

**STATEMENT BY**  
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**Department of State, Under Secretary for Management**

**BEFORE THE**  
**Homeland Security and Governmental Affairs Committee**  
**United States Senate**

**September 21, 2011**

Good afternoon Chairman Lieberman, Senator Collins, and distinguished Committee members. Thank you for your invitation to appear here today to discuss the Commission on Wartime Contracting's final report and the steps that State has taken, and continues to take, to improve contingency contracting.

The State Department has been working with the Commission on Wartime Contracting (CWC) since it was formed in early 2008, and has gained valuable insight from the Commission's efforts. Department witnesses have appeared at numerous CWC hearings; we have also provided briefings and documents to the CWC.

The ongoing dialogue between CWC and the State Department has been very beneficial in improving State's contracting function. We have taken seriously the CWC's recommendations to increase our contract oversight staff as it was in accord with efforts that the Department already had underway. We also agree that contracting and contract administration is a critical function that must have full Departmental support.

Examples of improvements that State has made to improve our contracting function and increase oversight are:

- We have mandated upfront planning for contract administration on major programs.
- The Department has increased the number of Contracting Officer Representatives (COR) assigned to contracts in Iraq and Afghanistan.
- On recent major acquisitions, the Department of State has increased the competition and number of awardees.
- The Department of State has upgraded and modernized Contracting Officer Representative training to be interactive and skills based.

- Department of State personnel were actively engaged with the Office of Federal Procurement Policy and with our colleagues in other agencies on preparing both the draft and final Policy Letter to better define inherently governmental performance.
- The Department of State is working with the Department's Office of the Inspector General to strengthen the suspension and debarment process.

I will discuss each of these improvements in the context of the CWC Final Report recommendations that pertain to State.

### **1. Use risk factors in deciding whether to contract in contingencies**

In deciding whether to contract in contingency situations, we note with appreciation the list of risk factors laid out by the CWC, and do consider them when evaluating whether to use contractor support. The CWC report states that because of the heavy reliance by agencies on contractors for professional and technical expertise, the government has lost much of its mission-essential organic capability, making it increasingly more difficult to oversee technical performance. We do not believe that our contracting for support in Iraq or Afghanistan has resulted in a loss of organic capability. We primarily contract to provide life support, security services, and aviation support, which allows us to carry out our core diplomatic and consular mission.

The Department has a long history of using contract guards for protection of facilities and personnel. Private security contractors (PSCs) are also critical to our readiness and capability to carry out American foreign policy under dangerous and uncertain security conditions. Maintaining this capability is particularly important at a time when the Department is taking on new and expanding missions in locations where military operations are ongoing, or areas that are just emerging from periods of intense conflict, such as in Iraq and Afghanistan.

We have sought to reduce risks associated with using contractors through robust oversight of our private security contractors (PSCs). Contractors are operationally overseen and contractually managed by direct hire Department of

State personnel. We have also instituted cultural training and behavioral standards to lessen the chance that a contractors' behavior will offend the sensibilities of the local populace. In situations where private security contractors have acted inappropriately or not performed as required we took corrective action.

The Baghdad and Kabul guard forces, like other local guards, serve as the first line of defense for our facilities and staff, but they differ from our typical local guard forces in that they have higher recruiting, screening, and training requirements; a high percentage of American and Third Country National personnel; and some specialized labor categories such as medical and logistics.

The Kabul and Baghdad guard forces also have specialized weapons and equipment which are necessary to counter the extreme threats in those countries and defend our personnel and facilities from attack.

The recent terrorist attack in Kabul illustrates the critical need for enhanced and robust security programs, including properly equipped private security contractors who are operationally overseen by direct hire members of the Department's Diplomatic Security Service and acting in concert with host country security forces. During the September 13 terrorist incident, the Embassy's security elements acted swiftly to protect embassy staff and Afghan visitors in the compound, moved them to safe locations, assumed defensive positions, and took defensive actions as directed by the Chief of Mission.

The Bureau of International Narcotics and Law Enforcement Affairs (INL) has re-designed its programs to address the issue of overreliance on contractors. While we judge that mentoring the Iraqi Police is not an inherently governmental function, we believe that program implementation by U.S. government personnel, where possible, is in our best interests. As a result, the Iraq Police Development Program (PDP) will now be composed almost entirely of U.S. government direct-hire personnel. The PDP's senior police advisors will either be former U.S. law enforcement personnel serving under temporary appointments (under 5 USC Sec. 3161) or active serving U.S. Federal Law Enforcement Officers.

Additionally, INL's Foreign Service staff at Embassy Baghdad and in each of the program's three hub locations will manage the PDP. Direct-hire contract

administration personnel at post will continue to oversee INL's contracts. Finally, four personnel to be hired as monitoring and evaluation officers will be U.S. government employees as well.

In Afghanistan, where INL has a smaller supporting role, Embassy Kabul has recently approved a civilian uplift to increase its direct hire employee capacity and to enhance the structure necessary for robust oversight of programs and contracts.

## **2. Develop deployable cadres for acquisition management and contractor oversight**

The Department of State experiences continuous contingency requirements around the world and our U.S. Government contracting staff is experienced in dealing with these types of situations.

In Recommendation 2, the CWC recommends a deployable cadre of acquisition professionals so that the U.S. Government does not rely on contractors for acquisition management and oversight. State does not use contractors for these functions; only U.S. Government staff provides contracting management and oversight. We use contractor staff to provide only administrative support.

When contingency contracting is needed, the Department deploys experienced contracting personnel and surges other resources to specific contingency operations. Through internal funding mechanisms (a one percent fee charged on all contracting services), the Department is able to draw upon its own resources including the hiring of 102 additional staff over the past several years.

The Department centralizes procurement operations in the Office of Acquisitions Management (AQM) and in its subordinate the Regional Procurement Support Offices (RPSO) and has found this model to be effective in supporting contingency situations such as in Haiti, Japan, Afghanistan, and Iraq among others. The Department does not see a separate contingency contracting acquisition cadre as an efficient or necessary model based on our experience as it would not avail itself of the experience we already have on-hand.

The Department's program offices are required to plan for technical support of contracting efforts to ensure adequate Contracting Officer Representative (COR) support. INL and Diplomatic Security (DS), the two bureaus most heavily involved in overseas contingency contracting, have both significantly increased resources to support contract administration.

#### **4. Improve interagency coordination and guidance for using security contractors in contingency operations**

The Department of State recognizes the need to increase oversight of private security contractors; this is an area where CWC's recommendations have been particularly helpful. CWC provided strong support to the Department, resulting in the enactment of an authority in the Consolidated Appropriation Act of 2010 that allowed guard contracts in Iraq, Afghanistan, and Pakistan to be awarded on a best value basis. Previously we could only award on the basis of lowest cost, technically acceptable. Enactment by Congress of this authority presented the opportunity to combine the World-wide Personal Protective Services II, Baghdad Embassy Security Force, and Kabul Embassy Security Force requirements into a single multiple award, indefinite delivery/indefinite quantity (IDIQ) contract for non-permissive environments.

In its final report, the CWC's recommendation 4 provides that:

- When private security or other contractors are to be armed, they should be overseen by government employees and tracked in a centralized system, as is done in Iraq.
- Reliance on private security contractors should be accompanied by greater use and emphasis on vetting, training, authorizing arms, and weapons control; post-convoy debriefing, locational tracking and video monitoring; and more thorough and comprehensive management.

We have already instituted operational measures, as well as increased contract oversight to ensure professionalism and responsibility through improved direct oversight of security contractor personnel. DS is staffed to achieve this



oversight. DS's actions for management, oversight, and operational control of PSC personnel include:

- DS Special Agents at each post in Iraq and Afghanistan serve as managers for the Static Guard and Personal Protective Security programs;
- DS Special Agents at each post also serve as Contracting Officer's Representatives (CORs) and Assistant CORs (A/COR) for the direct management and oversight of the Worldwide Protective Services (WPS) contract;
- DS personnel at each post are assigned as Government Technical Monitors (GTMs) to assist the COR and A/COR in the oversight of the WPS contract;
- DS personnel provide direct operational oversight of all protective motorcades in Iraq and Afghanistan;
- DS personnel continue to conduct frequent, unannounced health and welfare after-hours visits to WPS housing compounds. Collocation of contractor life support areas on Embassy, Consulate or compounds enhance after-hours oversight of contractor personnel;
- Revised mission firearms policies strengthen rules on the use of force and new less-than-lethal equipment have been fielded as a means to minimize the need for deadly force;
- Video recording systems and tracking systems installed in vehicles to enhance oversight and contractor accountability;
- All radio transmissions are recorded in Iraq.
- All incidents involving a weapons discharge and other serious incidents are thoroughly investigated by the Regional Security Office.
- In Erbil under the new WPS contract, all Third Country National (TCN) guards are being replaced with Local National (LN) Kurdish guards, thus reducing costs and building permanency in the guard force program.

Further, the Department tracks both security and non-security contractors through the USG-designated common database for contracts and contractors in Iraq and Afghanistan - SPOT, the "Synchronized Predeployment and Operational Tracker," which was developed by DoD.

The CWC report also states that Defense, State, and USAID should develop and enter into a standing interagency Memorandum of Agreement (MOA), incorporating lessons and best practices learned in Iraq and Afghanistan, to provide guidance in use of private security contractors in future contingencies.

The Department does not concur that a MOA is necessary to share best practices and lessons learned with the Department of Defense (DOD) and USAID. The Department is co-located overseas with other agencies which already facilitates discussion and agreement on security issues. State chairs the Overseas Security Policy Board (OSPB), of which both the DOD and USAID are members, which the Department believes is a more appropriate forum for addressing future contingencies. The purpose of the OSPB is to develop, coordinate, and promote uniform policies standards, and agreements on security operations outside the United States, and programs and projects that affect U.S. Government civilian agencies represented abroad. The OSPB was created in 1994 and is made up of 19 member agencies who meet in Executive sessions every other month. From the outset of these contingency operations, the OSPB has discussed and addressed lessons learned and best practices in order to enhance cooperation, increase communication and ensure the safety of personnel under Chief of Mission responsibility in the contingency countries. Both the DOD and USAID regularly participate in OSPB Executive Sessions and working groups with other federal agencies who are represented in the contingency countries and are given the opportunity to concur with security standards and policies as they are developed. This process, because of its longstanding history and cooperative environment with other agencies operating in contingency countries allows for a more rapid and flexible solution to the Commission's recommendation than entering into an agreement with just two agencies.

On the international level, the U.S. Government, particularly State and DoD, actively engaged in the development of the Montreux Document (2008), which sets out the existing international legal obligations of states and PSCs, and provides states with a set of good practices to promote compliance with international law. Although it is not itself a legally binding instrument, the Montreux Document is an important resource for the development of national regulation to promote accountability for PSCs.



The “International Code of Conduct for Private Security Service Providers” (the Code), a follow on to the Montreux Document, has the potential to improve compliance of PSCs with applicable law and provide additional tools for ensuring that PSCs are held accountable. The Department of State, along with other federal agencies including the Department of Defense, is actively engaged in ongoing efforts to establish the governance and oversight mechanism, which will oversee company compliance with the commitments contained in the Code. More than one hundred companies have signed the Code, including many that contract with the Department of State in places like Iraq and Afghanistan. Innovative projects such as the Code offer the potential for making real progress in altering company practices and creating tools for holding wrongdoers accountable.

#### **5. Take actions to mitigate the threat of additional waste from unsustainability**

The State Department and USAID place considerable emphasis on sustainability as part of the planning and execution process of all of our programs and projects. The U.S. Government has made both internal and external arrangements to ensure that GOI commitment to our work building the capacity of its institutions is secured before implementation begins.

The April 2009 “Guidelines for Government of Iraq (GOI) Financial Participation in U.S. Government (USG)-Funded Civilian Foreign Assistance Programs and Projects” require, with limited exceptions, that the value of U.S. Government assistance, excluding costs for security and life support, must be matched on a one-to-one basis by the GOI in cash or in-kind during the lifetime of the project.

As an external element, agreements are now generated in advance to ensure that our Iraqi counterparts are able, willing, and committed to sustaining these program efforts after the completion of U.S. Government involvement. Ranging from small scale grants to broad MOUs with Iraqi Ministries, these commitments help ensure that the US and Iraqi people derive the maximum long-term benefit from DOS and USAID investments. The Department is currently working to

finalize the remaining agreements with the Government of Iraq, including the MOU on the PDP.

The CWC Report describes 133 primary health-care centers built by the United States for about \$345 million as an example of unsustainability, when the Iraqi Ministry of Health lacked the capability to sustain the facilities. This experience from the early days of the Iraq conflict showed both DOS and USAID the importance of having a functional, legitimate host country counterpart with the capability and authority to sustain U.S. Government projects before commencing program activities. The U.S. Army Corps of Engineers restored and refurbished health clinics in Iraq from 2003-2005, with support from USAID. It should be noted that the U.S. Government implemented these projects at an early stage in Iraq's transition to a democratically elected government. When an Iraqi government was elected in 2005, the officials put in charge of the Ministry of Health declined to work with the United States due to opposition to the U.S. presence in Iraq.

Recognizing the importance of emphasizing the sustainability issue as a central element of implementation, both DOS and USAID have made concerted efforts to address the core capabilities of our local partners. Started in May 2011, USAID's new Primary Health Care program focuses on building the Ministry of Health's capacity to manage and improve primary health care clinics throughout Iraq. USAID is currently in the midst of negotiating an MOU with the Ministry to ensure the sustainability of our assistance.

INL works closely with its interagency partners and foreign governments around the world to ensure that programs will be sustainable by those governments in the long-term. The CWC report states that in Afghanistan INL has supported two counternarcotics compounds, one near the Kabul airport and one in Kunduz for the past 5 years, with the intention to transfer the compounds to the Afghan government, but the report states that it is not clear when the Afghan Government will be able to assume control.

INL's goal is to transfer these two counternarcotics compounds to the Afghan government as quickly as local capacity will permit, and has already

transitioned some responsibilities, such as perimeter security, to the Afghan government at the Kunduz compound , thus reducing the cost of operations. As Afghan capacity grows, we are planning to transition responsibilities for activities such as facilities maintenance and operation at all compounds INL supports.

In Kabul, INL is awarding a contract to connect the compounds that we operate near the airport to the local power grid to reduce energy production costs. We are also providing a logistics mentor to the Ministry of Interior's Counternarcotics Police to assist them in taking over key functions, such as the operation of dining facilities and other routine management responsibilities, which will be necessary to sustaining a police force in the future. In Kunduz, security at the Counternarcotics Police compound is already being overseen by the Afghan government.

#### **6. Elevate the positions and expand the authority of civilian officials responsible for contingency contracting at Defense, State, and USAID**

The Department of State centralizes acquisition support for contingency contracting. The Department finds this model to be the most effective and efficient model, and does not believe that a separate office of contingency contracting would work as well for our operations.

The Assistant Secretary for Administration at State has a professional acquisition staff that is sufficient to handle \$9 billion in contracting a year. The contracting function is comprised of contracting staff, and because of State's matrixed structure, can draw necessary expert support such as recruitment, staffing, space planning, legal counsel, etc. from those specialized professional offices.

The Assistant Secretary also serves as the Department's CAO. While contingency contracting is overseen by the Assistant Secretary, contingency contracting issues are consistently coordinated at the Under Secretary for Management level providing for high level focus. Major decisions on contingency contracting policy such as how to strengthen private security contractor oversight, are led by the Under Secretary for Management.

#### **9. Create a permanent office of inspector general for contingency operations**

State agrees that there must be independent oversight of contingency operations, but believes that these inspections would be most effective if they are carried out by experts who consistently focus on State programs, and who understand the agency mission, policy, procedures, and operations.

The Department's OIG and the GAO regularly perform audits and investigations on Department of State activities and are in the best position to perform the same activities related to Overseas Contingency Operations (OCO) and other contingencies. In addition, in the past few years, we have been reviewed regularly by the House Appropriations Committee, Survey and Investigations unit, which was created in the 1940s specifically to review wartime spending.

The Department has consistently raised significant concerns regarding the establishment of new Inspectors General with responsibilities that overlap existing oversight entities because the same functions can be performed more effectively and efficiently through the coordinated efforts of existing agency Inspectors General.

#### **10. Set and meet annual increases in competition goals for contingency contracts (competition and management)**

DOS agrees with maintaining robust competition on contingency as well as other contracts. The Department's competition advocates will continue to work with the individual contracting officers and program offices on strategies to increase competition.

On recent major acquisitions, the Department of State has increased the competition and number of awardees.

- On the Worldwide Protective Services contract, the successor contract to the Worldwide Personal Protective Services II contract, the number of companies that received an award increased from three to eight.

- On a recent procurement for Containerized Housing Units, the Department of State originally planned to select 8 contract awardees; however, after reviewing the proposals submitted increased the awardees to 13 and selected 8 large business companies and 5 small business companies.
- INL increased the use of fair opportunity awards under the Civilian Police contracts substantially since 2007. All three current Civilian Police contractors were offered the fair opportunity to compete for the current task order awarded for Iraq in 2008. In addition, a recent competition to replace the current Civilian Police contract resulted in six Criminal Justice Program Support (CJPS) contract awards for meeting all aspects of the contract requirements. We also expect there to be multiple awards as small business set-asides for those requirements with an estimated value of \$5 million or less. The small businesses selected will also be eligible to compete for requirements exceeding \$5 million. The set aside awards are a first for INL and part of our concerted effort to enhance competition among partners who provide critical support for INL's missions worldwide.

Where a single offer is received, DOS believes the Contracting Officer, time permitting, should determine why competition was limited and re-solicit. Where operational requirements mandate expeditious award, cost or price analysis should be used to determine price reasonableness and the reasons for limited competition should be determined after the fact. This allows us maximum flexibility while still protecting the government's interest.

#### **11. Improve contractor performance-data recording and use**

The Department of State agrees with this recommendation, and looks for implementation with a Federal Acquisition Regulation (FAR) change.

#### **12. Strengthen enforcement tools**

The Department commends the CWC for its recommendations on strengthening enforcement tools. We agree that Contracting Officers should require that a contractor obtain Contracting Officer consent to subcontract under



certain conditions. This recommendation should be implemented through a Federal Acquisition Regulation (FAR) change.

The Department of State recognizes the importance of preventing trafficking in persons (TIP) and has taken an active role in defining actions to be taken by government contracting officers and contracting officer representatives to prevent violations. The Department does not concur with incentivizing contractors to adhere to current TIP contract requirements. We disagree with including performance incentives, at U.S. taxpayer's expense, to require contractors to do what the contract already requires. Office of the Inspector General reviews have not identified trafficking in persons violations on Department of State contracts.

The Department of State requires that TIP requirements be discussed in pre-proposal and post award conferences and are a part of Contracting Officer Representatives oversight responsibilities. These requirements include contractor briefings for their personnel on TIP requirements. Acquisitions that will involve contractor provided housing will require a housing plan to allow contract administrators to verify the adequacy of housing conditions.

The Department issued guidance on TIP defining COR responsibilities. TIP guidance is also included in our revised COR Handbook and COR Course. State's Office of the Procurement Executive (A/OPE) worked with G/TIP and the Department of Homeland Security on a Contracting Officer TIP on-line course, which is now being offered as a pilot.

The Department of State has reviewed suspension and debarment processes to make them more effective. We have done the following:

- Contacted other agencies to identify best practices in their suspension and debarment programs.
- Drafted more detailed policies and procedures to make the process more consistent and fair.
- Created a suspension and debarment database to track actions.
- Established regular meetings with the Office of the Inspector General Investigations Office to ensure cases are dealt with expeditiously.



- Provided training on suspension and debarment to grants officers and scheduled training for Contracting Officers.
- Strengthened participation in the Interagency Suspension and Debarment Council (ISDC).
- Identified additional training for the suspension and debarment participants.
- The Department of State is revising procedures to require a written determination on action taken regarding referrals for suspension or debarment from Contracting Officers and/or the Office of the Inspector General.
- A/OPE drafted a Suspension and Debarment Handbook, which is currently being routed for approval. OIG already reviewed and provided comments.

While the Department of State does not believe procedural barriers currently hamper suspension and debarment activity at State, any actions to lower procedural barriers should be addressed by the Interagency Suspension and Debarment Council (ISDC) to ensure consistent treatment of contractors across agencies. Any changes to procedures should be directed at all agencies.

The Department of State agrees that a written determination on actions taken regarding referrals for suspension and debarment from Contracting Officers and/or the Office of the Inspector General should be made by the Suspension and Debarment Official.

### **13. Provide adequate staffing and resources, and establish procedures to protect the government's interests**

As noted above, the Department employs an internal funding mechanism, charging a one percent fee on all contracting services. This gives the Department flexibility to surge and dedicate resources to manage acquisition support to specific contingency operations as required.

**INL oversight improvements:** INL has taken steps since 2006 to improve contract administration and program management, including for operations in conflict areas, in response to a variety of oversight community recommendations

as well as INL's own managerial initiatives. Among the improvements are enhanced financial management, contract administration and oversight standard operating procedures and additional education for our personnel that strengthen INL's management and operations in those venues. Beginning in 2006, INL used the findings from three internal reviews of our Iraq and Afghanistan contract administration processes and controls to develop a new contract administration framework, with tougher contract oversight, invoice reviews, and reporting requirements. Key among the improvements was the establishment of an office that provides contract oversight and supports program management for Afghanistan and Iraq as well as increased staffing for contract administration and program management at headquarters and in the field. Specifically, INL:

- Instituted more precise Statements of Work (SOWs) and more specific interagency agreements;
- Employed the use of Quality Assurance Surveillance Plans (QASPs) to more closely monitor contract performance;
- Required the use of a credible inventory system for use by foreign assistance contractors, which meets Defense Contract Management Agency (DCMA) requirements; and instituted an annual inventory system for contractor purchased property to reinforce accountability measures already employed through INL's end-use monitoring procedures;
- Increased the number of program officers and contract administration personnel in the field and at headquarters;
- Defined specific roles and responsibilities for contract administration staff which includes greater specificity in defined standard operating procedures for invoice validation and review;
- Improved the accessibility of contract management staff to Contract Officer's Representative (COR) files by instituting remote electronic access from the field to headquarters;
- Engaged the Defense Contract Audit Agency (DCAA) to conduct incurred cost audits of our task orders for Iraq and Afghanistan; and
- Required contractors to provide more frequent and detailed cost reporting and detailed work plans prior to the commencement of work.

INL has paid special attention as well in its planning to ensure effective management and oversight is built into its Iraq programs. We have established a new position – Assistant Chief of Mission for Law Enforcement and Rule of Law Assistance, reporting to the Ambassador, who oversees all INL assistance in Iraq. For the new PDP, INL will utilize a robust monitoring and evaluation (M&E) program to ensure that the PDP is managed to achieve the goals and objectives that were established during the planning stage of the mission. Federally hired M&E specialists, under temporary appointment (5 USC Sec 3161), in the INL/Baghdad office and at INL's hub locations will gather information from our senior police advisors, analyze the information, and provide regular reporting to ensure that the program is proceeding as planned and is efficiently allocating resources. INL is also able to bring additional personnel to Iraq on a temporary duty basis for specialized needs.

**DCAA and DCMA audits:** The Department of State currently participates in annual audits with the Defense Contract Audit Agency (DCAA) of our high risk contracts to ensure the appropriateness of contractor's cost representations and determine whether incurred costs are reasonable, applicable and allowable. The Department is also initiating analysis of contractors' property management systems with the Defense Contract Management Agency (DCMA) for contracts that have Contractor Held Property exceeding the \$25,000 threshold. AQM puts in place similar audit programs for each major Department contractor, to include those supporting the INL Bureau.

Acquisitions Management has an interagency agreement with the Defense Contract Audit Agency (DCAA) to obtain these audit services. Five DCAA auditors will reside in Baghdad to perform contract oversight/audits.

In addition, auditors from DCAA will be assigned to each company receiving a task order under the Worldwide Protective Services (WPS) contract.

**Police Training Contracts:** AQM has arranged, or is arranging, for DCAA to provide audit services for three police training contracts, held by DynCorp, PA&E, and Civilian Police International.

Through the interagency agreement, the DCAA has audited six DynCorp task orders (Civilian Police) for Iraq. In total, 30 task orders will be audited under this contract. The Department has participated in the DCAA's (DynCorp Resident Office) audit program since 2010. This includes mandatory annual audits of business systems and internal controls, audit of incurred costs proposals, labor floor checks, Cost Accounting Standard audits, and special audits. The DCAA DynCorp Resident Office has called upon several additional audit teams to assist with the audit of direct and indirect costs on 10 major DynCorp contracts that have expired. Some of these contracts supported the INL Bureau. The audits are being performed in 2011 and 2012.

Acquisitions Management is working with DCAA to arrange for a similar audit presence for the PA&E CIVPOL Contract.

We are in preliminary discussions with DCAA and Civilian Police International (CPI) for the initiation of incurred cost audits for task orders under CPI's CIVPOL contract.

**Property Management Systems:** The Department has established an interagency agreement with the Defense Contract Management Agency (DCMA). DCMA performs Property Management System Analysis (PMSA) of contractor property management systems in accordance with FAR Part 45. DCMA conducts these reviews for all contracts that have Contractor Held Property exceeding the \$25,000 threshold.

Fifty-two DCMA personnel will support our Iraq contracting efforts, with 26 DCMA personnel in Baghdad and the remainder posted at other locations in Iraq.

**Conclusion:** In summary, I would like to emphasize that the Department takes its contracting program very seriously, and has taken steps to improve it and elevate its status. Secretary Clinton and the Department's senior management realize the importance of a sound contracting function that protects U.S. Government assets. Further, we work in close coordination with our colleagues at DOD, to ensure we take a whole of government approach.

In December 2010, the Department issued its first ever Quadrennial Diplomacy and Development Review (QDDR), which provides a blueprint for elevating American "civilian power" to better advance our national interests and to be a better partner to the U.S. military. The QDDR calls for a new bureau to deal with conflict prevention and stabilization, which will assess needs for contingency resources.

The QDDR sets out four key outcomes for State and USAID, one of which is working smarter to deliver results for the American people, including managing contracting and procurement to achieve our mission effectively and efficiently.

We have begun implementing the QDDR, to improve contracting oversight; some specific examples are as follows:

*Elevate the status of contract oversight personnel*

As initial steps, this summer we created a Contracting Officer Representative (COR) Award to highlight contract administration achievements by the COR; the first awardee has been selected. We also published an article in State Magazine highlighting the importance of contract administration and the valuable role of the COR.

*Link Oversight Duties to Performance Evaluation*

In January and April 2011, we issued Department notices reminding staff of work elements for CORs and Government Technical Monitors (GTM). The April 2011 notice provided guidance on critical work elements for supervisors to include in COR and GTM performance appraisal plans (or Employee Evaluation Reports (EERs)).

*Expand Training*

Training has been expanded by launching a skills-based COR class in May 2011. The Department also adopted the Federal Acquisition Certification –

Contracting Officer Representative (FAC-COR) requirements for initial and continuous training in the business and technical skills of contract administration.

*Elevate Accountability for Planning and Oversight of Large Contracts*

As part of the QDDR process, the Department of State instituted a requirement for the Assistant Secretary of a Bureau with a service contract with expenditures exceeding \$25 million per year to certify that adequate contract administration resources have been identified to manage the contract.

The QDDR, initiated by Secretary Clinton, reflects the importance that the Department places on contracting. We will continue working to improve contracting oversight and management, for our entire acquisition program, including contingency contracting.

As I have discussed today, we believe our current organization is most effective for us -- having an Assistant Secretary of Administration, who also serves as the CAO, in charge of all contracting, including contingency. Currently, we are awaiting confirmation of this Assistant Secretary, nominee Joyce Barr, a Foreign Service officer with 30+ years experience. When Ms. Barr comes up for her confirmation vote, I ask that you approve her swiftly so she can assume the management of our acquisition program.

Thank you again for inviting me here today to discuss the CWC final report and State's contracting program. I will be glad to answer any questions you have.