Thank you distinguished members of the Commission. My name is Cheryl Ritondale. I am the Global Director, Procurement and Supply Management at KBR.

I have been with KBR for 11 years and have eighteen years of experience in contracts and subcontracts administration, spanning all facets of procurement related activities and compliance. I have served as the Global Director of Procurement and Supply Management since August, 2008. In this role, I have responsibility for the oversight and management of the Government and Defense business unit’s Procurement and Supply Management organization. Previously, I served as the Director of Procurement Compliance. In this capacity, I provided leadership and oversight for all aspects of the KBR Procurement Compliance Program and Corporate Small Business Programs. I also developed our Procurement and Supply Management Training Programs including KBR’s PSM Academy to train procurement and supply management personnel prior to their deployment abroad. I have also been extensively involved in supporting KBR Contingency and Emergency Response Programs. During my time at KBR, my subcontracts administration and oversight duties have taken me to theater on numerous occasions, and I have frequently traveled throughout the world providing leadership, on-site training, compliance reviews, and oversight of outreach programs.

I received a Bachelor of Arts in Government and Politics from George Mason University in Fairfax, Virginia, and later completed University of Virginia’s Procurement and Contracts
Management Certification Program in Falls Church, Virginia, a two year program encompassing course work in all aspects of federal procurement.

We welcome the opportunity to appear here today to support the Commission in fulfilling its mandate of examining contingency contracting, with a particular focus on subcontracting, and to help identify ways to improve the current expeditionary contracting system. KBR looks forward to helping the Commission identify lessons learned that can be applied to current operations as well as focused, actionable recommendations that will enable positive change of the contingency contracting process. KBR has worked with the Commission from the outset, providing it with requested information, providing testimony in past Commission hearings, and participating in numerous meetings and briefings domestically and in Iraq, Afghanistan, and Kuwait. We very much value our ongoing, cooperative dialogue and discussion with the Commission, and are pleased to be here today.

KBR has been proud to serve the Government and the Military since World War II. Our service and support mission has taken us around the world to numerous hostile and austere environments. KBR is one of many contractors and subcontractors providing support to U.S. and Coalition forces, diplomats, and civilians in Iraq, Afghanistan, and elsewhere across the globe. Under the LOGCAP III contract, KBR employees have served more than one billion meals, delivered approximately 440 million pounds of mail, produced nearly 23 billion gallons of water, issued more than eight billion gallons of fuel, logged more than 700 million miles transporting supplies and equipment for the Military, laundered 78 million bundles of laundry, and literally built functioning cities on the desert sand, all in an effort to support U.S. troops as they carry out their important and dangerous missions.
In my testimony for today’s hearing on subcontracting, I will provide a description of KBR’s subcontracting process and the associated oversight and controls; outline a number of subcontracting challenges inherent in a war zone environment; and provide a few of the lessons we have learned and our recommendations for improving the associated subcontracting processes and procedures.

Under the LOGCAP III contract alone, KBR has managed roughly 1,700 subcontractors and in excess of 11,000 subcontract awards. This experience gives us a unique understanding of subcontracting in a contingency environment and we would be pleased to offer some insights and reflections to the Commission from our perspective. Although there will always be intense challenges in a war zone environment and also occasional challenges with particular subcontractors, it is important to mention at the outset that on the whole KBR’s subcontractors have done a remarkable job in assisting KBR to meet the needs of the Warfighter and of the mission.

As the Commission can appreciate, there have been significant challenges, particularly in the early days of the Iraq War, as there were virtually no operating subcontractors in Iraq and only a handful of subcontractors with any experience supporting a U.S. Government contract throughout the region. The challenges included the far flung and unpredictable nature of the Military’s operations, as well as the conditions in Iraq itself. These conditions included the absence of an existing banking infrastructure, basic business technology, or a functioning labor market. Subcontracting realities are, as with all aspects of the War effort, largely driven by the circumstances on the ground.

In this environment, KBR has implemented detailed subcontracting processes and procedures that govern how we: 1) select our subcontractors; 2) manage our subcontracts and
subcontractors; and 3) seek to ensure the quality and performance of our subcontractors. Based on KBR initiatives, these have been continuously refined and improved throughout this conflict. I had the opportunity to discuss and review these processes and procedures with Commission staff during their productive visit to our Houston headquarters earlier this year.

When the U.S. Government provides us with a logistical requirement, KBR makes a decision to self perform or to utilize subcontractors by evaluating, among other factors, the necessary capacity and mobilization timing needed to support that requirement. If a determination is made to subcontract, we conduct a search for companies with the ability and capacity to successfully support the requirement.

As part of the subcontractor evaluation process, KBR analyzes multiple factors (including price, technical and management qualifications, experience, and past performance) and makes a best value determination to award in much the same way as the Government does in its solicitations. Finally, after the evaluation process has been completed and KBR has selected a subcontractor, we submit our selection to the Government for its consent to our award of the subcontract in accordance with the dollar thresholds identified in the prime contract.

Since there has been some confusion over the years on this issue, it is important to clarify that virtually all KBR subcontracts under LOGCAP III are based on price and not cost, and as such have been awarded as fixed-type subcontracts (in fact, KBR has only had two cost-type subcontracts over the past seven years). Of the two broad categories of contract types (price and cost), our subcontracts are almost always price-type. The Federal Acquisition Regulations prescribe that price-type contracts should be utilized when contracting for commercial items or for acquiring other supplies and services when we can establish a fair and reasonable price at the
outset by means of price competition, prior purchasing history, or when sufficient cost or pricing information is available, permitting realistic estimates.

After the subcontract has been awarded to a subcontractor and the Government has approved this award as required, we begin the process of managing the administration and execution of the contract. Typically, subcontractors require time to mobilize and begin work. They need to move materials, equipment, and people to the worksite – often from outside of Iraq. Subcontractors must establish and prepare to operate their own office space, housing, dining, laundry, and other facilities. In addition, subcontractor personnel must go through the various processes of being vetted prior to performing work, including medical examinations, security checks, and “badging” at multiple governmental and administrative levels.

At this point, subcontractors begin to execute their subcontracts and KBR monitors and manages the performance and compliance of the subcontractors with respect to 1) technical mission support requirements identified in their scope of work; and 2) contractual requirements as identified in their terms and conditions, including a number of U.S. regulations and policies. With respect to performance and quality of mission support requirements, KBR uses cross functional groups to inspect and verify that the subcontractors are meeting the Warfighter’s needs and KBR’s contractual requirements. Elements of the cross functional groups include: site project personnel, specialized services experts, Health Safety and Environment (HSE) personnel, Quality Assurance Quality Control (QAQC) personnel, and subcontract administrators. This group effort is integral to the proper administration of the subcontracts. With respect to the contractually required terms and conditions, a good example includes the regulations regarding Trafficking in Persons (TIPS) which KBR must oversee. In the case of TIPS, KBR seeks to
ensure that the subcontractors are providing their employees safe, humane working and living conditions.

In addition to these, KBR has a detailed process of oversight and controls which seeks to ensure compliance with our contractual standards and that subcontractors do not fall short of performance or quality expectations. This process begins at the field level through direct supervision and interaction with our subcontractors. If performance concerns are identified, they can be elevated to site procurement and management personnel through direct and official communications between local KBR and local subcontracting personnel. If additional steps need to be taken, KBR’s senior subcontracting personnel provide the subcontractor a written, detailed description of the problem that has been identified and require remedial solutions to be implemented. Finally, if we are unable to mitigate performance issues with subcontractors, subcontracts can be terminated as necessary consistent with the subcontract. This oversight process provides a system that seeks to identify any problems, notifies the subcontractor, requires remedial solutions, and ultimately enables KBR to take action as needed to ensure compliance with customer requirements.

In addition to KBR’s extensive oversight processes and procedures designed to ensure subcontractor quality and compliance, KBR utilizes a detailed payment verification system which allows KBR to oversee certain technical aspects of contract administration with greater accuracy and efficiency. Specifically, for any subcontract, KBR’s field personnel verify documents related to services performed and goods received, checking such factors as quantity of items, hours, or other payment relevant detail; KBR subcontract administrators then verify that those services are allowed under the subcontract terms; finally, KBR accounting personnel verify subcontractor invoices before making any payments. This three-way verification process
source documents, subcontract terms, and invoices — seeks to ensure proper subcontract administration and quality of services performed. Among other benefits, this automated system implements tremendous controls and oversight, relies on a series of checks and balances and segregation of duties involving all necessary KBR personnel, and allows KBR to verify subcontractor bills in as close to real time as possible (and in many instances even in advance of receiving the invoice itself).

Our subcontracting systems have evolved over time as we have continued to incorporate our lessons learned, as well as feedback from our subcontractors and customer. We remain committed to continue taking such steps as necessary to maintain the very best systems and to serve the Military’s needs in Iraq and around the globe.

As the Commission stated in its Interim Report: “[t]he challenges of managing foreign subcontractors are compounded by barriers of language, culture, and business customs. Foreign subcontractors are generally not familiar with the unique requirements of U.S. government contacting and operate under different financial-reporting requirements and disciplines.” While our subcontracting process allows KBR to mitigate some of these challenges by conducting effective oversight of our subcontractors to ensure compliance with U.S. policies and regulations, and to ensure that their performance and quality of service meets the standards and expectations of the Warfighter on the ground, certain challenges do remain. I would like to provide the Commission with a few additional examples of some of the challenges we have faced in managing our subcontractors and some of our related recommendations.

At the outset of the Iraq War, in connection with the magnitude and urgency of the logistical support required, KBR faced new and extraordinary operational challenges inherent in a war zone which impacted subcontracting and subcontractors. As you know, the Military and
their contractors encountered a rapidly changing and increasingly perilous situation in Iraq. It was in this environment that the initial levels of services required of KBR under LOGCAP  III evolved to meet the exigencies of the situation that America’s courageous Soldiers, civilians, and the contractors and subcontractors who supported them, confronted. KBR and its subcontractors frequently had to develop solutions to wartime logistical challenges on the ground, in real time, often in support of over 200,000 service members, as well as diplomats, Government civilians, non-governmental organizations, and support personnel throughout the theater. In Iraq, and particularly in the early days of the War, the presence and availability of subcontractors, essential supplies ranging from basic office equipment to construction materials, and even a functioning local banking system, trailed the pace of the demand for services and this led to further challenges. Another inherent challenge related to the expectation of the acceptable quality and extent of documentation. In the Iraq and Afghanistan theaters, few, if any, vendors had experience with the level of documentation expected by the U.S. Government. When this was combined with the demand for KBR to provide services to the Warfighter in an extremely compressed schedule and in a war zone, the resulting documentation often did not meet the traditional, state-side expectation. With time, increased stability, and efforts by KBR, our subcontractors, and the Government, this has improved.

As this example illustrates, and in KBR’s experience, the stability inherent in normal contracting process and execution, whether that be state-side or in non-hostile environments overseas, is often not possible in a war zone. In fact, the structure and discipline of the subcontracting system is often at odds with the realities of the war zone operational environment — specifically, the Military’s constantly changing needs and requirements.
I would also like to discuss the Iraqi First Program as this provides a vivid illustration of some of the subcontracting realities and challenges inherent in a war zone. This Program, which includes general policy objectives articulated by the Government, is designed to strengthen the local economy and provide valuable, long-term job skills to individual workers. However, as outlined below, these governmental policy objectives create a number of challenges for KBR when managing local Iraqi subcontract personnel.

With respect to the Iraqi First Program, the Government has provided general guidance to make the employment of local Iraqis a “priority.” KBR has met and exceeded the Government’s expectations with regard to local hires and the Government has always been very pleased with KBR’s participation in the Program. For example, as of April of this year, KBR employed roughly 4,000 Iraqi personnel and, including local purchases of goods, has returned roughly $526 million to the local economy over the life of the Program. We have trained local Iraqi nationals in specific trade areas, including as plumbers, carpenters, and heavy equipment operators, among other areas.

While this Program is very valuable for a number of reasons, and although KBR wholeheartedly supports the objectives of the Program, it has created certain subcontracting-related challenges for KBR. Specifically, the lack of a consistent, theater-wide vetting and badging system for Iraqis participating in the Iraqi First Program has a direct impact on efficient utilization of subcontractor personnel. Pursuant to Military direction, all local nationals participating in the Iraqi First Program must be badged to gain access to the jobsites on various bases. The badging process includes vetting, physical security searches, and use of biometrics to gain camp access. Unfortunately, as there is no uniformity and the requirements for badging
vary from camp to camp due to mission requirements, this routinely results in significant delays getting workers to the job sites.

An additional badging challenge concerns foreign nationals who may be required to move from camp to camp, but must be rebadged for each camp they enter as an individual is only permitted to have one badge and must turn this badge in when leaving a camp. Currently, it takes approximately 20 to 25 days (down from approximately 45 to 60 days), dependent on the base in question, to complete the badging process. This has made it very difficult, if not impossible, to shift such subcontract workers between camps. Especially during the current draw down, when it would be of the most use to have the flexibility to move such subcontract workers between camps and to utilize the existing labor pool most efficiently, it is very difficult to do so given the individual badging requirements for each camp.

In addition to these challenges, which highlight some of the subcontracting experiences KBR has faced in a contingency environment, we also continue to support our previous recommendations to the Commission. As KBR has noted in the past, and as the Commission stated in its Interim Report, it is critical that the Government speak with one voice. This is particularly true with regard to the subcontracting process, where KBR is often faced with multiple and at times competing priorities and direction from the Government. The Military Commander (who may or may not have an understanding of what services the Military has contractually tasked KBR to perform) on the ground may express an immediate need with the urgency of real time battlefield necessities. Assuming this is a need which KBR subcontracts to satisfy (as opposed to self performs), KBR will then begin the detailed process outlined above of soliciting bids. Both the Army Sustainment Command and DCMA are responsible for overseeing our contract, and both give us instructions on what is or is not required or permitted
under the contract throughout this process. DCAA and other after the fact auditors later come in and provide their view, often removed in time and geography from the Soldier and his Commander expressing the initial requirement during the heat of battle. With respect to subcontracting, KBR faces the challenge of meeting the very real needs of the Warfighter, while also satisfying the important demands of contracting officers and Government auditors. It would benefit the subcontracting process and provide increased efficiency and cost savings if the Government could speak with one voice throughout this process.

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KBR remains proud of the work it performs in Iraq and around the world, and of its support to the brave men and women we serve. Our employees perform their jobs in austere, unpredictable conditions at great sacrifice to themselves and their families. I would be remiss if I did not make note of the dangers faced and tremendous sacrifices made by our brave subcontractors and their families as well. I appreciate the opportunity to be here today and to provide the Commission with KBR’s perspective on how subcontracting may be improved going forward. I look forward to answering your questions.