.

16 And we have heard the concerns expressed by members of
17 Congress here today as well. We have studied the recent
18 findings of audit reports, and we have examined lessons
19 learned from previous deployments. And we have taken steps
20 within the Department, within the Army and within CENTCOM
21 theater to improve the oversight of the program, all with a
22 goal of not diminishing the key element of flexibility and
23 responsiveness this program provides to the commanders in
24 the field.

25 Within DoD, the Office of the Comptroller provides

1 guidance for the program through the Financial Management
2 Regulation. These regulations went through a significant
3 update in June and December of 2008, and this guidance is
4 then supplemented by field level instructions and training.
5 All guidance is continually updated to respond to changing
6 operational conditions.

7 To improve oversight of the program, the Army has
8 enhanced CERP training for four key positions: the project
9 manager, the project purchasing officer, the paying agent
10 and the unit commander. The first three form a triad of
11 expertise that every project must have. Unit commanders are
12 vital to ensure the appropriate projects are identified.
13 Integrated training and detailed procedures provide the
14 checks and balances necessary in every project.

15 In addition, in Afghanistan, the U.S. Agency for
16 International Development now participates as a voting
17 member on the CERP review board at the command level. Their
18 participation prevents duplication of effort and helps
19 identify any problems with sustainments of projects
20 nominated by the CERP program.

21 The time, energy and ingenuity that people have devoted
22 to improving CERP reflects both a desire to spend taxpayers'
23 money wisely and to maintain a program that has proven to be
24 a valuable tool in the fight in Afghanistan and Iraq.

25 DoD recognizes that more improvements can be made in

1 the management of CERP, to maintain both the flexibility and
2 the accountability of this essential field-driven program.
3 To that end, the Deputy Secretary will lead a review of CERP
4 to determine how best to enhance the Department's guidance,
5 management and oversight, and this report will be completed
6 and made available to the Congress this spring.

7 Let me again thank you for the tremendous support of
8 the Congress to this program, and I will be glad to address
9 any questions on CERP. Thank you.

10 [The prepared statement of Colonel Campbell follows:]

1 Senator McCaskill. Mr. Harrington.

1 TESTIMONY OF EDWARD M. HARRINGTON, DEPUTY
2 ASSISTANT SECRETARY OF THE ARMY FOR PROCUREMENT,
3 DEPARTMENT OF THE ARMY, U.S. DEPARTMENT OF DEFENSE

4 Mr. Harrington. Chairwoman McCaskill, Senator Bennett,
5 distinguished members of the Subcommittee on Contracting
6 Oversight, thank you for this opportunity to discuss the
7 Army's contracting operations in Afghanistan where we strive
8 to be agile, expeditionary and responsive to our
9 warfighters, while ensuring the proper stewardship of
10 taxpayer dollars.

11 With me today is Mr. Jeff Parsons, Executive Director
12 of the Army Contracting Command. We have a joint written
13 statement that I respectfully request be made a part of the
14 record for today's hearing.

15 We thank the members of this Subcommittee and the
16 members of Congress as we work to rebuild the acquisition
17 and contracting workforce to execute the increasing workload
18 in the number of contracted actions and the contracted
19 dollars, which in the last 15 years has increased in excess
20 of 500 percent. With your help and the help of the Office
21 of the Secretary of Defense, we are working aggressively to
22 rebuild our workforce numbers and restore their skills to
23 deal with the growing complexities of contracting.

24 Along with the additional workforce personnel, we thank
25 you for authorizing five additional general officer billets

1 for acquisition. Our progress in filling these positions is
2 outlined in our written statement.

3 It is important to note, however, that Major General
4 Promotable Bill Phillips will soon relinquish command of the
5 Joint Contracting Command-Iraq/Afghanistan, or JCC-I/A, and
6 become the Principal Military Deputy to our Assistant
7 Secretary of the Army for Acquisition, Logistics and
8 Technology. He will also become our Director for
9 Acquisition Career Management. Both of these require a
10 three-star billet.

11 Brigadier General Camille Nichols is slated to take
12 command of JCC-I/A later this month, replacing General
13 Phillips.

14 General Phillips is the first contracting general
15 officer to be the Principal Military Deputy. We feel this
16 is a strong example to the Army's commitment to contracting.

17 The JCC-I/A is authorized to contract for goods and
18 services, to include supporting the Defense Department's
19 Commander's Emergency Response Program. The JCC-I/A mission
20 does not include reconstruction of Afghanistan because that
21 mission is assigned to the U.S. Agency for International
22 Development.

23 JCC-I/A, however, does have a direct role in developing
24 the economy of Afghanistan. For example, through the Afghan
25 First program, JCC-I/A has awarded roughly \$1.8 billion to

1 Afghani business since October 1st, 2008. Of note, JCC-I/A
2 awarded more than \$39 million to Afghani women-owned
3 businesses.

4 In support of the President's decision to send an
5 additional 30,000 U.S. troops to Afghanistan, General
6 Phillips and his staff are conducting a mission analysis in
7 coordination with CENTCOM, the Joint Staff and our Army
8 staff, to determine the resources, personnel and locations
9 where contractor support will be required for this surge.
10 We are engaged with JCC-I/A on a daily basis to provide that
11 direct support to them.

12 Earlier this year, we established the Joint Theater
13 Contracting Support Office within my office at the Pentagon
14 to ensure JCC-I/A has fully funded, manned and supported
15 resources in this contingency contracting mission. As
16 additional troops deploy, this mission takes on even greater
17 importance.

18 We are also continually improving our processes to
19 leverage stateside contracting capabilities to augment JCC-
20 I/A's. As an example, the Army Contracting Command
21 established a Reach-Back Contracting Office as a center of
22 excellence at the Rock Island Contracting Center in
23 Illinois. Through this center, we are working with JCC-I/A
24 and the Army Contracting Command to identify requirements in
25 theater that can be performed at Rock Island. We have also

1 initiated coordination with the Air Force to provide a team
2 of its contracting officers to augment Rock Island's reach-
3 back capability.

4 In addition, to ease the workload in theater, the Army
5 has established a JCC-I/A specific Contract Closeout Task
6 Force in San Antonio, now in the process of closing out
7 80,000 contracts.

8 Thank you very much, ma'am. This concludes my opening
9 remarks. Mr. Parsons will now discuss the Logistics Civil
10 Augmentation Program, after which we look forward to your
11 questions.

12 [The prepared statement of Mr. Harrington and Mr.
13 Parsons follows:]

1 Senator McCaskill. Mr. Parsons, would you like to go
2 right after Mr. Harrington?

1 TESTIMONY OF JEFFREY PARSONS, EXECUTIVE DIRECTOR,
2 ARMY CONTRACTING COMMAND, DEPARTMENT OF THE ARMY,
3 U.S. DEPARTMENT OF DEFENSE

4 Mr. Parsons. Thank you, Chairman McCaskill, Senator
5 Bennett and distinguished members of the Subcommittee.
6 Thank you for the opportunity to provide information on the
7 status of the LOGCAP contracts in Afghanistan, including the
8 continuing transition from LOGCAP III which relies on a
9 single source company, to the LOGCAP IV which uses three
10 different performance contractors. Both of these
11 contingency contracts enable the Army to provide critical
12 support to buoy troops serving on the front lines of
13 Afghanistan.

14 The highly complex and challenging LOGCAP program is
15 accomplished by a team of forward deployed and rear echelon
16 Department of the Army civilians, Army Reserve officers and
17 noncommissioned officers in the LOGCAP Support Unit, and the
18 officers, NCOs and civilian employees of the Defense
19 Contract Management Agency or DCMA. These hardworking,
20 highly skilled people make up Team LOGCAP and provide
21 contract oversight of the three performance contractors:
22 DynCorp, Fluor and KBR.

23 The Defense Contract Audit Agency also provides forward
24 support and is a key partner in our oversight functions.
25 Team LOGCAP is further supported by the men and women

1 serving here in the United States with the U.S. Army
2 Materiel Command and its subordinate commands, the U.S. Army
3 Contracting Command the U.S. Army Sustainment Command.

4 Today, I plan to provide you status and answer your
5 questions on what we are doing to support deployed forces
6 through the LOGCAP contracts in Afghanistan. I thank you
7 for your continued interested in LOGCAP and the contingency
8 contracting process.

9 The Army Contracting command is committed to excellence
10 in all contracting, including these very complex and
11 critical LOGCAP contracts. We continue to collect lessons
12 learned and make improvements and adjustments along the way
13 to ensure mission success and protection of the interests of
14 the U.S. Government and the taxpayer. It is my honor to
15 lead the contracting team in achievement of these goals.

16 Thank you for inviting me to speak with you today.
17 This concludes my opening remarks.

1 Senator McCaskill. Thank you, Mr. Parsons.

2 Mr. North.

1 TESTIMONY OF CHARLES NORTH, SENIOR DEPUTY
2 DIRECTOR, AFGHANISTAN-PAKISTAN TASK FORCE, U.S.
3 AGENCY FOR INTERNATIONAL DEVELOPMENT

4 Mr. North. Chairman McCaskill, Ranking Member Bennett
5 and Senator Kirk and other members of the Subcommittee,
6 thank you for your invitation to testify before this
7 Subcommittee on the topic of Afghan reconstruction and
8 development contracts. I will keep my remarks brief and ask
9 that my full written statement be submitted as part of the
10 official record.

11 Within the President's Afghanistan-Pakistan strategy,
12 USAID's mission in Afghanistan is to support Afghan-led
13 development, build Afghan capacity at the local and national
14 levels and strive for Afghan sustainability.

15 As you know, Afghanistan is a high-risk environment in
16 which corruption and extortion pose significant risk. As a
17 result, it would be impossible for me or for USAID, under
18 these circumstances, to declare unequivocally that
19 wrongdoing will never occur. At the same time, though, it
20 is important to underscore that we have in place well-
21 designed systems and practices to minimize opportunities for
22 misconduct and misappropriations of funds.

23 Based on these requirements, we aggressively manage and
24 monitor performance, review and improve our systems and
25 practices, and promptly respond to all allegations.

1 Furthermore, we work closely with the USAID Inspector
2 General as well as the Special Inspector General for
3 Afghanistan Reconstruction and the Government Accountability
4 Office.

5 To best respond to President Obama's strategy, USAID
6 has become an integral component in a whole-of-government
7 unity of effort in Afghanistan. All our planning and
8 operations streamline and coordinate with the various U.S.
9 Government agencies.

10 On the ground, we work under the leadership of
11 Ambassador Eikenberry and Ambassador Wayne. At the
12 Provincial Reconstruction Teams and in the Regional Command
13 Offices, our field officers work daily with our military and
14 interagency civilian counterparts to implement the U.S.
15 Government's mission in Afghanistan. The PRTs serve as
16 additional eyes and ears on the ground to further improve
17 our program effectiveness and to flag potential issues.

18 USAID's U.S. and Afghan staff are central to program
19 implementation. Our on the ground presence has doubled
20 since January and continues to grow. As of December 7th,
21 USAID/Afghanistan has 180 American staff in-country. USAID
22 expects to have a total of 333 Americans on the ground early
23 next year. We also have 136 Afghans and 16 third country
24 nationals on our staff in Afghanistan.

25 USAID currently has 10 contracting officers who focus

1 on Afghanistan and more than 57 contracting officer's
2 technical representatives on our staff in-country as well.

3 Our staff operate within a new initiative called Afghan
4 First which others have referred to. The guiding principle
5 is that Afghans lead, not follow, in their path to a secure
6 and economically viable country. The program strives to buy
7 Afghan products, use Afghans' own firms for procurement and
8 to use Afghan specialists whenever it is possible in order
9 to build capacity in Afghanistan.

10 In conclusion, Afghanistan is hungry for development.
11 The United States, in coordination with international
12 partners, is providing jobs for the jobless, a voice to the
13 voiceless, food for the hungry and hope for the hopeless.

14 We know it will be difficult. We remain optimistic
15 even during weeks like this when five members of our team
16 from the Development Alternatives International were killed
17 by a suicide bomber. But these principles--extending
18 monitoring and oversight, a whole-of-government approach, a
19 skilled core of citizen development, civilian development
20 specialists, and placing Afghans first--will make a
21 difference for the people of Afghanistan.

22 Thank you.

23 [The prepared statement of Mr. North follows:]

1 Senator McCaskill. Thank you, Mr. North, and obviously
2 we continuously stand in awe of people who lose their lives
3 in this effort. Whether they are civilians from State
4 Department or a part of our military, it is obviously beyond
5 bravery that people are willing to stand up and go into a
6 contingency like that.

7 Especially, in some ways, I do not think civilians get
8 enough pats on the back. We love our military and their
9 bravery, but I think we forget sometimes that there are a
10 lot of brave people who are stepping forward that do not
11 wear a uniform, that are in harm's way.

12 Mr. Feldman.

1 TESTIMONY OF DANIEL F. FELDMAN, DEPUTY SPECIAL
2 REPRESENTATIVE FOR AFGHANISTAN AND PAKISTAN, U.S.
3 DEPARTMENT OF STATE

4 Mr. Feldman. Chairwoman McCaskill and Senators Bennett
5 and Kirk, thank you for your invitation to appear before the
6 Subcommittee to discuss our efforts to enhance oversight and
7 accountability for development and reconstruction
8 contracting in Afghanistan.

9 And, as a former staffer on this Committee, it is an
10 honor and a unique experience to be back in this hearing
11 room, but on this side of the table.

12 Senator McCaskill. We cannot wait.

13 [Laughter.]

14 Mr. Feldman. As you know, this is a complex topic with
15 many agencies owning various aspects of it. The State
16 Department's Office of the Special Representative for
17 Afghanistan and Pakistan has a role in formulating broader
18 policy and then in reviewing and approving contracts. While
19 our embassy in Kabul and our USAID colleagues can speak more
20 directly to the challenges related to implementation, yet
21 other colleagues can speak more closely to the situation in
22 Afghanistan as it compares to Iraq.

23 As Secretary Clinton noted in her recent appearance
24 before the Senate Foreign Relations Committee, the Obama
25 Administration inherited an underresourced civilian effort

1 in Afghanistan. As a result, efforts since 2001 have fallen
2 short of expectations.

3 Over the past 10 months, we have conducted a broader
4 review, not only of our assistance objectives, but also how
5 we go about delivering our assistance programs. The result
6 of this review is a new, more focused and effective
7 assistance effort aligned with our core goal of disrupting,
8 dismantling and defeating al-Qaeda. Additionally, our
9 assistance is increasingly implemented in partnership with
10 the Afghan government and local Afghan implementing
11 partners.

12 While we have not resolved all the problems that we
13 uncovered, I believe we now have a more robust system of
14 review, management and oversight in place that will deliver
15 improved results over the next 12 to 18 months. Let me
16 briefly outline a few aspects of our new approach.

17 Our civilian assistance in Afghanistan aims to build
18 the capacity of key Afghan government institutions to
19 withstand and diminish the threat posed by extremism.
20 Short-term assistance aims to deny the insurgency foot
21 soldiers and popular support by focusing on licit job
22 creation, especially in the agricultural sector, and
23 improving basic service delivery at the national, provincial
24 and local levels. Long-term reconstruction efforts aim to
25 provide a foundation for sustainable economic growth.

1 To achieve these goals and maximize the effectiveness
2 of our assistance, we have pursued four discrete topics or
3 categories: one, smaller, more flexible contracts; two,
4 decentralization; three, increased direct assistance; and
5 four, improved accountability and oversight.

6 On smaller, more flexible contracts, we are shifting
7 away from large U.S.-based contracts to smaller, more
8 flexible reconstruction contracts with fewer sub-grants and
9 sub-contracts that enable greater on the ground oversight.

10 The premise behind this flexibility is simple. In a
11 dynamic conflict environment like Afghanistan, we need to be
12 able to adapt our programs as conditions change on the
13 ground. These smaller contracts and grants will be managed
14 by U.S. officials in the field, closer to the actual
15 activity implementation, making it easier for those same
16 officials to direct, monitor and oversee projects to ensure
17 the proper use of taxpayers' funds.

18 On decentralization, USAID officials posted to region
19 civilian-military platforms bring with them funding and
20 flexible authorities to enhance the responsiveness of
21 programs and better coordinate local Afghan priorities. We
22 found that not only does a decentralized program platform
23 enhance development activities at the provincial and
24 district level, but that it is also more cost effective.

25 On increased direct assistance, we are also decreasing

1 our reliance on large international contractors and building
2 Afghan institutional capacity by increasing our direct
3 assistance through Afghan government mechanisms in
4 consultation with Congress. This includes increased U.S.
5 contributions to the World Bank administered Afghan
6 Reconstruction Trust Fund, which includes the National
7 Solidarity Program. To receive direct assistance, Afghan
8 ministries must be certified as meeting accountability and
9 transparency requirements.

10 Support to the Afghan Civil Service Commission
11 increases the professional skills and leadership within the
12 Afghan government, enabling Afghans to increasingly assume
13 responsibility for their country's economic development.
14 Our goal is to have up to 40 percent of U.S. assistance
15 delivered through local entities by December, 2010, and to
16 certify 6 of the core Afghan ministries in the same time
17 period.

18 On improved accountability and oversight, at the start
19 of our contracting review, Ambassador Holbrooke and Deputy
20 Secretary Lew reviewed individually every major contract to
21 ensure that they were aligned with the strategy that the
22 President had announced in March, 2009. They focused on
23 ensuring that our new contracts introduced mechanisms to
24 improve performance and significantly decrease the overall
25 percent of multiyear contracts.

1 While Washington remains closely involved in the
2 contract review process, Ambassador Tony Wayne, who you have
3 previously heard about, our Coordinating Director for
4 Development and Economic Assistance in Kabul, now has day to
5 day responsibility for reviewing each contract to ensure
6 adherence to our national security goals.

7 Recognizing that the substantial international
8 assistance to Afghanistan has the potential to contribute to
9 corruption, we have deployed a sizeable number of new direct
10 hire contracting personnel to enhance oversight of programs,
11 as well as additional technical staff in the field to
12 monitor program implementation and impact.

13 The Special Inspector General for Afghanistan
14 Reconstruction is Congress's eyes and ears on the ground in
15 Afghanistan, and we support its role in evaluating internal
16 controls and implementation of assistance programs.

17 In conclusion, the Secretary and all of us who work on
18 Afghanistan believe we have a duty to ensure that the
19 resources provided by the Congress and the American people
20 are used for the purposes intended and approved by the
21 Congress. The reforms that we have implemented will, over
22 time, decrease overhead and related costs for assistance
23 programs, increasing the amount per dollar of U.S.
24 assistance, directly benefitting the Afghan people and the
25 Afghan institutions.

1 Afghanistan is a complex, dynamic and difficult
2 operational environment, and that constrains our ability to
3 sometimes provide the high level of oversight of projects
4 that we would otherwise require. But we are making every
5 effort to ensure that the required operational flexibility
6 is matched with the highest dedication to accountability,
7 and we are committed to taking the necessary corrective
8 actions when a problem occurs.

9 Thank you.

10 [The prepared statement of Mr. Feldman follows:]

1 Senator McCaskill. Thank you, Mr. Feldman.

2 We will each do five-ish minutes and do as many rounds
3 as we need to do in order for everyone to cover their
4 questions today.

5 Let me start out by asking a question that probably
6 individually none of you can answer, but it might be one of
7 those moments for collaboration that would be important.
8 Can somebody give me a number in terms of how much we are
9 spending on contracts in Afghanistan, what you would guess
10 the number is going to be or ballpark number for either this
11 year or next year?

12 Can anybody do that?

13 Maybe let's do it by stovepipe then. Are there
14 significant contractual obligations other than CERP and AID?
15 Am I missing a significant outlay of contracts other than
16 CERP and AID?

17 Mr. Harrington. Ma'am, from an Army perspective, both
18 the Joint Contracting Command-Iraq/Afghanistan will contract
19 for all of the goods and services.

20 Senator McCaskill. Oh, LOGCAP. I left out LOGCAP.
21 The three: LOGCAP, CERP and AID.

22 Mr. Harrington. Yes, ma'am, and the Joint Contracting
23 Command-Iraq/Afghanistan contracts for specific goods and
24 services for those requirements outside the bounds of LOGCAP
25 that are instant to the standing-up of a forward operating

1 base command outpost, those types.

2 Senator McCaskill. Okay.

3 Mr. Harrington. Host nation trucking, air support,
4 services such as that.

5 Senator McCaskill. Okay. So we have CERP. We have
6 LOGCAP. I am going to refer to what you just said as other.

7 Mr. Harrington. Yes, ma'am.

8 Senator McCaskill. And AID.

9 Anything else that I have missed, any big pots of money
10 somewhere that are being spent that I have missed?

11 Mr. Feldman?

12 Mr. Feldman. Yes, the State Department altogether, we
13 are in a little bit of a state of flux with one particularly
14 large contract. One of our largest contracts under INL,
15 which is for police training, that is in the process of
16 being transferred back to DoD. That was about \$450 million.

17 If you take that out, and that should be probably be
18 back at DoD in the first quarter of next year, if you take
19 that out, we have about \$900 million of programming. The
20 majority of it is INL for counter-narcotics, for justice
21 programs, for corrections programs, for a range of other
22 things, and then there is some smaller contracts for
23 security personnel and embassy security. But altogether, it
24 comes to about \$900 million. It seems with taking out that
25 police piece, under 1,500 contractors altogether.

1 Senator McCaskill. What about LOGCAP? How big is
2 LOGCAP, Mr. Parsons, in Afghanistan?

3 Mr. Parsons. Ma'am, the current LOGCAP III contract in
4 Afghanistan is probably in the neighborhood of 1.8 to 2
5 billion dollars, and the recent awards that we made to both
6 Fluor and to DynCorp will well exceed over a billion dollars
7 as well.

8 I would also like to add that I know we are doing quite
9 a bit of contracting for the Combined Security Transition
10 Command-Afghanistan, CSTC-A, where we are buying a lot of
11 equipment that is being provided to the Afghan army and the
12 Afghan police, plus some of the training support contracts
13 that we do for CSTC-A. Those, I know are averaging probably
14 a total of about a billion dollars a year as well, if not
15 more.

16 Senator McCaskill. Okay, and that is not in other?
17 That is not in Mr. Harrington's other? That is an
18 additional?

19 Mr. Harrington. Yes, ma'am.

20 Mr. Parsons. Yes.

21 Senator McCaskill. Okay. So now tell me again what
22 that is called.

23 Mr. Parsons. The Combined Security Transition Command-
24 Afghanistan, CSTC-A.

25 Senator McCaskill. CSTC-A.

1 Mr. Parsons. Right.

2 Senator McCaskill. You guys kill me.

3 [Laughter.]

4 Mr. Parsons. Lieutenant General Caldwell.

5 Senator McCaskill. You have never found an acronym you
6 did not love.

7 Colonel Campbell. Actually, Senator, the funds that
8 they spend are out of the Afghan Security Forces Fund, which
9 is a separate account that is appropriated to DoD.

10 Senator McCaskill. Okay. What I really need you all
11 to do, we are going to try to do a chart after this hearing
12 as to where the money is being spent because what I want to
13 make sure I know at this point in time is who is responsible
14 for each pot of money. That is one of the things that made
15 my eyes cross in Iraq. It was just not clear who was the
16 one that was going to be accountable when things went badly.

17 Let me ask this because one of the things that happened
18 in Iraq was you had Army Corps of Engineers that kind of got
19 layered in there. And it was interesting to me because I
20 would go in Iraq to talk to the Army Corps of Engineers, and
21 I would hear one set of facts. Then I would move to
22 somewhere else, and I would hear a completely different set
23 of facts. So where is Army Corps of Engineers in here, if
24 at all?

25 Mr. Harrington. Ma'am, I was going to say the Army

1 Corps of Engineers is the other component of this, and I
2 will take a question for the record to get an accurate
3 dollar count for you. Some of this is still slightly
4 unknown because requirements are going to be generated
5 throughout this timeframe, but we will get the accurate
6 figures for you for the Army Corps of Engineers.

7 Senator McCaskill. What will the Army Corps of
8 Engineers be doing?

9 Mr. Harrington. Obviously, ma'am, primarily
10 construction projects, permanent building type construction
11 projects.

12 Senator McCaskill. For the military or for the Afghan
13 people, because they were doing reconstruction in Iraq?

14 Mr. Harrington. Yes, ma'am, essentially for both.

15 Senator McCaskill. And their money is going to come
16 from where? The Army Corps money is coming from your money
17 or is it coming from State's money?

18 Mr. Harrington. I do not know, ma'am. I will find
19 out.

20 Senator McCaskill. Okay.

21 Colonel Campbell. Ma'am, I believe actually the Army
22 Corps of Engineers--

23 Senator McCaskill. I appreciate your honesty that you
24 do not know, but it is a problem.

25 Mr. Harrington. Yes, ma'am.

1 Colonel Campbell. My understanding is the Army Corps
2 of Engineers will oversee large projects, and that is
3 probably why you would get different facts from Corps of
4 Engineers than you would from an Army command because the
5 Army is going to be executing funds appropriated to the
6 Army, funds appropriated in the case of Iraq to Iraq
7 Security Forces funds. There could also be some MILCON
8 projects that go directly through Army Corps of Engineers
9 and not through the commands in theater. So I can
10 understand why you would get different facts in theater.

11 Senator McCaskill. And that is how things get lost in
12 the shuffle.

13 Colonel Campbell. Right.

14 Senator McCaskill. You know CERP is doing big stuff
15 now. And I am about out of time for this round. So I am
16 going to go ahead and turn it over to Senator Bennett. We
17 will come back to that, but CERP is no longer just fixing
18 broken glass on store fronts.

19 Colonel Campbell. Right.

20 Senator McCaskill. CERP is doing large, large
21 projects. The question is are they contracting with people
22 to do that or is Army Corps going to come in and do that?
23 That is where I am not clear.

24 Has CERP drifted from its initial what I affectionately
25 called walking-around money? Has it drifted into the

1 category of an AID or an Army Corps reconstruction major
2 project, and are we losing expertise in this shuffle? More
3 importantly, are we going to get the oversight and the
4 monitoring that we need?

5 Thank you, and I will turn it over to Senator Bennett.

6 Senator Bennett. Thank you very much.

7 Following through with what the Chairman has said, I
8 have talked about the coordination between the combat units
9 and the contractors, and when combat units are in the field
10 they expect to have a high degree of situational awareness
11 established between operating centers at higher levels of
12 command. This means that the tactical maneuvers of one unit
13 do not get messed up with the tactical maneuvers of another
14 unit. All right.

15 What is the command structure at the local, provincial
16 and national level in Afghanistan to ensure that you have
17 the same degree of coordination, or avoidance of duplication
18 if you will, that is expected of combat units with respect
19 to reconstruction units?

20 Mr. Harrington. Senator, within the Central Command,
21 the Joint Contracting Command-Iraq/Afghanistan has the
22 responsibility for what we call theater business clearance
23 for all requirements coming into the Central Command. That
24 is the clearinghouse, if you will, for those requirements
25 with respect to where our responsibilities lie at, for

1 executing the requirements for the warfighting units.

2 Outside of that, we do not have a purview of those
3 other requirements. But, within that Central Command
4 function, the Joint Contracting Command-Iraq/Afghanistan, in
5 coordination with LOGCAP, is the central point through which
6 we find ways to execute requirements for the warfighters
7 that we support.

8 Senator Bennett. All right. Since you have that group
9 in place, do you have any information about how often they
10 stumble into situations where what is being done in
11 Reconstruction Unit A does not properly coordinate with what
12 is being done in Unit B, and they exercise their authority
13 to say, okay, straighten that out? It is nice to have the
14 thing in place, but you have been there for long enough that
15 you can give me some examples of how it works?

16 Mr. Harrington. Sir, it is the organizational
17 structure in terms of executing those requirements at the
18 different geographical locations. When a requirement comes
19 in for a forward operating base in a certain geographical
20 location, that regional contracting center gets that
21 responsibility to execute that. If it is a large, more
22 complex requirement, that is when we turn it back to the
23 reach-back capability at Rock Island.

24 So Joint Contracting Command-Iraq/Afghanistan, the
25 staff that supports that, oversees the allocation of those

1 functions to award those contracts and has the purview of
2 all of those functions coming to it. That is within
3 CENTCOM, though. That is our responsibility.

4 Senator Bennett. Anyone else have a comment on that?

5 Colonel Campbell. Senator, I can tell you, again, I am
6 a budget person. I am not one who works out in the field
7 from an operational level.

8 But on the CERP program, what they have done in
9 Afghanistan, and partly from lessons learned in Iraq and
10 even going back to Kosovo and Bosnia, they have set up a
11 CERP review board. And, as I mentioned in my opening
12 statement, it has a USAID representative on there, and that
13 board is at the command level. So it is not sort of
14 segregated or dispersed out in the field. All those CERP
15 projects come back up to at least a two-star, if not higher
16 level, command where they can do the kind of integration
17 that you are referring to.

18 I cannot say that they have everything in there, but
19 they do their best to integrate at least with AID.

20 Senator Bennett. There have been reports of friction
21 between State and AID that exacerbated after the 2006 merger
22 of AID into State. I am not asking you to tell any tales
23 out of school, but can you give us some characterization of
24 the relationship between AID and main State?

25 Mr. Feldman. I think we should both answer.

1 Senator Bennett. Everything is fine?

2 Mr. North. Sir, we work very closely with the State
3 Department at all levels. Certainly here in Washington,
4 Ambassador Holbrooke's staff is an interagency group which
5 includes three USAID staff, USAID officers on his staff.

6 We have three USAID officers on Ambassador Holbrooke's
7 staff to help with that coordination here in Washington.
8 Out in Kabul, we work very closely with Ambassador Wayne and
9 Ambassador Eikenberry. We have several examples of
10 interagency strategies and implementation plans, for
11 example, on agriculture, with the U.S. Department of
12 Agriculture and the National Guard and how we go forward on
13 implementing agricultural programs in Afghanistan.

14 When you go out to the provincial level, the planning
15 level there, we have heard AID does participate in CERP
16 decision-making, but it is also interagency effort, not just
17 USAID and the military but also with the State Department.

18 So it is a close relationship, two different
19 organizations. There are areas we continue to work on to
20 improve that coordination.

21 Senator Bennett. Mr. Feldman, do you have any comment?

22 Mr. Feldman. No. I would just say the success of our
23 mission would be impossible without a very close working and
24 cooperative relationship with USAID, and we feel very lucky
25 to have the working relationship that we do with them. It

1 was part and parcel of Ambassador Holbrooke's intent when he
2 created his office to make it the whole-of-government
3 approach.

4 We have got detailees from 10 different agencies, but
5 USAID is the only one that has 3 there right now. Actually,
6 DoD also has three representatives. So those are far more
7 representative than any of the others, and they are
8 extremely well integrated into our staff, into all of our
9 planning.

10 And I would also amplify the point about Ambassador
11 Tony Wayne in the field, who is the Coordinating Director
12 for Development and Economic Affairs ever since June. So he
13 oversees all U.S. Government non-military assistance, and we
14 have created a counterpart also in Pakistan to try to have
15 the same sort of coordination. So he directs and supervises
16 a wide range of embassy sections, programs, agencies, and
17 there are 15 national level working groups to coordinate
18 policy implementation.

19 So, not only do we believe, we have to work towards as
20 coordinated an interagency approach as possible to be
21 successful.

22 Senator Bennett. Thank you.

23 Madam Chairman, I have another subcommittee I have to
24 go to. So I am at your mercies. You can do whatever you
25 want by unanimous consent.

1 [Laughter.]

2 Senator McCaskill. By unanimous consent, I would like
3 us to vote on the health care bill by Monday, so I can get
4 home for Christmas. Will that work?

5 Senator Bennett. Maybe not that?

6 Senator McCaskill. I thought I would give it a shot.
7 Ho-ho-ho.

8 [Laughter.]

9 Senator McCaskill. Senator Kirk.

10 Senator Kirk. Thank you, Madam Chairman and Senator
11 Bennett, for this opportunity. It is a timely hearing,
12 obviously.

13 We welcome you gentlemen and thank you for your
14 service.

15 We are about to spend billions of dollars in the
16 construction and counterinsurgency in Afghanistan, a country
17 that enjoys a reputation of having a culture of corruption.
18 It is sometimes said it is the second most corrupt country
19 in the world.

20 General McChrystal, when he was here, and he has
21 written beforehand that the success of the American
22 operation in Afghanistan will largely be measured on how we
23 do--I am paraphrasing--by, with and through the Afghanistan
24 government.

25 I guess my first question is with that as a background,

1 in each of your agencies and departments, are there
2 particular procedures, practices and systems that you are
3 going to undertake that will give us some assurance, and the
4 American taxpayers some assurance, that the money that is
5 going to be spent over there will be properly overseen and
6 accountable, so that we do not fall into the trap of that
7 culture and find that a lot of our taxpayers' dollars are
8 being expended as payola or for kickbacks or however you
9 want to describe it?

10 Maybe I will start with you, Mr. North, and if others
11 want to join in, in terms of what is happening in your
12 respective departments and agencies, it would be helpful

13 Mr. North. Thank you.

14 We do recognize the issue of corruption is a major
15 concern in Afghanistan, but we are also looking increasingly
16 to put more of our resources through the government of
17 Afghanistan, but doing it responsibly.

18 We have ongoing programs to strengthen the capacity of
19 government ministries, not only the personnel, but their
20 systems, so that they can bring them up to the standards
21 that we require and for us to provide direct assistance to
22 the government. We have signed an agreement with the
23 Ministry of Health a little over a year ago for over \$200
24 million, and we have since also certified in providing
25 direct financing to the Ministry of Communications and the

1 Ministry of Finance.

2 In addition to continuing to strengthen their systems,
3 we have ongoing assessments of other ministries including
4 the Ministry of Education, the Ministry of Agriculture and
5 the Ministry of Rural Rehabilitation and Development. By
6 going through these assessments, we can identify where the
7 weaknesses are and support their efforts to strengthen their
8 systems, not just for being able to manage our resources,
9 but also to improve the overall accountability of Afghan
10 resources for the long term.

11 So this is very much a part and parcel of what we are
12 about. It is strengthening their systems but also working
13 through, with and through the Afghan government.

14 Mr. Feldman. I am happy to.

15 Senator Kirk. Thank you.

16 Mr. Feldman. There are a range of initiatives that we
17 have tried to implement since the beginning of this year, to
18 try to improve contract oversight and performance, and they
19 fall roughly into five broad categories.

20 The first is the overarching organizational structure,
21 and, as I laid out already, having Ambassador Tony Wayne
22 there helped to do that. That position did not exist a year
23 ago. Its establishment helped improve the oversight and the
24 interagency coordination.

25 Second is the actual contracting methods, and the

1 structure of these development contracts has changed. So
2 USAID is now increasing its use of performance-based one-
3 year contracts which give more options for contracting
4 officers who encounter poor performance. Contracts are
5 designed with fewer subcontracting layers and with more
6 professional supervision, so they will hopefully perform
7 better. And, as Charles has said, we are moving towards
8 Afghan contractors when feasible and international
9 contractors that have a strong percentage of Afghan
10 personnel. This also includes working with certified Afghan
11 ministries.

12 The third category is the actual personnel additions.
13 So State and USAID are both increasing the number of
14 financial analysts, contracting officers, technical
15 officers, program officers, who altogether better track the
16 flow of money and ensure that contractors are performing
17 more according to standards.

18 The fourth is the general civilian increases in the
19 field at the national and sub-governance levels. We have
20 more than doubled and come close to tripling the number of
21 USG civilians deployed to the field this year. The more
22 that are there, where the contracts are actually located and
23 the projects are happening, the more oversight we can
24 provide.

25 And the fifth is the external oversight mechanisms, and

1 that is obviously working in close concert and supporting
2 the missions of SIGAR, the various inspectors general, the
3 GAO and other external reporting mechanisms.

4 Then lastly, what I would say about corruption in
5 particular is that this is obviously an issue that is at the
6 core of our strategy in combating it in Afghanistan. We
7 have made a very robust and consistent case on dealing more
8 aggressively on corruption to the Karzai government. It was
9 part of his inaugural speech, as we had hoped it would be.
10 He held just yesterday the anti-corruption conference. But
11 it is something that we and the rest of the international
12 community are going to continue to watch very, very closely.

13 There has been a range of suggestions from revitalize
14 the anti-corruption commission, to hopefully bring some high
15 level prosecutions, to, if we cannot deal with it at the
16 national level, to working at a sub-national, regional
17 governance structure where we can hopefully work around
18 corruption if we have to. So it is something that is very
19 central to our core mission.

20 Senator Kirk. Thank you very much.

21 Mr. Parsons. Sir, if I could add just real quickly,
22 one of the things that we are doing with our soldiers that
23 are becoming contracting officer representatives is we see
24 them as kind of the front line on being able to identify bad
25 business practices. We are teaching all of them now a block

1 on ethics training and the things that they need to look for
2 as they perform their duties as a contracting officer
3 representative. So I think that will go a long way.

4 In fact, I met with the Expeditionary Fraud
5 Investigation Unit right before this hearing, this part of
6 the Criminal Investigation Division of the Army, and they
7 are increasing their presence there as well in Afghanistan.

8 Senator Kirk. Thank you.

9 Madam Chairman, I know my time is up, but may I just
10 ask if there are any other?

11 Senator McCaskill. Absolutely. Take all the time you
12 would like, Senator Kirk.

13 Senator Kirk. Mr. Campbell or Mr. Harrington?

14 Colonel Campbell. Senator Kirk, yes, thank you.

15 What I would do is just give you an example which I
16 think will get to sort of at the local level issue you are
17 talking about. Of course, all CERP money is executed and
18 managed by U.S. Government employees or soldiers. In rare
19 exception, Coalition Forces can use CERP money.

20 One of the things that General McGhee, who is the
21 resource manager in CENTCOM, has implemented is moving more
22 towards electronic transfer of funds. So, in Iraq, years
23 ago where we used to have to essentially just fly in plane
24 loads of cash, what you are finding more in Afghanistan is a
25 lot of this money is being transferred, one, in local

1 currencies but, two, as an electronic fund transfer.

2 Of course, once it gets into the hands of the local
3 population, it is kind of up to them to deal with, but I
4 think that is where State Department's and AID's more
5 overarching efforts will come into play.

6 Senator Kirk. Thank you.

7 Mr. Harrington. Sir, Army-wide, sir, to reinforce Mr.
8 Parson's comments, we are taking a lot more of an active
9 role in training our contracting officer's representatives
10 earlier in the process and ensuring that they are
11 identified, trained and assigned, with certificates, such
12 that when they do arrive in theater they are then linked
13 with their contracting officers, and they go through a very
14 good briefing on the contractor's performance and the
15 contractor's functions.

16 That training includes being able to evaluate the
17 contractor's performance and provide that relative
18 information to the contracting officer. That really
19 culminates in ascertaining the deliverable we are supposed
20 to get, in either a supply or a product, and then executing
21 a payment, as Mr. Campbell notes, electronically, so that we
22 have got a very good, succinct process all the way through
23 the payment of the contractor.

24 Senator Kirk. Thank you.

25 Just a final question on this, the notion that has been

1 advanced I think by President Karzai that the contracting or
2 the licensing program be managed or administered through the
3 Afghan government, is that something that we should take
4 comfort in? Is that notion something that can work out, do
5 you think?

6 I mean are you confident about that for the same reason
7 that obviously this is a great amount of dollars, a very
8 important theater?

9 In my own view, we are taking a huge bet on success in
10 Afghanistan, and part of it obviously is going to be the
11 civilian component of it. I am just wondering about the
12 licensing program being administered by the Afghan
13 government. Is that something that each of you subscribe to
14 as the right way to go?

15 Mr. Feldman. Ambassador Eikenberry addressed this in
16 his recent testimony, and we are fully supportive of that.
17 We do think that it would help to provide a certain
18 consistency.

19 This came up in part due to the rates that
20 international contractors pay compared to rates that Afghans
21 may make, lesser rates at this point, if they go into the
22 army or police or things, and wanting to make sure that we
23 create the right incentives and do not create disincentives
24 for them to join security forces, which is in our own long-
25 term interests. This was a question that obviously

1 Chairwoman McCaskill asked about. So we do see this as one
2 way to help address that, and we would strongly favor it.

3 Senator Kirk. Thank you very much.

4 Madam Chairman, I am also going to have to excuse
5 myself. Thank you for your forbearance, and I thank you
6 gentlemen as well.

7 Senator McCaskill. Thank you, Senator Kirk. We are
8 glad you were here.

9 Let me start on a little bit drilling down on LOGCAP.
10 You know I feel about LOGCAP III, it is like the movie that
11 never ends. I continue to be confused why we are utilizing
12 LOGCAP III and not more aggressively transitioning to LOGCAP
13 IV.

14 Even though we have awarded under IV, it appears to me
15 that less than a billion has been funded under LOGCAP IV,
16 and LOGCAP III now is totaling \$34.4 billion. What is the
17 hold-up here? Why can we not let loose of the KBR dynasty?

18 Mr. Parsons. Well, ma'am, I think we are letting loose
19 of that. We have been deliberately moving from LOGCAP III
20 to LOGCAP IV. I think as we have testified before and have
21 talked with many of the staffers, there was a deliberate
22 process that we would move from Kuwait requirements on
23 LOGCAP, move them from III to IV, then move to Afghanistan,
24 and then move to the more complex situation which was in
25 Iraq. And that is what we have been following.

1 I think you are aware that all the work, LOGCAP
2 requirements in Kuwait have now transitioned fully to LOGCAP
3 IV. We are in the beginning parts of the transition in
4 Afghanistan, from the old LOGCAP III to LOGCAP IV. We
5 expect that transition to be complete by about July of 2010.

6 It is not a simple transition process, as we have
7 learned especially with having to account for all the
8 equipment that has been bought by KBR at the different FOBs
9 and the different camps, and having to account for that, and
10 also just getting men and women and equipment in to
11 transition in Afghanistan. So it does take some time, and
12 we have got to be cognizant of the commanders' operational
13 requirements as well.

14 With LOGCAP requirements in Iraq, we should be making
15 an award I hope at the end of this month or the beginning of
16 January for some of the services in Iraq. What has been
17 holding us back a little bit on the base life support is
18 knowing exactly what the requirements are going to be now
19 that we have made, the President has made the decision with
20 the drawdown and trying to extract all the forces by
21 December of 2011.

22 So it has been taking us some time working with theater
23 to identify those, but I think we are there. We should be
24 releasing that RFP very soon, and then that transition will
25 start taking place again sometime in 2010.

1 Senator McCaskill. It is my understanding that Fluor
2 has the North in Afghanistan and DynCorp has the South,
3 correct?

4 Mr. Parsons. Correct, ma'am.

5 Senator McCaskill. And they are doing all of the tasks
6 in those areas?

7 Mr. Parsons. Yes.

8 Senator McCaskill. So it is not task to task
9 competition that we ended up with. It ended up regional
10 competition.

11 Mr. Parsons. Yes, ma'am. What we did, we made a
12 conscious decision in Afghanistan to split Afghanistan in
13 two, with two different contractors, because we wanted to
14 maintain that capability and capacity with two contractors.
15 So, if we need to increase the requirements, which obviously
16 we need to do now, that will have that capacity in there.

17 Plus, we did not want to have a single point of
18 failure, which is what we really recognized in Iraq. We
19 were tied to KBR in Iraq. If KBR decided not to perform
20 anymore, we did not really have a backup. This way, if we
21 have problems with one of the performance contractors, we
22 will have two there in the theater. Then one of them, the
23 other one could pick up.

24 I know you had concerns about the way we structured
25 these task orders. We recognized that if we were going to

1 select one for the North and one of the South, we would have
2 to find a way to preserve the competition that we had with
3 the award of those task orders. So what we did was we
4 established what they call a service price matrix.

5 We took about 80 percent of all the key services that
6 are provided underneath those task orders for all the
7 different base life support, and we had a matrix where the
8 baseline pricing, which the fee was based on. So the fee
9 that these contractors will earn are tied back to that
10 pricing matrix. So, even if they--there is really no
11 incentive for them to run the costs up because they will not
12 get any more fee.

13 Senator McCaskill. So what you are telling me, which
14 is great news, huge improvement, is that somebody who is
15 peeling a potato up North is going to get paid about what
16 somebody who is peeling a potato is down South?

17 Mr. Parsons. Not necessarily, ma'am. There are
18 differences for some of the services between what we have in
19 our price matrix for the North versus the South, but that is
20 because the contractors have different rate structures.
21 They took different approaches at it.

22 What we are also going to have is DCAA is going in and
23 is auditing the baseline for both contractors for these
24 prices.

25 Senator McCaskill. Right, I am aware they are doing

1 that.

2 Mr. Parsons. If we see something, if they see
3 something out of whack, we will go back and negotiate with
4 them.

5 Senator McCaskill. Let's just say something a little
6 bit easier. Per head breakfast, I mean on a per head. I
7 assume we are buying breakfast by head.

8 Mr. Parsons. Very close. There was no unbalanced
9 pricing that we saw when we did the competition.

10 Senator McCaskill. Okay.

11 Mr. Parsons. So, when you take a look overall, we are
12 pretty comfortable.

13 Senator McCaskill. Okay. I saw that DynCorp's partner
14 got indicted, Agility, criminally indicted for violations of
15 the False Claims Act, which to translate into lay terms,
16 they got caught ripping us off.

17 Now I understand that you all have suspended them, but
18 it is also my understanding that the way the rules and regs
19 and laws work, they can continue to get work under their
20 contract with Fluor even though they have been indicted for
21 ripping us off. Is that accurate?

22 Mr. Parsons. Ma'am, interesting that you should bring
23 this question up. Mr. Harrington and I met with DynCorp
24 officials earlier this week to discuss another matter, but
25 we did, they did bring up Agility. I know that what they

1 informed us was that they were no longer going to be using
2 Agility as a partner. They had set up the agreement with
3 their partners that if anybody got indicted for any reason,
4 that they could dis-establish that relationship, and we were
5 informed on Monday this week, that was their plan.

6 Senator McCaskill. More progress, okay. I also
7 understood that you recently suspended \$14.2 million in
8 costs that were billed by Fluor, that you guys, under LOGCAP
9 IV, you have refused or decided not to pay \$14.2 million
10 worth of expenses that were submitted.

11 Mr. Parsons. Ma'am, there are some withholdings that
12 are taking place. I do not know the exact amount. I would
13 have to get back to you on that, but there have been some
14 questions about Fluor's compensation and also their
15 purchasing system. So I know that the administrative
16 contracting officer, working with the contractor officer,
17 has been looking at withholds until those systems are
18 corrected.

19 Senator McCaskill. Well, I would love to know the
20 details of that. For one thing, it will reassure me that we
21 have transitioned into a situation where we are going to try
22 to take money away, instead of paying them and then saying
23 later: Maybe we should not have given that to you, but too
24 late now. We have already given it to you, and we are not
25 going to try to claw back.

1 Mr. Parsons. Right.

2 Senator McCaskill. So I would like to know the
3 underlying details. If in fact we are withholding, I would
4 like to know what the details are.

5 Mr. Parsons. Okay, we will get back. We will get that
6 for you.

7 Senator McCaskill. Now let's talk about the
8 contractors versus police and military. If you cannot give
9 me these answers now, these are answers I think it is very
10 important for the record.

11 Understanding I went over this with Secretary Gates in
12 the Armed Services hearing, and with McChrystal, it is my
13 understanding that many of these contract positions--people
14 need to understand this is a world of difference from Iraq
15 in terms of the use of Afghans. We have got more than 50
16 percent, in fact almost 100 percent of the security
17 contractors are Afghans. I think right now we have got
18 about 11,000 security contractors, and 10,000 of them are
19 Afghans. Clearly, that is a much different scenario than
20 what we had in Iraq when it was almost all third party
21 nationals.

22 Now the same thing is true with the other contractors.
23 More than half, in fact I think it is close to two-thirds of
24 the 100,000 contractors we have in Afghanistan are in fact
25 Afghans.

1 Now it is my understanding, and some of this was from
2 talking to Ambassador Holbrooke, that he mentioned to me
3 that Karzai talked about this problem in his inauguration
4 address. That is that we are paying our contractors more
5 money than they are paying their police or their military.
6 If you are an Afghan and you can make more money cooking for
7 American troops than you can make taking up a gun to fight
8 the Taliban, I am betting they are going to cook for the
9 troops.

10 If our entire mission is to build up the Afghan
11 military and the Afghan police, how do we accomplish that if
12 the left hand does not know what the right hand is doing and
13 we are paying our contractors more than those military or
14 police make?

15 Can any of you confirm that is in fact the case and
16 what is being done to fix that problem? Because we are
17 never going to accomplish our mission since we are hiring
18 certainly many, many more contractors than we are ever going
19 to be able to attract to the police or the military.

20 Mr. Harrington. Ma'am, let me take that question for
21 the record and get the accurate facts back to you.

22 Senator McCaskill. Okay. If it is true, then it
23 really worries me because that means once again we have not
24 had the integration between the military mission and the
25 realities of contracting. In fact, the realities of

1 contracting in this instance are completing undercutting the
2 military mission, and I am betting the military did not even
3 realize that was potentially occurring.

4 Mr. Harrington. I understand.

5 Senator McCaskill. So I think it is pretty important.

6 Mr. Harrington. Certainly.

7 Senator McCaskill. And I really want to know
8 specifics. How much does somebody make doing laundry for
9 our troops and how much do they make, let's say, in Kandahar
10 or at Camp Phoenix? What do they make and what do they make
11 in the police department locally? So we can do an apples to
12 apples comparison about the level of salary and if we are
13 cutting of four nose to spite our face.

14 Let me go to AID and State Department now for some
15 questions about that. I know there is a reason we have six
16 ambassadors in Afghanistan, but it is not clear to me who is
17 doing what. Who is the ambassador? Who is in charge?

18 Where is the org chart? What is the difference between
19 Eikenberry and Holbrooke, and who is answerable to them?

20 Can you help me with that, Mr. Feldman?

21 Mr. Feldman. I would be happy to. We do have six
22 ambassadors in Kabul, but we feel extremely well served by
23 having them there, given the critical nature of our mission
24 and given the talent that they bring.

25 So Ambassador Eikenberry is charged with all of our

1 work coming out of the embassy. I am just looking for the
2 actual org chart, which I brought with me and am happy to
3 share.

4 Senator McCaskill. That is fine. You can get it to us
5 for the record.

6 Mr. Feldman. Sure.

7 Senator McCaskill. The reason I ask the question is
8 not to try to--I am sure that there is a valid substantial
9 reason for all of the work that all of them are doing. I am
10 trying to focus on this just because I have learned the hard
11 way that the accountability piece never happens if you do
12 not know who is in charge, and I am trying to determine
13 among these ambassadors who is the ambassador that has the
14 authority and the accountability and the responsibility in
15 terms of the contracting that is going on.

16 Mr. Feldman. Yes. Ambassador Eikenberry has
17 responsibility for the State Department's operations in
18 Afghanistan, including all foreign assistance programs.
19 Ambassador Ricciardone is his deputy. Ambassador Mussomeli
20 helps to run operations.

21 And, Ambassador Wayne, as we said, is the Coordinating
22 Director for Development and Economic Assistance. So he is
23 the one that oversees all the U.S. Government non-military
24 assistance to Afghanistan. He directs and supervises the
25 range of embassy sections, programs, agencies, offices in

1 the field. He is our main point of contact on many of these
2 specific contracting issues, but obviously anything would go
3 up to Ambassador Eikenberry, if need be.

4 Ambassador Holbrooke, here in Washington, coordinates
5 the interagency effort to advance the U.S.'s strategic goals
6 in Afghanistan and Pakistan.

7 Senator McCaskill. So Ambassador Holbrooke's office is
8 the one that would be looking to see if CERP was trying to
9 do the same thing that AID was doing, that was trying to do
10 the same thing State was trying to do?

11 Mr. Feldman. Yes, in Washington, we do all of that.
12 That interagency coordination is done from our office.

13 Senator McCaskill. Okay.

14 Mr. Feldman. But, importantly, much of this work is
15 actually done in the field, obviously--so, on CERP, on the
16 specific decisions that are done with the local councils, on
17 how the project is implemented. We need and rely on what is
18 being done in the field, which ultimately goes through
19 Ambassador Wayne for our coordinating basis, but we do the
20 coordinating in Washington

21 Senator McCaskill. Well, if we determined down the
22 line that there was a lack of coordination that caused a
23 massive amount of waste, the buck would stop at Ambassador
24 Holbrooke's desk?

25 Mr. Feldman. I think it would be jointly our desk here

1 in Washington, and we would be working with the appropriate
2 people at post as well, but, yes.

3 Senator McCaskill. Okay.

4 Mr. Feldman. As far as the fifth ambassador, I think
5 it just Ambassador Carney who was there for the specific
6 elections purpose and, now that the elections are over, will
7 be returning.

8 Senator McCaskill. Okay. USAID, you are not putting
9 your contracts into the database.

10 Mr. North. Which database?

11 Senator McCaskill. SPOT.

12 Mr. North. SPOT.

13 Senator McCaskill. The fact that you had to ask which
14 one is a problem. There is supposed to be one, and everyone
15 is supposed to be using it, so we can have transparency
16 across in terms of all the contracts that are outstanding
17 and the work that is being done.

18 Mr. North. We are, definitely. We are putting our
19 contracts into SPOT. We are putting at the company
20 organizational level.

21 We have not put in individual names because of concern
22 for the security of the individuals. Of the 20,000 people
23 who work under AID contracts and grants in Afghanistan,
24 19,000 are Afghans. There is great concern, particularly
25 among the NGO community, about having their names in a

1 database. There are concerns for their security and
2 privacy.

3 So, while we are complying with the law in terms of
4 ensuring that all the companies that are working for us are
5 included in the database, we have not as yet put individuals
6 into the system.

7 Senator McCaskill. Well, let me ask is the information
8 that the Army is putting in, I assume it is more
9 comprehensive than what AID is putting in?

10 Mr. Harrington. Yes, ma'am. I do not know what AID is
11 putting in, but the Army makes, requires the contractors to
12 put specific names of his contractor personnel in the
13 database.

14 Senator McCaskill. I think we got to resolve this.
15 Clearly, everyone is hiring Afghans. I mean this is an
16 unprecedented hiring of locals in terms of our country. I
17 do not think we have ever embarked on this kind of massive
18 hiring program in-country when we have been in a
19 contingency, or even close. So I think we have got to
20 decide if it is a security problem for the people at AID,
21 then certainly it is a security problem for the people that
22 are working through the military.

23 The problem is going to be this whole SPOT was designed
24 so that we could at least have one central repository which
25 we never had. I mean we did not even have electronic in

1 Iraq. It was all paper everywhere. The accountability is
2 very important, that this database work in theater, everyone
3 using it.

4 So I would ask AID to come back to the Committee with
5 their specific concerns as to why they are not fully
6 utilizing the database and what needs to be done in terms of
7 getting everyone together and everyone doing the same thing.

8 Mr. North. I would note that we are having separate--
9 it was actually a separate meeting ongoing this afternoon on
10 SPOT, here on the Hill.

11 Senator McCaskill. Good timing.

12 Mr. North. Thank you. Also this afternoon, but it has
13 now been delayed, the NGO community, about 40 members asked
14 to meet with us to express their concerns about the system.
15 It was also supposed to be today, but now we have been able
16 to put that off to the first week of January.

17 We need to work with them to ensure that as we go
18 forward with implementation that their concerns are
19 addressed. We have considered the possibility of using the
20 classified version for putting individual names in. That is
21 a possibility we can look at, but we still need to work
22 through those issues.

23 We want to fully comply with the law and be a joint,
24 full U.S. Government effort on this, but we also have to be
25 mindful of the concerns of the groups that we work with.

1 Senator McCaskill. Well, I think if everybody gets in
2 the same room, I would find it defies common sense that you
3 all would not share the same set of values as to what should
4 go in the database and what should not. I think that we
5 just got to all agree on what we are going to put in or what
6 we are not going to put in, and, if we are not putting in
7 something, then there has to be obviously a great
8 justification for it.

9 My concern is everyone is not utilizing it the same
10 way. Until they are, it is of limited value. I am really
11 tired of databases with limited value. There is about every
12 five feet you walk in Federal Government, you find a
13 database that is of little value.

14 So I am determined that we are going to. Since I was
15 involved in trying to make sure we had some kind of central
16 database, I am determined to stay on it and make sure that
17 we get it so that it is working the way it should.

18 Mr. North. If I could make one last comment on this.

19 Senator McCaskill. Sure.

20 Mr. North. There is a memorandum of understanding that
21 we are working out with DoD on SPOT and how we will go
22 forward. That is in draft. So we are trying to make,
23 figure this out.

24 I would also say we are also hiring a full-time person
25 just to administer this database from our side and make sure

1 that we are keeping up to date on data entry.

2 Senator McCaskill. That is terrific.

3 Mr. North. So, as we go forward, we are going to need
4 to, as the work level--

5 Senator McCaskill. That is terrific. Chop, chop. I
6 know how long those MOU drafts take sometimes. Let's see if
7 we cannot move that along because we are spending a whole
8 lot of money, and we have got a lot of contractors on the
9 ground. The ability to do oversight is going to be greatly
10 hampered if we do not get that database working the way it
11 should.

12 Let me go to CERP. I am trying to get a handle on the
13 evolution of CERP and especially when you realize that such
14 a large percentage of the monies being spent now are on
15 projects that cost more than a half a million dollars.

16 General McChrystal told me in the Armed Services
17 hearing that there was sign-off. It goes as high as
18 Petraeus on some of these.

19 Is JCC-I/A doing the oversight and reporting
20 requirements on CERP, and is it your responsibility that
21 that is where it is occurring?

22 Mr. Harrington. Ma'am, at dollar values of \$500,000
23 and above, JCC-I/A contracting officers execute CERP actions
24 as contracts. They are overseen with contracting officer's
25 representatives. They are paid in accordance with our

1 payment processes for the normal FAR-based contracts. So,
2 yes, on those types of actions.

3 For actions below \$500,000 it is much as Mr. Campbell
4 described in terms of the assignment of a project payment
5 officer, project control officer.

6 Senator McCaskill. Is the COR still somebody who, are
7 they involved in the CERP, the contracting officer's
8 representative in unit? Are they doing part of this?

9 Mr. Harrington. Yes, ma'am. The requiring activity
10 provides the contracting officer's representative in all
11 these types of actions. So, when the CERP requirement comes
12 forth, we require a contracting officer's representative to
13 be able to be there to surveil.

14 Typically, the project control officer, so far anyway,
15 has been that function, to oversee the execution of that.

16 Senator McCaskill. Would it make sense when it is over
17 \$500,000 that it transfer over to AID? I mean would that
18 not make more sense?

19 I mean you guys oversee. I mean you have got turnover.
20 You have got the idea that we have the military overseeing a
21 massive road-building project just seems weird to me.

22 Yes? That is nod for the record. He is nodding yes.

23 Mr. Harrington. Yes, ma'am. We will take whatever job
24 comes to it and try to do our best with it. But, if it is
25 more appropriate and the expertise lies in another area,

1 then absolutely. We are here to take the mission on when it
2 is assigned to us.

3 Senator McCaskill. I mean we are going to build up a
4 whole level of expertise within the military in overseeing
5 massive building projects. To me, that is very duplicative
6 of what we are trying to maintain at AID. Right?

7 He is nodding yes, for the record.

8 Mr. Harrington. Yes, ma'am.

9 Senator McCaskill. Mr. North, would you like to
10 comment on that?

11 Mr. North. I would just note that as I have mentioned
12 before we do work with very closely with the military on
13 CERP planning, certainly at the provincial and at the
14 district level.

15 When the striker brigade was going into areas of
16 Kandahar, clearing the area, before that happened, there was
17 a close coordination planning where AID development
18 officers, with other civilians at that level, worked with
19 the military to figure out what needed to happen. We
20 helped. We advised on the use of CERP, so that it would
21 have a development impact that we thought was appropriate,
22 and then our folks were going in within 24 to 48 hours
23 behind the military.

24 So there is a very close relationship that we are
25 working on building, continuing to build at the provincial,

1 but even down at the district level. When an idea comes up,
2 that here is something we need to do, to finance, it is that
3 joint interagency team of military, USAID, State Department,
4 USDA, others, that figure out which is the best mechanism to
5 get the job done.

6 Senator McCaskill. I have a sneaking suspicion, and
7 maybe I am being cynical, that it is easier to get money in
8 the budget for CERP than it is for AID. I have watched CERP
9 grow, and my suspicion is that folks around here are much
10 more willing to go wherever they are asked to go, to support
11 the military in a contingency, whereas when you start
12 talking about AID, then all of a sudden it does not feel
13 that it is as important to many members.

14 We do this all the time around here. Because of ways
15 to get money in the budget, we twist up like pretzels in
16 terms of what our responsibility should be.

17 So I want to make sure that even if you want to
18 continue to try to get CERP money in the budget, I want to
19 make sure you are not duplicating the expertise at AID in
20 order to spend it because that truly is a waste of money.

21 Mr. Harrington. Yes, ma'am. I think our obligation--
22 it is Commander's Emergency Response Program, and I think
23 our obligation is to ensure that that requirement is a
24 commander's emergency response requirement.

25 Senator McCaskill. Yes. Building roads, I mean I know

1 it may seem like an emergency in Afghanistan in some
2 instances. But I do not ever remember someone saying we
3 have an emergency, we have to build 15 miles of highway.

4 Mr. North. Well, I think in the case of roads one of
5 the reasons that CERP would see as a reason for funding it
6 is a way of employing youth in the region and, therefore,
7 pulling loyalties away from the Taliban.

8 Senator McCaskill. And that makes perfect sense. That
9 makes perfect sense, okay.

10 Colonel Campbell. And Senator, if you would not mind
11 if I could expand a little bit.

12 Senator McCaskill. Sure, absolutely.

13 Colonel Campbell. I would say the reason that CERP
14 does such a large funding of road projects in Afghanistan is
15 for two reasons. One is just kind of where we are in the
16 process of, in the phasing of operations in Afghanistan.

17 As has been mentioned here already, I believe it was
18 there are about 300 AID officers in Afghanistan. There are
19 60,000 soldiers in Afghanistan, out in the field. So they
20 act as kind of the eyes and ears of what is needed out in
21 the population and bring those back up through their command
22 level, so that it is then integrated with AID.

23 Actually, I was on the phone the other day with someone
24 in Kabul, or actually Kandahar rather, and what they were
25 explaining to me on why there are so many road projects is

1 because there are not any roads in there now to speak of.
2 Less than 20 percent of the villages are actually connected
3 by a road.

4 Your phrase that you used where CERP was initially was
5 walking-around money, well, they need something to walk
6 around on Afghanistan, and so that is why I think you are
7 seeing so much emphasis on road projects.

8 Senator McCaskill. So many more road projects, yes.
9 That makes sense.

10 Colonel Campbell. At some point, it should transition
11 to more of a State/AID issue, but right now it is in the
12 military's interest.

13 Senator McCaskill. Let's talk a minute.

14 Mr. Feldman. Madam Chairman, can I say one word on
15 that.

16 Senator McCaskill. Yes, Mr. Feldman.

17 Mr. Feldman. On CERP, we absolutely believe it is a
18 valuable program, and it is closely integrated with the
19 civilian effort.

20 I just wanted to also make sure you and the Committee
21 realize that the Department had requested and received \$30
22 million from Congress through fiscal year 2009 supplemental,
23 for quick response funds which is meant to be exactly that
24 type of walk-around money, which we will start implementing
25 in the first half of 2010 and will be used for State

1 Department civilians in the field--so nothing approaching
2 CERP which have been trying to implement.

3 Senator McCaskill. CERP is small.

4 Mr. Feldman. But to get at that same core mission,
5 which you realize.

6 And I did find the org chart.

7 Senator McCaskill. Okay, great.

8 Let me talk about projects that do not work. We have
9 \$1.4 billion contract to restore Afghanistan's
10 infrastructure, a joint venture between Berger and Black and
11 Veatch, AID. It was supposed to build two power plants
12 projected to deliver 140 megawatts of electrical power. Two
13 hundred and fifty million dollars have been spent. It is
14 two years later. The two projects together were only
15 capable of producing 12 megawatts of power and not 1
16 megawatt has been delivered to 1 single citizen of
17 Afghanistan.

18 Worse than the failure to complete the project, the
19 inspector general at USAID found that the Afghan government
20 may not be able to even operate the Kabul power plant
21 because it cannot afford to pay for the diesel fuel it needs
22 to run it. The other plant, which is producing zero power,
23 is costing USAID one million dollars a month to be guarded.

24 So we have got \$250 million spent. We have got a
25 little bit of electricity being generated but not being

1 delivered. And we have got one plant that has been built,
2 and we are spending a million dollars a month to guard it
3 with nothing going on.

4 What is the problem here and have the contractors been
5 held accountable?

6 Mr. North. The security has been a major issue
7 certainly for many infrastructure programs. In the case of
8 the Kabul power plant, the latest figures I have is it is
9 now producing 105 megawatts of power.

10 Senator McCaskill. Is any of it getting delivered?

11 Mr. North. Yes, it is.

12 Senator McCaskill. Okay.

13 Mr. North. And we are also concerned about the
14 sustainability of this. Mind you, the intent, in addition
15 to the economic needs for Kabul, was certainly to
16 demonstrate that the government of Afghanistan, as we were
17 into this period obviously with the war, was able to deliver
18 services. So there was certainly a short-term political
19 need.

20 But at the same time we were looking at the
21 sustainability of it. We had negotiated with the government
22 that they would pick up the cost of this, but with the
23 understanding that we were also building transmission lines
24 coming from the North integrated with Central Asia, to
25 provide power to Kabul, so that the power plant then becomes

1 a backup system rather than the main, primary means of
2 power.

3 The other plant I believe you are referring to is the
4 Kajaki Dam which is now producing 33 megawatts of power.
5 Kandahar now has power 24 hours, though there are some areas
6 that it is not. It is uneven in some areas.

7 We have two of the turbines are running. The third, it
8 needs to be installed. It is at the dam. This was after a
9 year and a half ago, one of the largest NATO operations
10 since World War II to move that turbine into place. We are
11 now, due to security concerns, unable to get that turbine
12 installed as well as to build additional transmission lines.

13 So we are taking actions to hold off on further costs
14 to us until we can get working with the military, NATO to
15 secure that region, so those programs can go forward.

16 With the third turbine, we would increase power going
17 from Kajaki to 55 megawatts, but we are already seeing
18 significant impact in Kandahar and some of the smaller
19 cities, Lashkar Gah and so forth in that region, from what
20 we have already been able to do.

21 Senator McCaskill. Well, I think I am glad that you
22 have updated information based on our research, and I would
23 appreciate getting all of that for the record, so we can
24 compare the information we have--it came from the IG--and
25 check with the IG on it.

1 Frankly, if you are holding off to make sure that you
2 have the correct security environment, that is progress over
3 Iraq because we did not hold off in Iraq and almost
4 everything we built got blown up. That is part of the money
5 that went up in smoke.

6 So thank you for the additional facts that you have
7 done there.

8 Let me finish up. Unfortunately, if I allowed myself
9 to, we could be here for another couple of hours. I have
10 that many questions. But there are more hearings, and we
11 can cover many of these subjects as we go forward in these h
12 hearings.

13 Let me ask each of you to give yourselves a grade on
14 how well you are coordinating contracting in Afghanistan.
15 Let's assume that there was an F in Iraq, and, if you think
16 you deserved more than an F in Iraq, you are grading on a
17 different scale than I am grading on. I think it was an F.

18 Now, in the end, it got better. But in terms of how it
19 all came about and how the LOGCAP happened and how all of
20 the reconstruction happened and the confusion and the lack
21 of accountability, you know, maybe a D minus.

22 What do you think your grade is in Afghanistan right
23 now, in terms of how well you are integrating, coordinating,
24 monitoring and overseeing contractors?

25 Mr. Campbell?

1 Colonel Campbell. Yes, ma'am, I can start. Right off,
2 I would say probably about a C, and let me put that into
3 perspective for you.

4 I think we have done a good job, probably towards the A
5 and B range, on kind of the front end where we have put
6 together now some lessons learned. We have put out
7 guidance. We have put out training. We have now these
8 officers and enlisted soldiers being trained here in the
9 States before they go over to Afghanistan, on CERP and CERP
10 management. So we have done, I think, pretty well here on
11 the front end.

12 Where we are lacking and where we still need some work
13 and where we are concentrating our efforts now is more the
14 back end. We have got systems in Afghanistan that track
15 contracting. We have systems that track the financial
16 piece. We have systems that the Corps of Engineers uses to
17 track construction projects--all useful databases, but, to
18 your point, what we have got to do now is link them
19 together.

20 That is one of the things in this review group that we
21 are looking at. We have got the Business Transformation
22 Agency looking at the entire business process--end to end as
23 they call it--in Afghanistan, to see rather than going and
24 inventing a new database and inventing a new process or
25 system, how do we first link together what is out there, so

1 we can get some immediate feedback and immediate results, so
2 that we do not have soldiers and civilians out there doing
3 spreadsheets, pulling numbers out of three different
4 databases. So, on that part, I would say we are still in
5 the D minus/F.

6 So, on average, I would probably rate CERP at about a
7 C.

8 Senator McCaskill. Okay. Mr. Harrington?

9 Mr. Harrington. Ma'am, I would give us a C also for a
10 different reason, if I understand your question correctly.
11 We see awarding contracts to contractors. Over the period
12 of time, some of the prices for the commodities and services
13 continue to get bid up because other agencies, other
14 organizations are contracting with the same contractors and
15 contractors are enjoying being able to present products at a
16 higher price. I think the organization aspect of this needs
17 to be addressed further.

18 We have review boards, requirements review boards. We
19 have priorities, allocation processes in place to evaluate
20 what comes first in the order for addressing, in terms of
21 the most urgent needs and in terms of the most widespread
22 needs. But it is an organization, from my perspective, at a
23 higher level that gets together and collaborates in theater
24 to determine overall where the requirements are being placed
25 and how to best leverage the contractor community there, the

1 vendor spread if you will, to be able to make sure we are
2 getting the best deal for the government as a whole.

3 So I think there is an organizational element needed at
4 a higher level to be able to accomplish that. We would
5 obviously participate as a component to that and be able to
6 present our priorities to that and, as well, coordinate with
7 other agencies to determine how to get the best contracts in
8 place, perhaps on a wider basis, on an agency level basis as
9 opposed to an individual basis.

10 Senator McCaskill. Mr. North?

11 Mr. North. I guess I am a little more optimistic. I
12 think we have a B, but I think a lot of that relates to the
13 effort and the progress we have made in the last 10 months.
14 Things like the agricultural strategy as a whole-of-
15 government strategy, clearly defining roles and
16 responsibilities among the respective agencies involved, but
17 also the clarity of purpose in where we are trying to go in
18 the agriculture sector--this is one example that we have
19 developed.

20 There are others. Certainly our collaboration in the
21 health sector with the U.S. Military, with CDC and others
22 has been quite strong.

23 An area that we need to improve on, we are working on,
24 certainly is getting more of our staff into the theater, so
25 that when you are at the PRT there are more development

1 staff there to help with coordination and to monitor and
2 manage our programs.

3 So there are systems that still need work, of course,
4 but I think we are moving in the right direction.

5 Senator McCaskill. Mr. Feldman?

6 Mr. Feldman. Showing the synchronicity between State
7 and USAID, I would say--

8 Senator McCaskill. Oh, you guys get along so well.
9 You are going to give yourself a B, let me guess.

10 [Laughter.]

11 Mr. Feldman. I would also give ourselves a B, but I
12 think actually more important than the grade is the general
13 trajectory. I would say at the beginning of the year we
14 were probably much closer to a D, and I think that we have
15 gone up quite a bit.

16 There is a lot of people in Washington, a lot of people
17 in Kabul, a lot of people around the world and certainly in
18 the field, actually implementing these projects, that are
19 working very, very hard at doing all the things that we
20 uncovered in the course of our review and that we tried to
21 put in place to make sure that we were the best possible
22 stewards of U.S. taxpayer money.

23 And I think that we are definitely going in the right
24 direction, with the better coordination with civil agencies,
25 with military partners, with the international community,

1 with the civilian surge, with all the kind of oversight
2 mechanisms that I laid out, including the financial and
3 technical officers.

4 But, yes, this is going to take a while to do, and
5 there is going to be a lot more to be done, and we will have
6 to continue to be very vigilant and rigorous in implementing
7 this. So there is always room to do much better, but I
8 think at this point I am pretty comfortable with where we
9 are.

10 Senator McCaskill. Okay. Mr. Parsons?

11 Mr. Parsons. I would say if Iraq was an F, then I
12 think we are a C in Afghanistan because we have learned a
13 lot of lessons out of Iraq.

14 Certainly with the establishment of the Army
15 Contracting Command and being part of AMC with LOGCAP, we
16 have got a very close bond now with the Joint Contracting
17 Command-Iraq/Afghanistan. We are doing reach-back for them,
18 so there is a lot of good coordination going on there. What
19 the ACC is allowing us to do from an enterprise is where are
20 we duplicating efforts and where can we be more effective in
21 using different types of contract instruments.

22 I know that one of Brigadier General Camille Nichols's
23 concerns as she goes in to be the new commander in Joint
24 Contracting Command-Iraq/Afghanistan is even though we have
25 established some of these Joint Logistics Procurement

1 Support Boards where we try to bring the different parties
2 together to look at the procurement requirements in
3 Afghanistan, those are more of a collaboration and
4 cooperation by the parties to come those boards and look at
5 it.

6 And we do have coalition partners there, and I know one
7 of her concerns is that we understand that NATO is doing
8 quite a bit of contracting in Afghanistan as well for some
9 of their forces. So I know General Nichols is going to put
10 that as one of her priorities, to look at how do we get
11 closer collaboration and cooperation there.

12 But there is a lot of room for improvement.

13 Senator McCaskill. If we are getting integration and
14 coordination between NATO and our efforts, then I will give
15 all of you an A because that means we have got our house in
16 order and now we can try to integrate NATO into it. I still
17 think we have a ways to go.

18 As time goes on, we will see if the grades hold up. I
19 think it may be a little grading on a curve, Mr. Feldman, to
20 go from a D to a B in 10 months because you are moving a
21 very large, large thing here. This is not an organization,
22 as it relates to contracting, that is nimble or flexible.

23 When it is nimble and flexible, it generally is a bad
24 contract because it happened too quickly, and nobody was
25 paying attention to what was in it and whether it was

1 definite enough and whether there were enforcement
2 mechanisms contained in it.

3 Let me leave you with what I would like to still get
4 for the record as we begin to build our information, so that
5 we can continue to do the kind of oversight I think that we
6 need to do.

7 I want to make sure I understand what every silo is in
8 terms of contracting money. The new CSTC-A, I want to try
9 to--that is a new one I have to now put into my jargon. Now
10 that I finally figured out LOGCAP, you spring a new one on
11 me.

12 I want to make sure that there is some kind of org
13 chart that has where the contracting money is all going, and
14 we will put that together if you all will give us what is
15 within your silo of contracting money and how much it is.

16 I believe that we will end up spending as much or more
17 on contracting in Afghanistan as we spend on our military.
18 Therefore, we have a huge obligation to try to get this
19 right. So, if you all will get that to me, that would be
20 great, and then we will begin to drill down in those various
21 places and make sure of the on-the-ground oversight.

22 And the other thing that we would like from you is if
23 you believe you have enough oversight personnel in place,
24 right now in theater, and if not what you need to get enough
25 oversight people in place in theater.

1 I really appreciate all of your time today.

2 And I am going to say this. I do not mean to embarrass
3 her, and I do not mean to embarrass Mr. North or Mr.
4 Feldman. But the woman on the front row that keeps handing
5 you notes, I think I want to have lunch with her.

6 [Laughter.]

7 Senator McCaskill. I think she knows an awful lot
8 because very question I ask--oh, everyone was feeding them
9 to her. Okay, the whole little group, I need all of you to
10 come to my place for lunch, so I can begin to get--

11 Mr. Feldman. This is how integrated we are.

12 Mr. North. She is an AID officer on Mr. Holbrooke's
13 staff.

14 Senator McCaskill. Great. That is great. There you
15 go. There is that integration.

16 Okay, thank you all very much. I appreciate your time
17 today.

18 [Whereupon, at 3:45 p.m., the Subcommittee was
19 adjourned.]