



Afghan contractors and U.S. Army Corps of Engineers representative, near Mazar-e-Sharif, Afghanistan. (U.S. Army photo)

# Chapter 8

## The way forward demands major reforms



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**T**he United States was not prepared to go to war using contractors in Iraq and Afghanistan. As a result, tens of billions of dollars were lost to waste, fraud, and abuse.

Lulled by the quick success of the 1991 Gulf War and the Balkans deployments of the mid-'90s, we did not notice how great our reliance on contractors had become—or that some contractors themselves were so extensively involved in contract management.

Some members of the acquisition community and independent experts warned that the new pattern of heavy reliance could stress and break the contract management-and-oversight system operated by a depleted federal acquisition workforce.

The acquisition community, however, had no seat at the table in deciding whether to use contractors, and no voice in budgetary debates on how big the federal

acquisition workforce should be to manage the hundreds of billions of dollars in contracts for which it was responsible. No serious reforms or resource commitments were made before the Iraq and Afghanistan contingencies laid bare the weakness.

Nearly a decade later, the importance of reform in contingency contracting still remains insufficiently appreciated. Meanwhile, the combined force of budgetary pressures and war

weariness threatens to push cost-control initiatives for contingency contracting into the background once again.

Much of the waste seen in Iraq and Afghanistan was preventable. Much that is occurring now can still be mitigated. And much that could occur in the future can be avoided. All it takes is the refusal to repeat mistakes, and the will to act.

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## Reform will require resources and sustained effort

Despite some improvements in structures and practices, major problems exist, and much work remains to be done. The Commission's recommendations detail that work. Making these recommendations a reality, however, requires a collaborative, dedicated, and sustained effort by all participants in the process—contractors, Congress, the White House, and Executive Branch agencies including the Departments of Defense and State, USAID, the Office of Management and Budget, and the National Security Council.

Each participant in the contingency-contracting universe must recognize and take seriously its responsibility for supporting, implementing, or abiding by the reform recommendations that the government adopts. Contractors must act on the premise that they will truly be held accountable for their performance. Departments and agencies must realize that they need to do a better job of selecting projects and programs, defining the work to be done, coordinating their efforts, and managing the contractors they engage.



U.S. Army interpreter, Afghan National Police officer, and contractors, Wardak province, Afghanistan. (U.S. Army photo)

The role of Congress is critical. The problems identified in this report will not fix themselves, and cannot be fixed for free, or even cheaply. It is not enough for Congress to say, "There are too many contractors," or "Some contractors are performing tasks reserved to the government," or "We need better oversight of contractors," or "We won't have another big contingency operation." Congress must direct and participate in serious reform.

Paying lip service to reform will not cure problems such as the Defense Contract Management Agency (DCMA) being under-staffed and at the mercy of temporary funding for many of its contract-management professionals. Nor will lip service help the Defense Contract Audit Agency (DCAA), whose backlog of incurred-cost contract audits has now grown to more than \$550 billion and will require years of work to reduce even if hundreds of new auditors were hired.

Unless Congress provides money and issues mandates for improved planning, management, and oversight capabilities there will be no significant change or real savings in contingency contracting. Given the current outlook for a crisis in

the federal budget, the temptation will be powerful to postpone the investments needed to support contingency-contracting reform and to avoid making hard choices.

Congress must resist that temptation and recognize that preparedness for contingency contracting is as much a national-security priority as procuring weapons systems.

► **RECOMMENDATION 14**

**Congress should provide or reallocate resources for contingency-contracting reform to cure or mitigate the numerous defects described by the Commission**

## Elements needed to be ready for the next contingency

The convergence of emergency responders in New York City and Washington after the 9/11 attacks, the speedy overthrow of the Taliban regime in Afghanistan that was harboring al Qaeda terror plotters, the response of U.S. military units to the Hurricane Katrina disaster, and other episodes in modern American history confirm that energy, ingenuity, and resolve can improvise solutions and cobble together working arrangements to tackle vast challenges.

Unfortunately, that ad hoc approach is costly, inefficient, and a threat to mission objectives. The Commission's work, reports by federal inspectors general, and congressional investigations have demonstrated that improvised arrangements risk duplication, gaps, delays, inadequate oversight, poor coordination, and threats to mission success that can carry harsh price tags in money and lives.

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Considering that the United States has *at all times since 1988* been involved in at least one overseas military deployment (see Chapter 1), and that the country chronically faces unpredictable threats of national emergencies and international humanitarian disasters, the high cost of repeating ad hoc arrangements for contract support is unacceptable. In addition, a potentially large but hidden cost of recreating contingency-support arrangements

is the risk that lessons learned and institutional memory will dissipate between contingencies—another problem that the Commission's recommendations address.

Enactment or adoption of Commission recommendations presented in previous reports or introduced in this report would provide the United States with a ready-to-roll capability to address new contingencies from the outset. This capability would ensure better contract management and oversight, promote better selection and coordination of agencies' efforts, and avoid a great deal of waste. The reform recommendations creating this capability include:

- giving recognition to “total force” doctrine by including clear contracting guidance in planning, training, exercises, doctrine, and in policy documents like Defense’s Quadrennial Defense Review and State’s Quadrennial Diplomacy and Development Review;
- requiring metrics for readiness and performance reports for Defense, State, and USAID unit preparedness;
- applying risk-based staffing assessments to determine organic agency resources needed to preserve core capabilities, including managing contractors;
- creating a trained, experienced, expandable, and deployable cadre for contingency acquisition-support functions;
- preparing more competitive contract vehicles and better enforce rules for contracting;
- establishing a senior federal position responsible for overall strategic direction, mission alignments, and interagency coordination for contingency operations to provide a whole-of-government approach;
- establishing senior agency positions responsible for contingency contracting;
- elevating the role of contingency contracting by establishing a new J10 (operational contract support) directorate headed by a flag officer on the Joint Staff; and
- creating a permanent office of inspector general for contingency operations whose staff would be ready to deploy at the onset of a contingency, and who would monitor agencies’ planning and preparedness activities between contingencies.



U.S.–Iraqi patrol, Mosul, Iraq. (U.S. Navy photo)

The combined effect of these measures would be to create a pre-packaged set of capabilities so that, for example, plans for implementing operational contract support could be quickly adapted to local conditions, and so that contract managers and auditors would arrive in theater with operational personnel and contractors, not months or years later.

## A forcing function is needed

The Commission has offered a number of recommendations in this final report, as well as in its February 2011 second interim report and five special reports. Agencies have adopted some and are considering others. Lawmakers have supported a few, in whole or part, in proposed legislation. These are encouraging signs.

But the breadth and depth of problems in contingency contracting dash any hope of quick and easy fixes. Some needed reforms will take years of effort to arrange and implement—a time span that not only exceeds the life of this Commission, but probably the terms in office of many current decision makers.

Some agencies have recognized the need to document the lessons of Afghanistan and Iraq, and to make changes in the aspects of their doctrine and operations that they can influence. The U.S. Army and the U.S. Air Force have active lessons-learned centers, and USAID has taken some useful steps as well. The Army, for instance, has set up a Peacekeeping and Stability Operations Institute at the Army War College and an Irregular Warfare Fusion Cell at its Combined Arms Center, among other initiatives. The challenge of preserving lessons learned and advocating change could also benefit from sustained attention from a federally funded research institute, an independent think tank, or similar entity.

The Center for Complex Operations at the National Defense University could be another logical nexus of thinking and advocacy for contingency-contracting reform. It has already published useful examinations of the impact of Provincial Reconstruction Teams, implications of the end of the nation-state monopoly on war, and other topics bearing on contingency operations.



U.S. Army soldier with contractors, near Baghdad, Iraq. (Defense photo)

These initiatives are helpful and encouraging. Nonetheless, the main responsibility for driving change lies with the leadership of Congress and the Executive Branch. A forcing function is needed to ensure widespread and effective adoption of contingency-contracting reform.

Without a forcing function, agency inertia, resistance to change, sporadic attention, personnel turnover, and a lack of sustained and focused leadership will weave a heavy blanket that smothers progress. Effective implementation of reform requires establishing a method for periodic reporting on the status of Commission recommendations to keep the reform agenda in decision makers' field of vision.

### ► **RECOMMENDATION 15**

## **Congress should enact legislation requiring regular assessment and reporting of agencies' progress in implementing reform recommendations**

The legislation should require:

- The Secretaries of Defense and State and the Administrator of USAID to submit reports detailing their plans for implementation of Commission recommendations, commencing 180 days from enactment of the legislation, with annual reporting thereafter.
- Agencies' reports shall be submitted to congressional committees of jurisdiction (armed services, homeland security, government oversight, and foreign affairs); to the inspectors general of the Departments of Defense and State, and of USAID; and to the officials holding the proposed new positions at OMB/NSC and the permanent inspector general for contingency operations, all of whom would be required to review and validate the reports.
- Reporting requirements that include:
  - actions taken or planned to implement recommendations, including an implementation schedule with milestones and assignments of responsibility;
  - explanations for non-implementation of recommendations, including counter-measures for barriers to implementation; and
  - evaluation within 120 days by the Comptroller General of the United States and agency inspectors general (and the permanent contingency inspector general when available) of the agencies' reports and their compliance with requirements.

## The government cannot afford denial and complacency

American and allied involvement in hostilities in Iraq and Afghanistan is declining. But it would be the height of folly to suppose that the many documented difficulties with contingency contracting will decline and disappear as that involvement ends. If anything, as troop numbers decline, the number of contractors may *increase*, at least in the short term, for it may be many years—if ever—before the United States fully withdraws from operations in Iraq and Afghanistan.

Even if hostile forces, whether insurgents or terrorists, were to lapse into a prolonged period of inactivity, mass-casualty natural or humanitarian disasters such as floods, hurricanes, or earthquakes in the United States or elsewhere will surely require new contingency-contract support.

Still, the prospect of purely military contingencies recurring with little warning cannot be discounted or dismissed. The unexpected and swift development in spring 2011 of a campaign of United States and NATO suppression of Libyan government attacks on civilians is a recent case in point. It illustrates how quickly unanticipated responses that include contractor support may be required. Unrest

in Somalia or Yemen, or the aftermath of the “Arab Spring” popular uprisings of 2011 could also present U.S. decision makers with conditions requiring consideration of a contingency response.

**The United States will not be able to conduct large or sustained contingency operations without major contractor support.**

The United States will not be able to conduct large or sustained contingency operations without major contractor support. Avoiding a repetition of the waste, fraud, and abuse seen in Iraq and Afghanistan requires either a great increase in agencies’ ability to perform core tasks and

to manage contracts effectively, or a disciplined reconsideration of plans and commitments that would require intense use of contractors.

Failure by Congress and the Executive Branch to heed a decade’s lessons on contingency contracting from Iraq and Afghanistan will not avert new contingencies. It will only ensure that additional billions of dollars of waste will occur and that U.S. objectives and standing in the world will suffer. Worse still, lives will be lost because of waste and mismanagement.

The nation’s security demands nothing less than sweeping reform.



U.S. soldiers  
with Provincial  
Reconstruction Team  
Kapisa and local  
contractors, near  
Durnama village,  
Afghanistan.  
(U.S. Air Force photo)