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BEFORE THE

**SUBCOMMITTEE ON CONTRACTING OVERSIGHT
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**ON AFGHANISTAN RECONSTRUCTION CONTRACTS,
LESSONS LEARNED AND ONGOING PROBLEMS**

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Introduction

Chairman McCaskill, Senator Portman and distinguished members of the Ad Hoc Subcommittee on Contracting Oversight, thank you for the invitation to appear before you today to discuss the lessons the U.S. Army has learned and the ongoing challenges in the management and oversight of contingency contracting in Afghanistan.

The U.S. Army has had boots on the ground in Afghanistan for almost a decade. As we know from past military engagements, when our Army deploys, they depend on civilian support from contractors. Contractors have been on the battlefield in every U.S. conflict since the Revolutionary War. Their roles and numbers have evolved and increased, to the point that the size of the contracting force supporting our troops in Operation Enduring Freedom exceeds that of any prior conflict.

Despite the reduction in the ratio, this is the largest scale contracting oversight mission the United States has ever managed. As of the second quarter of 2011, the Synchronized Pre-deployment and Operational Tracker (SPOT) reported a total of 90,339 contractors supporting US Troops in Afghanistan. The Army has made significant progress in improving contract management and contract oversight, yet despite our progress, challenges remain.

As our soldiers, civilians and contractors strive to help Afghanistan move toward a brighter, more affluent future, we must look back at the endemic problems they encountered in 2001 when they deployed to a nation that had endured three decades of war and instability. During that time, limited formal education resulted in low literacy rates; tribal Afghans without last names, birthdates or any kind of universal identification numbers resulted in a non-existent personnel identification system, impacting areas from banking to the internet; and a national banking system hampered rather than helped the nation's economic stability because it was used as a source of revenue for the Taliban. Through much of Afghanistan, at that time, there was little experience with currency and a monetary system. A tradition of payments for government services and consideration, what we would term bribes, had created a climate of corruption in the country with an expectation of payment for all services rendered. More than 30 years of warfare

had destroyed all institutions and any merchant middle class that may have previously existed. A hostile natural landscape with harsh mountains and unforgiving climate extremes made this a daunting environment for battle, reconstruction and development.

To move Afghan people forward has required the combined efforts of numerous U.S. Agencies, taskforces and our Allies. Together we have made significant progress with our support and assistance. Along the way, we have learned many lessons, worked through daunting challenges, and continue to move forward to complete the mission.

Our efforts have been directed, not just at building physical infrastructure but also developing a middle class comprised of civil servants, members of the Afghan National Security Forces and a merchant class. This will be critical to Afghan sustainment of the gains and improvements that have been made. To that end, the U.S. Agency for International Development, (USAID) is to be congratulated for their work in the development and training of the civil service. The NATO Training Mission-Afghanistan and its predecessor the Combined Security Transition Command-Afghanistan have not only undertaken the building of the Afghan National Police and Afghan National Army, but also to raise the literacy rate of the new members of the Afghan National Security Forces to ensure viability after our departure.

Great care is being taken in the choice of equipment to minimize the costs and complexities associated with the logistics and maintenance of this equipment. These choices will pay great dividends in ensuring that the Afghan people will be able to support the equipment they are provided. The effective use of the Afghan First program, authorized by Congress, has encouraged the development of a merchant class to provide goods and services to the U.S. Army. This will provide a long term benefit and aid in the continued development of Afghanistan.

Contracting In Afghanistan

Contracting in and for Afghanistan has been as much a part of the Army's mission there as the troops that have deployed time and again over the past decade. The infrastructure deficiencies and corruption issues in Afghanistan have impacted the contracting mission. To

establish effective contract management in this landscape, the first challenge is to ensure that the best possible contracts are awarded by our military and civilian contracting officers. Resolution of contracting issues is still difficult, but we have made great strides forward. Most of the contracts awarded by the CENTCOM Joint Theater Support Contracting Command (also known as CENTCOM Contracting Command or C3) are competitively awarded, ensuring the best possible price for the US Government.

Another major advance is the wholesale move from cost contracts to fixed price contracts in theater. In the early years, cost contracts were the predominant type of contract awarded. When contractors perform in an uncertain and risky environment such as on the battlefield, it is appropriate for the government to assume more cost risk through the use of cost contracts. However, as our Warfighters stabilized the environment and we have been able to better define our requirements, fixed price contracts have become viable for use in theater. Fixed price contracts are the preferred method of contracting since the contractor is incentivized to control costs in an effort to maximize profits. In a fixed price contract the contractor is paid only the amount that was agreed upon at the time of contracting, regardless of their actual costs of performance.

It is responsibility of the Army contracting officer to ensure the best award choice is made based on the evaluation criteria of the contract. An important element is the use of past performance information on the contractors in line for contract award. While the data is not always available for U.S. companies, it has been especially problematic with host nation companies as we try to give preference to Afghan firms under the terms of the Afghan First program. Due to lack of internet accessibility and bandwidth limitations as well as language barriers, the standard system for collecting this data, the Contractor Performance Assessment Reporting System, called CPARS, which requires vendor input as part of the system, has not been viable in Afghanistan. Information on host nation vendors in Afghanistan is now being captured in the Joint Contingency Contracting System (JCCS). JCCS was developed to alleviate a number of problems encountered in contracting in Iraq and Afghanistan, from translation and

posting of solicitations in Iraq and Afghanistan to currency conversions and now to tracking past performance, it has proven to be an invaluable tool for contracting in theater.

Project coordination is critical and has not always been effective. The Combined Joint Logistics Procurement Support Board for Afghanistan (CJLPSB-A), which is a centrally coordinated board comprised of senior logistics and contracting representatives, is focused on ensuring that contract management programs are properly coordinated and prioritized. The CJLPSB meets monthly to develop, approve and promote acquisition strategies for coordinating common or similar requirements to eliminate redundancies. It also reviews formal acquisition plans for large and complex acquisitions and strategies for critical operational priorities.

Contract Oversight

Oversight of subcontractors has been a significant concern of Congress, the audit agencies and the contracting community. The Federal Funding Accountability and Transparency Act of 2006, requires prime contractors to provide extensive insight into subcontractor information. C3 has implemented 11 clauses dealing with subcontractor information to capture not just the data required by law, but additional information that will aid in the vetting of the contractors and subcontractors prior to award.

The vetting of host nation contractors is a key element in ensuring the security of the workplace for U.S. Warfighters, civilians and contractors as well as the security of the reconstruction work that we have accomplished in Afghanistan. It is critical that we ensure that the contractors are not just competent performers but that they have no ties to bad actors. It is equally important to vet the local national individuals seeking access to our bases and construction sites as contractor employees. While it has been a struggle to create vetting processes in a country without universal identification criteria, the determination was made that the collection and use of biometric information was the only viable solution to ensure security. While this data collection is time consuming and the project is still relatively new, within the first months of use, several hits on individuals requesting base access proved the projects'

viability. The use of the contractor vetting process and the growing use of biometric identification of individuals will provide needed security for our personnel and sites.

Since vetted contractors and individuals create a more secure environment, this risk reduction can assist in reducing overall contract costs in theater. In August 2010, a vetting cell was established at CENTCOM headquarters in Tampa, Florida to vet prospective non-U.S. contractor firms in Afghanistan. Non-U.S. vendor information on all contract awards and options above \$100,000 is also tracked in the JCCS system along with past performance information. Initial vetting focused on host nation trucking and private security contractor's prime contractors. The U.S. Army Corps of Engineers has been invited to submit both prime and major subcontractors to the C-JTSCC vetting process and discussions will be held with USAID on sharing vetting information. While the system is not perfect, we will continue to work to refine our systems and processes.

After contract award, the key to our contract oversight resides with the Contracting Officer's Representatives (CORs) who are on the front-lines as responsible stewards of American taxpayers' dollars. The Army began a rejuvenation of our COR management and training in December 2009, with the issuance of the Army Executive Order 48-10: Pre-Deployment training for Contracting Officer's Representative Candidates and Commander's Emergency Response Program (CERP) Personnel. This order mandated that deploying brigades have as many as 80 Soldiers designated and trained as CORs. As a result, in CY 2010 and 2011, the Army Logistics University trained 8,568 CORs while the Expeditionary Contracting Command provided augmentation training to 2,317 Soldiers as CORs since October 2010. More than 5,500 CORs, 5,500 Field Ordering Officers (FOO) and 2,700 Project Purchasing Officers received theater specific supplemental training from C3 prior to beginning their COR or FOO assignment.

In addition to training, the C3 contracting officers provide the CORs with Army developed tools such as the COR SmartCard and COR handbooks. Further, the C3 training

website contains a number of resources CORs can access as needed. As a result of these efforts, C3 has been able to assign well-trained CORs to 100% of all contracts requiring a COR.

The U.S. Department of Defense (DoD) has also helped the Army to create and better train CORs. Defense Acquisition University deployed on-line Contingency COR training that has helped to prepare our CORs for problems in theater. DoD is currently evaluating both the Army Materiel Command COR Management Tool and the Virtual Contracting Enterprise COR Management system for possible deployment. The Defense Contract Management Agency does an extraordinary job in performing contract administration on many of our contracts in theater. They are the true experts in contract quality assurance and their involvement on Army contracts in Afghanistan has helped to ensure that contractor performance meets contract requirements.

Beyond COR training, Army leaders must be informed and supportive of the COR mission. The former Chief of Staff of the Army, General Casey, identified the need for both military and civilian leadership in the Army to receive training to foster improved awareness and understanding about the criticality of contracting. At General Casey's direction, the Army developed a General Officer procurement course. Since its inception in December 2010, 85 new general officers and members of the Senior Executive Service have received two days of contracting training on Acquisition Corps priorities including services contracting, construction contracts, contingency contracting and the importance of contract management and COR oversight.

The Army recognizes that our remaining major mission in deploying CORs is to develop a method to ensure that not only a trained COR but the best possible technically qualified COR is assigned to the task. Since the COR function is designed to be a collateral function, it remains a challenge to appropriately integrate the Soldier's operational duties with COR responsibilities.

To ensure that technically qualified personnel are involved in the oversight of construction contracts in Afghanistan, the Senior Contracting Official in Afghanistan (SCO-A) recently provided guidance on the appointment of Construction Inspectors (CIs) to provide technical expertise and support to the construction CORs. The Air Force will be providing

support to this effort through its Expeditionary Prime Base Engineering Emergency Force (BEEF) Squadrons. These squadrons are designed to establish base civil engineer operations where assistance is required and have been supporting the forward operating bases in Afghanistan. If additional CIs are required, they can be technically qualified contractors, civilians or military with expertise in construction engineering. They will receive general COR training as well as specific contract requirements training and will provide technical expertise to the COR and the Contracting Officer. We believe that this initiative will supplement the CORs in providing effective oversight of construction contracts in theater.

Another recent SCO-A initiative was to create an integration cell in the Regional Command-East. This cell is comprised of a Program Manager, a Contracting Officer and an Afghan Business Advisor who is fluent in both English and the local dialect. While this program is young, by bringing together the requirements generator and the contracting officer, we hope to reap significant dividends.

Since this office last appeared before your Subcommittee to address contracting in Afghanistan, we have made significant improvements but much work still remains. Our March 2011 review of procurement operations in Afghanistan showed that while the contracting workforce is performing heroically to procure the needs of the Warfighters, the operational tempo, workload and constant rotations of both contracting officers and CORs continues to impact effective oversight of contracts. Contractor performance documentation is often missing or incomplete. Internet connectivity and bandwidth make it extremely difficult to input contractor performance information into web-based systems. The procurement mission is compounded by the additional workload of training and re-training a customer base continually rotating in and out of theater on COR duties, requirements generation, performance work statement writing, and inspection and acceptance. The Army has initiated or supported a number of partial solutions and will strive to identify process modifications until we have achieved success.

Another measure of effective contract management in a contingency environment is the timely identification and resolution of performance problems. From October 2010 to April 2011, the C-JTSCC Senior Contracting Official in Afghanistan issued 74 terminations for default after working to identify and resolve performance problems.

The endemic corruption in Afghanistan remains a challenge to our contracting personnel. The anti-corruption taskforces now operating in Afghanistan have had a significant impact on the ability of contracting offices to operate effectively. The Army appreciates the impact that these taskforces have had in improving the contracting environment. Task Force 2010, the FBI's International Contract Corruption Task Force, the Army's Criminal Investigation Division's Afghanistan Fraud Detachment Major Procurement Fraud Unit, the Department of Justice's Major Crimes Task Force, the Afghan Threat Finance Cell and TaskForce Spotlight have all played a role in helping to reduce the impact of corruption on government contracting in Afghanistan. However, this is not a "once and done effort." It will take years of work to change the environment while simultaneously providing pre-deployment training of Army personnel to ensure that they understand how to deal with the cultural differences in Afghanistan without wandering into questionable practices. Task Force (TF) Spotlight has been extremely effective in working with the SCO-A in the area of contracting fraud, waste and corruption by developing and implementing a comprehensive and actionable anti-corruption campaign plan. TF Spotlight campaign elements focus on informing and training the community on "need to train" PSC oversight skills. Every month, TF Spotlight hosts a Joint Interagency Incident Review Board to review incident trends, best practices, new initiatives and incident reports. This Board aids in the development of common approaches across the Departments of State and Defense, USAID and the International Security Assistance Forces to provide oversight and standardize practices.

Conclusion

Last summer, my predecessor, Mr. Ed Harrington, implemented a contingency After Action Reporting requirement to ensure that the Army captures the lessons learned in this contingency. We are trying to identify the issues and address them in a manner to ensure that they provide us with effective information in planning for the future. The C3 is also working to

transition contracting lessons learned in the Iraq drawdown and is developing the concept of an Afghan Transition Cell to capture those lessons as we prepare to reduce our troops in Afghanistan.

Army contracting continues to identify more effective ways to ensure that we get the most value for our contracting dollars and the most effective support for our Warfighters. I cannot stress enough the complexity of managing countless requirements, overseeing tens of thousands of contractors and performing billions of dollars in procurements in an environment that is hostile on so many levels. Not only is physical security still tenuous, but the business and financial environment, educational level, technology, and infrastructure – though improving – form a gauntlet of obstacles to effective contract oversight. We have no choice, but to succeed. Our dedicated contracting workforce, both military and civilian will continue to take lessons learned in these challenging missions while we make improvements, adjustments and seek innovative solutions, to enhance mission success. The U.S. Army remains committed to the protection of the interests of the United States, our Warfighters and our taxpayers through excellence in all contracting activities.

Thank you for your continued support. I look forward to your questions.