

STATEMENT BY:

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Introduction

Chairman Thibault, Chairman Shays and Members of the Commission, thank you for the opportunity to present testimony to the Commission on Wartime Contracting on private security contractors in Iraq. I am pleased to represent Aegis and all of our employees worldwide on this matter. The majority of my written testimony is dedicated to the five issues that the Commission raised in its invitation letter to testify. I have also tried to address several of the issues that arose during our pre-brief with Commission staff. In addition to responding to the critical issues the Commission has raised, my testimony also provides an overview of Aegis and of our operations in Iraq, as well as a brief summary of our activities, lessons learned and recommendations relating to contingency contracting reforms.

Given the critical role that contractors have assumed in support of the U.S. government's missions in Iraq and Afghanistan, Aegis strongly supports the efforts of the Commission and other government and non-government organizations that are working to improve the accountability and performance of contingency operations contracting. Effective operations require strong frameworks in which to operate; they require clearly defined objectives, requirements, means of measurement and, most importantly, accountability. Based upon our experience, it is our view that neither the U.S. government nor its contracting partners can perform their missions effectively in contingency theaters unless there is a robust system for managing and evaluating the role and performance of contractors in the field. While there are measures in place, the Commission has clearly identified some areas for improvement that would create a more robust and effective framework for contingency contracting, emphasizing enhanced accountability, more oversight and greater transparency. Such improvements are necessary to enable the government to more effectively manage contracts and to enable contractors to operate within a structure of common standards and oversight.

Perhaps the most salient argument for reforming contingency operations contracting is the simple fact that contractors are a necessary reality of the United States' missions in Iraq and Afghanistan, and perhaps similar, future missions. As the Department of Defense's Under

Secretary for Policy Michele Flournoy stated just two weeks ago, “Contractors on the battlefield are here to stay.” (Thursday 10 June 2010, CNAS’ 4th Annual Conference)

Aegis is proud to support contingency operations in the field and looks forward to participating in a continuing dialogue with the Commission and its staff as it makes progress towards its final report and recommendations.

About Aegis

As a brief introduction, Aegis LLC is a U.S. company and a subsidiary of the worldwide Aegis Group. We are a security and risk management company that is threat driven and intelligence led. We provide comprehensive solutions on every aspect of security including: stability operations, reconstruction and development support, capacity building, commercial risk and analysis, humanitarian support services, and information gathering and analysis. Our focus is to provide the appropriate support to enable clients’ activities in complex operational environments. All work undertaken by Aegis is carried out to the highest standards of professional competence and integrity. Our track record is extensive, and our seasoned professionals are dedicated to supporting the mission at hand with exceptional performance.

Aegis’ operations are guided by our corporate ethos: professional excellence; discretion and integrity; client confidentiality; corporate transparency; adherence to national and international law & respect for human rights; full and open engagement with government and international institutions; local cultural awareness and sensitivity, to include integration when and where appropriate; support for industry regulation; and, duty of care to our employees.

Aegis' Performance in Iraq

In May 2004, the Department of Defense awarded Aegis the Reconstruction Security Support Services (RSSS) contract for Iraq. The contract was subsequently re-awarded to Aegis in 2007 following an open competition. Through RSSS, Aegis provides support to the U.S. Army Corps of Engineers (USACE) Gulf Region Division filling a critical resource gap identified by the Government.

Additionally, Aegis provides static and mobile security, intelligence analysis, and the coordination of contractors' movements, allowing USACE and the U.S. military at large to focus on its primary mission. Aegis provides rapid mobilization of services and capacity to fulfill immediate needs as determined by the Government.

"As the COR for this contract I routinely receive positive comments about the performance of the SETs[security escort teams], the excellent quality of the RLT [reconstruction liaison team]reports, the depth of analysis provided by the Intelligence Cells, and the information coordination provided by the NROC [National Reconstruction Operations Center], RROCS [Regional Reconstruction Operations Centers] and SROCs [Satellite Reconstruction Operations Centers]. Based on the results of all external internal inspections, and the feedback from all GRD personnel receiving services from Aegis in the execution of this contract, I must rate their past performance as outstanding."--
SIGIR's "Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense" January 14, 2009.

Specifically, we provide security services and a command, control, communications and intelligence (C3I) framework to U.S. Army Corps of Engineers Gulf Region Division (GRD) including:

- Reconstruction liaison teams (RLTs) and civil affairs. The RLTs are unique to Aegis. At one point during the contract Aegis maintained 18 RLTs, one in each Iraqi province. These teams consist of 11-14 individuals, half of whom are Iraqis and the other half are either U.S. or UK personnel. The purpose of the RLTs is to provide local information, situational awareness and status reports on reconstruction projects for GRD, for example:

The construction of a critical \$100 million water treatment project was repeatedly interrupted due to local hostility. The locals, encouraged by insurgents, believed the project would steal their

water, and the insurgents for their part did not want to see any improvement in local conditions as a result of ‘occupation’ efforts. An Aegis RLT met with local leaders, identified and mitigated the key issues that were preventing progress on the water treatment project. Within two months, the project was completed, including the provision of 30,000 vaccination kits that were provided by Aegis. The project became a major success story as water-borne illnesses in the surrounding community dropped precipitously.

- Security Escort teams (SETs);
- Operational support;
- Communication, coordination, visibility, support, as well as information gathering and analysis via the Reconstruction Operation Centers (ROCs) (now the CONOCs – Contractor Operation Centers);
- Anti-Terrorist/Force Protection;
- Personnel Vetting Services; and,
- Site Security.

In addition to RSSS, Aegis maintains the following DOD contracts:

- Task Force to Support Business & Stability Operations in Iraq (TFBSO) -- Aegis provides security support, subject matter experts, and liaison services to TFBSO’s economic revitalization operations, as well as information gathering and analysis to produce timely ground-truth reports;
- Multi-National Security Transition Command-Iraq (MNSTC-I) now United States Forces-Iraq (USF-I) Training Command -- Aegis provides three mobile close protection teams for Commanding Generals, thereby supporting their mission of training, advising and transitioning responsibility to the Iraqi Security Forces;

- Contractor Operations Centers (CONOCs) -- Aegis provides subject matter experts and support to the Multinational Corps-Iraq (MNC-I), now United States Forces-Iraq (USF-I), through the provision of analysts and other services. The CONOCs provide visibility of PSCs throughout Iraq in support of USF-I's approval process, and coordination of all PSC missions. The CONOCs also provide time sensitive information to PSCs, including imminent danger reports and route security updates.

Aegis' past performance in Iraq has been repeatedly validated by third parties including the Special Inspector General for Iraq Reconstruction (SIGIR), USACE and senior USF-I officers.

Aegis also supports Coalition efforts in Iraq, such as the Italian Provisional Reconstruction Team (PRT), and the operations of International Organizations, such as the United Nations (UN). For the Italian Government, Aegis provides security, operational support and subject matter experts to their PRT in Dhi Qar province. The Aegis team is a customized and hybrid security liaison team, designing and implementing various civil affairs programs, including capacity building. The team is also responsible for establishing and facilitating communication with key Iraqi leaders at the local level.

Aegis also provided invaluable support to the UN as it organized and facilitated Iraq's first national and provincial elections in 2005. On very short notice, Aegis mobilized 750 personnel including 620 Iraqis, secured 19 locations and nine airfields, and provided mobile and static security for the UN, guaranteeing the integrity of ballot boxes, facilitating officials' oversight of the polling process, and filling an immediate need. All operations occurred successfully and without incident.

Aegis' success is based upon a thorough understanding of the client's mission, *and* an intimate understanding of the environment in which the mission is executed. This understanding and awareness is as much a product of our integration of Local Nationals as it is a result of our operational experience, and research and intelligence capacity. The integration of local nationals provides immediate and invaluable local knowledge, insight and operational awareness. Aegis instituted rigorous controls to ensure that all of our local nationals (Iraqis) are thoroughly

screened, vetted and trained before they are deployed on an operational task. The Iraqis are part of our team; they work, sleep, eat, and train in the same manner as the rest of the team, are provided with the same equipment, are nurtured and developed in their positions, and receive clear responsibilities and parameters within which to work. They enjoy quality time at home with their families, are given leave for religious festivals when appropriate, and are insured and cared for as part of Aegis' duty of care. The integration of Iraqis not only provides invaluable cultural insight but it also enables us to assist in the necessary capacity building efforts.

Over the last several years, Aegis has developed effective and trusted relationships with the Iraqi government. Aegis was one of the first PSCs to be awarded an operating license by the Government of Iraq, and we continue to respect compliance with all aspects of Iraq's legal system.

Focusing on building relationships and maintaining communication with the host nation and its people are critical to our operational success. Accordingly, Aegis

created the Aegis Foundation (UK) and supports Aegis Hearts & Minds, a U.S. charitable organization. These organizations provide low cost, high impact grassroots projects that directly improve daily lives and demonstrate the tangible, immediate benefits of facilitating the customer's wider mission. During the last six years, Aegis planned, delivered and funded (from its own resources) 300 projects including: clean drinking water in schools; inoculation programs; and, generators, medical supplies and air-conditioning units for hospitals and health clinics. These projects provide a bridge between immediate needs and long term reconstruction.

As the Commission examines planning for future security contracting and oversight in Iraq, and as the United States continues to draw down its forces and transition security to the Iraqi Security Forces, the role of contractors will continue to evolve. For our part, Aegis looks forward to participating in the dialogue between the interested parties. Aegis will continue to support the

"I have followed with interest and satisfaction the activities in Iraq which are outside the strict boundaries of their commercial security contracts. I have pleasure in confirming my impression that AEGIS is making a serious effort to build bridges with Iraqi communities through local employment, and tangible support for health and education services. Iraqis have suffered at the hands of some private security firms. AEGIS seems to not only avoid irritating and endangering local citizens but go out of their way to help them."

-- Ambassador of Iraq to the United States.

U.S. government as it helps rebuilds Iraq's infrastructure and redevelops its internal capacity, ultimately leading to long term stability and success. Aegis is proud to provide the services that enable this mission, filling a gap and allowing the government and military to focus on its primary mission.

Program Management

Aegis' operational success is founded upon effective leadership, high quality personnel, strong business and management controls, and close client partnerships. Our program management process is based on continuous communications, transparency, compliance and cooperation with our customer. Aegis' effectiveness is predicated first and foremost on an intimate understanding of the client's mission, the operating environment and the threat – the client's mission is our own. This analysis informs all of our operations and ensures that we provide the best possible services, tailored to the situation on the ground.

“Aegis established a comprehensive training program for all new hires resulting in a high standard of performance in all their contracted services. Aegis has also established a very rigorous accounting and property accountability program, and has implemented several cost-cutting measures that have saved the U.S. Government over \$30 million while ensuring a high standard of services.”

--- SIGIR's *“Oversight of Aegis's Performance on Security Services Contracts in Iraq with the Department of Defense”* January 14, 2009, p. 15

Aegis' success is also due to the meticulous selection of our team. This practice extends throughout our hiring process from management to operations to our business systems team, to include accounting, contract compliance, finance, legal, human resources, IT and administrative personnel. In selecting the Aegis team, our senior management ensures that we combine proven professional conduct with requisite, seasoned experience.

Aegis maintains an excellent record of integrity and ethics throughout all facets of our business and operational performance. All Aegis employees sign our Code of Conduct and Ethics Statement, and receive regular training in these areas. We maintain stringent anti-corruption and whistle-blowing policies, as well as a policy of zero tolerance of retaliation against employees who report violations and/or concerns regarding company policies, laws or regulations. All Aegis personnel in relevant operational areas are required to strictly adhere to the U.S. military's General Order #1. Failure to do so results in termination of employment.

Additionally, we developed, adhere to, and constantly review a comprehensive and robust Code of Business Conduct. It includes: ethical conduct, ethical business practices, financial integrity, purchasing, subcontracting and property management policies and procedures, Quality Assurance (QA)/Quality Control (QC), corporate social responsibility, responsibility for reporting any illegal or unethical behavior, and employee welfare programs.

Within the context of program management, Aegis understands the complexity and difficulty of the task that Contracting Officers (COs) and Contracting Officer's Representatives (CORs) face when administering complex contracts in hostile and austere environments. Based on our experience, we support:

- Lengthened deployment tours;
- An increased number of COs and CORs;
- Additional training on contingency operations contracting;
- Establish relevant and focused performance measures and/or indicators within the context of each contract (Aegis did this in concert with our COR on the RSSS contract);
- Increasing institutional knowledge; and,
- Locating COs/CORs within the same theater as the contract they are managing.

Aegis also supports the specific program management best practices that have been established through the Contractor Operations Centers (CONOC) in Iraq and the Joint Interagency Incident Review Board (JIRB) in Afghanistan. These structures have (according to SIGIR, GAO, and USF-I) increased the government's visibility, coordination and oversight of contractors. Institutionalizing these models for current and future contingency operations would further strengthen the government's oversight and accountability of contractors on the battlefield.

Specifically regarding the CONOCs and as the Commission is aware, DOD and DOS entered into a Memorandum of Agreement following the tragic Al-Nisour Square incident in September 2007, whereby both agencies were required to establish a common set of standards for

monitoring their PSCs. The CONOCs were created based on the existing ROC system that was originally designed and supported by Aegis. At that time it was the only theater-wide, real-time tracking system for PSCs in the battle space. The creation of the CONOC is an example of DOD and DOS correctly identifying a problem and quickly implementing a solution that, from our experience, has greatly improved the visibility of contractors (specifically PSCs) operating in the Iraqi theater, increased coordination of and incident reporting by PSCs, and dramatically improved the communication and dissemination of critical, operationally relevant information.

The JIRB's primary function is to review all incidents involving armed contractors and PSCs within Afghanistan. It also identifies trends and evaluates reporting procedures on related incidents. The membership consists of representatives from multiple agencies: USFOR-A, CSTC-A, ISAF, AED, DCMA, USAID, and the U.S. Embassy (Regional Security Officer).

Recommendations for Improved and Strengthened Oversight and Accountability

As it relates to the Commission's examination of planning for future security contracting and oversight in Iraq, Aegis has been and remains a key driver of efforts in the United States and United Kingdom to provide greater transparency and accountability for the private security industry.

Aegis actively engages with government and non-governmental organizations as all parties look for mechanisms to provide more consistent oversight, accountability and regulation. With rapidly changing missions and complex operating environments, it is essential that lessons learned from the field by PSCs and their partners be fully incorporated into widely accepted regulation to improve accountability, transparency and oversight.

Aegis regularly meets with Members of Congress, their staff and other key decision makers seeking their thoughts, comments and suggestions on reform efforts, initiatives and their perspectives on the industry as a whole.

Through six years of supporting the U.S. Department of Defense in Iraq, Aegis has captured lessons learned and best practices. Based upon our operational experience and participation in reform efforts, Aegis supports the following:

- Require synchronization of DOD, Department of State (DOS) and other U.S. government entities within a theater of operations, specifically as it pertains to contingency operations contractors.
- Implement a "pre-certification process" (minimum standard for licensing) for private security contractors to ensure that only properly structured, legitimate and legally responsible companies are able to support sensitive contingency operations.
- Develop and require credible, transparent vetting standards of Local Nationals and Third Country Nationals.

- Require visibility and transparency of all subcontractors.
- Adopt clearly defined award factors that prioritize “Best Value” over “Lowest Price, Technically Acceptable,” ensuring that the government receives the quality services its needs.
- Consolidate and apply Lessons Learned from experiences in Iraq and Afghanistan. Establishing a Center of Excellence (COE) for Contingency Operations Contracting would be an option. This COE would officially capture, analyze and disseminate, as appropriate, lessons learned and best practices.

In addition to working with the Commission and developing our own reform proposals, Aegis regularly works with the Department of Defense and other governmental agencies, as well as a range of other entities such as the National Defense Industrial Association, the Swiss Initiative and the Center for a New American Security, as these bodies seek to understand contingency contracting, its strengths and weaknesses, and make recommendations to the government to improve oversight, accountability and transparency.

We support the goal to establish an endorsed global code of conduct and/or global standards for the industry. This would provide a standard set of principles against which PSCs would be held accountable. Many of these principles are already articulated in U.S. government contracts, but if a Code is approved and/or implemented, these would be applicable to all PSCs, not just those employed by the U.S. government or, for that matter, just U.S. companies. This standard would reach across agency and departmental lines, provide a base line from which PSCs must operate, and be the qualitative basis upon which their operations would be judged.

Accordingly, we continue to work with the U.S. government and the Swiss Initiative in their effort to secure a Global Code of Conduct for PSCs, as well as to develop accountability mechanisms and third party certification. (The Swiss Initiative is a joint Swiss Government and International Committee of the Red Cross effort to develop guidelines for the application of

International Humanitarian Law to private security companies – and strongly supports the *Montreux Document*, which is the outgrowth of the Initiative.)

Aegis was a regular participant in the Center for a New American Security’s “Contracting in Conflicts – The Path to Reform” study group. The CNAS effort brought together industry leaders and government representatives for a frank discussion regarding contingency operations or “expeditionary, stabilization and reconstruction” (ES&R) contracting and necessary reforms to improve the process and provide the best value to the government. CNAS’ report was released on 7 June 2010. Aegis generally endorses the Report and its recommendations, with a special emphasis on the following:

- 1) Improve U.S. Government Management of ES&R Contracting; specifically create the Offices of Contingency Contracting within DOD, State and USAID, as well as new positions at the National Security Council and the Office of Management & Budget.
- 2) Rebuild, Expand and Improve the Ranks of Contracting Personnel, including the establishment of a Contingency Contracting Reserve Corps.
- 3) Integrate Contractors into Command and Control
 - Aegis created and supported the ROCs, which then were transformed into the Contractor Operations Centers (CONOCs) enabling the U.S. government to track security contractor operations and coordinate movements throughout the theatre.
- 4) Increase Transparency and Accountability
 - Aegis ensures all of its operations are accountable under either local and/or U.S. law (such as the Military Extra-territorial Jurisdictions Act).
- 5) Raise Standards Among Contractors
 - As previously stated, Aegis is actively involved with the Swiss Initiative, as well as other efforts not only to strengthen oversight and accountability of the PSC industry but also to raise the quality of standards.

Through the continuing efforts of the Commission, third parties such as the Center for a New American Security, and international initiatives such as the Swiss Initiative, it is hoped that crucial reforms will advance and provide greater clarity, transparency, oversight and accountability to the contracting sector.

Conclusion

I would like to thank the Commission for the opportunity to participate in this discussion and, thank DOD for the opportunity to support their critical operations in Iraq. I would also like to take this opportunity to extend my appreciation, on behalf of Aegis leadership, to all Aegis men and women for their continued bravery, professionalism, high standards, and exceptional work ethic and dedication in support of their mission

Finally, I would like to again thank the Commission for the opportunity to present a few of our lessons learned, best practices and recommendations for strengthening contingency operations contracting, specifically within the private security industry. Aegis agrees with you that the Commission has a real opportunity to positively impact contracting in future contingency operations. Aegis continues to be interested in and willing to offer our assistance to these efforts, and we look forward to the continued dialogue.