

Joint Statement of
Christopher Shays and Michael Thibault, Co-Chairs
The Commission on Wartime Contracting in Iraq and Afghanistan

Hearing:
**Counting Contractors:
Where Are They and What Are They Doing?**

216 Hart Senate Office Building, Washington, DC
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[As prepared for delivery.]

Good morning. I am Michael Thibault, co-chair of the Commission on Wartime Contracting in Iraq and Afghanistan. Today's hearing, "Counting Contractors: Where are They and What are They Doing?", carries the theme of accountability into three important areas of the Commission's work.

I offer this opening statement on behalf of Co-Chair Christopher Shays and myself. The other Commissioners at the dais are Clark Kent Ervin, Grant Green, Robert Henke, Charles Tiefer, and Dov Zakheim. There is currently one vacancy on the eight-member Commission awaiting a Congressional appointment.

We will hear from three panels of witnesses today, one for each of the three issues to be explored. The issues are:

1. Problems in gaining an accu-

- rate count of contractor employees in the Southwest Asia area of military operations;
2. The role and management of contractors during the Iraq drawdown; and
3. Progress toward better coordination and cooperation between the Department of Defense agencies that provide contract oversight and audit contingency contracting.

COUNTING THE CONTRACTORS

On to our first accountability issue, counting the contractors.

As the Commission has repeatedly observed, U.S. military and political operations in Southwest Asia depend heavily on the support of contractors.

And contractors are making a valuable contribution to the war effort. However, it is both peculiar and troubling that eight years after the overthrow of the Taliban regime in Afghanistan, and more than six years since the overthrow of the Baathist regime in Iraq, we still don't know how many contractor employees are working in the region. That is simply amazing. How can contractors be properly managed if we aren't sure how many there are, where they are, and what they're doing?

We discussed this concern in our June 2009 Interim Report to Congress. We observed that there is no single source for a clear, complete, and accurate picture of contractors numbers, locations, contracts, and costs.

There are two main sources of information on these matters. First, the Department of Defense has created the SPOT database to track contractor personnel, the contracts they are working on, and other data. SPOT stands for Synchronized Predeployment and Operational Tracker.

The other main source for this information is the U.S. Army Central Command's quarterly census, which receives manual data inputs from dozens of reporting entities.

Both systems have limitations. For example, SPOT doesn't capture all foreign-national employees. That's a big concern, because much of the work in theater is actually performed by foreign nationals. The CENTCOM

census doesn't include data for contractors working for the Department of State or the Agency for International Development, as opposed to Defense.

The most troubling gap we observed, however, was the one between the results of the two systems. As noted in our June report, the SPOT database counted about 160,000 active contractor employees as of April 2009 in the CENTCOM area that includes Iraq, Afghanistan, Kuwait, and several less active venues. CENTCOM's manual census had counted more than 242,000 contractors just a month earlier. As a trained auditor who can do the easy math, I can tell you that's a difference of more than 80,000 people.

More recent data reveal a significant gap continues at 73,800 people.

This abiding uncertainty over a pretty basic metric raises two serious concerns. One concern is that not knowing exactly how many contractors there are, where they are, what they're doing, and for whom makes the jobs of federal contract managers and auditors very difficult. That difficulty in turns permits—and invites—waste, fraud, and abuse of taxpayers' money, and undermines the achievement of U.S. mission objectives. Simply put, how can you provide oversight on contractors that don't exist on paper, and may not exist on the ground? And how can we assure taxpayers that they aren't paying for

“ghost” employees?

The second concern involves security and safety. We have said and written that the vast majority of contractors in theater are doing vital work for this country, winning the appreciation of our troops for their performance, and operating in dangerous areas that have costs hundreds of them their lives.

But it takes only one foreign-national contractor employee smuggling explosives into a dining facility, headquarters, hospital, or barracks to create a mass-casualty disaster. We know that the SPOT database has not reached its promised 100 percent inclusiveness. We know that the more cumbersome CENTCOM census is also not all-inclusive. We must ask whether the resulting uncertainty about contractor numbers constitutes cause for concern about the security of our troops and other Americans in theater.

We will explore each of these concerns today.

IRAQ DRAWDOWN

The second accountability issue for today’s hearing concerns the drawdown of American forces in Iraq. We need to be clear about the role of contractors in supporting the Iraq drawdown, and be sure that numbers of contractor personnel are appropriately geared to the reduction of U.S. mili-

tary strength and base closures, and are being timely adjusted for that reduction. As units move out of bases, the absolute and comparative numbers of contractors may rise to prepare bases for handover or closure, but the general trend should be for declining numbers. Either way, the government needs to monitor and adjust as appropriate the contractor staffing need to support the U.S. mission.

The current agreement between the U.S. and Iraqi governments calls for all U.S. military personnel to be out of Iraq by Dec. 31, 2011. In addition, President Barack Obama has directed that the U.S. military presence in Iraq be reduced to 50,000 by August 2010.

The daunting management challenge of closing or handing over hundreds of bases, and of moving, donating, or selling millions of pieces of property caused the Commission to flag the Iraq drawdown as an “issue of immediate concern” in our Interim Report to Congress. We wrote, “The drawdown of U.S. forces in Iraq risks incurring enormous waste, which could range from completion of work that may not need to be done, to poorly controlled handling and disposition of U.S. government property.”

The Government Accountability Office has also studied and reported on the planning for and management of the Iraq drawdown, and has expressed similar concerns about planning, coordination, and arrangements for ensuring accountability for con-

tractors' work and the disposition of property. This Commission truly appreciates and respects the exceptional oversight work being performed by the GAO and by military and civilian-agency auditors. We rely heavily on their work for planning our own operations.

Our witnesses on this issue will discuss the role of contractors in the drawdown, progress in planning and management of the operation, the adequacy of contract-oversight arrangements, the impact of the transition from the LOGCAP III to LOGCAP IV logistics-contract structures, and related issues.

DCMA-DCAA COORDINATION

The third accountability issue on today's agenda takes the form of a progress report from two critical agencies within the Department of Defense.

During the Commission's August 11 hearing on contractor business systems, we heard testimony and colloquy on significant differences in definitions, methods, and organizational attitudes between the Defense Contract Management Agency and the Defense Contract Audit Agency. This represented a deep concern, because contractors' business systems for creating cost estimates, logging purchases and labor hours, and issuing billings are vital inputs to the work of federal contract managers and auditors.

We asked—and the agencies agreed—that DCMA and DCAA meet and work to clarify issues, resolve differences, and better coordinate their approaches to their different but equally vital missions.

The Commission asked the agencies to report in 60 days on their progress. We expect to hear good news about their meetings and their progress—and about DoD leadership's commitment to achieving greater accountability for the contractors that the agencies oversee and audit.

A Commission hearing in August on contractor business systems revealed significant differences between DCMA's and DCAA's evaluations and assessments of contractor systems for cost estimating, purchasing, subcontracting, and other functions. The evidence showed that DCMA frequently took untimely—or no—action on DCAA findings, or issued contrary opinions, and often failed to ensure that contractors took corrective actions for deficiencies.

We thank our all of today's witnesses for participating in what promises to be a very informative session. Witnesses have been asked to summarize their testimony in 5 to 7 minutes in order to ensure adequate time for questions and answers. The full texts of written statements will be entered into the hearing record and posted on the Commission's Web site. We also ask that witnesses submit within 15 business days responses to any ques-

tions for the record and any additional information they may undertake to offer during this hearing.

I will introduce each new panel of witnesses at the start of each session.

Now we turn to our first panel, who will speak to the concerns about the SPOT database for contractor-employee and administrative information. Our witnesses are:

- Mr. Gary Motsek, Assistant Deputy Under Secretary of Defense for Program Support.
- Mr. John Hutton, Director, Acquisition and Sourcing Management, with the Government Accountability Office, and
- Mr. Redding Hobby, Deputy Director, Logistics, Contracting, and Engineering with U.S. Army CENTCOM.

Mr. Motsek, please begin.

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Second panel: Iraq drawdown

We will now hear from a witness panel on accountability for contractors during and in support of the drawdown of U.S. forces in Iraq. Our witnesses are:

- Rear Admiral Thomas Traaen, Vice Director for Logistics (J4) with the Joint Staff, representing Lt. Gen. Gainey;

- Mr. William Solis, Director, Defense Capabilities and Management, with the Government Accountability Office; and
- Mr. Lee Thompson, Executive Director of the LOGCAP Program Office in the Department of Defense.

Admiral Traaen, please begin, Sir.

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Third panel: DCMA-DCAA coordination

Our final witness panel for today will review progress and prospects for better coordination between DCMA and DCAA, as we requested at our August 11 hearing on their work on contractor business systems. Our witnesses are:

- Mr. Shay Assad, Director of the Defense Procurement Acquisition Policy office, or DPAP, in the Department of Defense;
- Mr. Charlie Williams, Director of the Defense Contract Management Agency; and
- Ms. April Stephenson, Director of the Defense Contract Audit Agency.

As many of the people in this room have heard, Ms. Stephenson will be moving to a new position in the Department of Defense next week. So this will be her last appearance on be-

half of DCAA before this Commission.

On behalf of the Commission, Ma'am, I thank you for your excellent cooperation in our requests for testimony and information, and for your candid responses to our questions. We wish you well in the next phase of your career in federal service.

And now, Mr. Assad, please begin.

