

THE COMMISSION ON WARTIME CONTRACTING IN IRAQ & AFGHANISTAN
HOLDS A HEARING ON ACCOUNTABILITY ISSUES IN IRAQ AND
AFGHANISTAN, PANEL 1

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[*] THIBAULT: Good morning. I'm Mike Thibault, co-chair of the Commission
on Wartime Contracting in Iraq and Afghanistan. Welcome to all.

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 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 problems in gaining an accurate count of
contractor employees in the Southwest Asia area of military operations,
secondly; the role and management of contractors during the Iraq drawdown
and, third, progress toward better coordination and cooperation between the

Department of Defense agencies that provide contractor oversight and audit contingency contracting.

First, counting the contractors onto to our first accountability issue. 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 amazing. How can contractors be properly managed if we aren't sure how many there are, where they are, and what are they 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 contractor numbers, locations, contracts, and cost. 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 -- here we go -- Synchronized Predeployment and Operational Tracker. That's why we call it SPOT.

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, 33 to be exact. 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 and on and on.

The most troubling gap we observed, however, was the one between the results of the two systems. You have two systems. You'd think that if they were counting the same work force, contractor work force, they'd come up with reasonably the same numbers. 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 at least 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, presently at 73,800 people. We have charts that are

not easily read on the dais because they kind of turned them around, but we'll get them turned around so you can read them that has that data.

This abiding uncertainty over a pretty basic metric raises two serious questions for this commission. One concern is that not knowing exactly how many contractors there are, where they are, what they're doing and for whom makes the job of federal contract managers and auditors very difficult. That difficulty in turn permits and invites waste, fraud, and abuse of taxpayer 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 cost hundreds of them lives -- of 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 yet its promised 100 percent inclusiveness. We know that the more cumbersome CENTCOM census, well intended to make up the difference, 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 with our first panel today.

The 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 the numbers of contractor personnel are appropriately geared to the reduction of U.S. military strength and base closures and are being timely adjusted for any needed 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 also. Either way, the government needs to monitor and adjust as appropriate the contractor staffing needed to support the U.S. mission.

The current agreement between the U.S. and Iraqi government calls for all U.S. military personnel to be out of Iraq by December 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 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, GAO, has also studied and reported on the planning for and managing of the Iraq drawdown and has expressed similar concerns about planning, coordination, and arrangements for ensuring accountability for contractors' 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 operation, the adequacy of contract oversight arrangements and processes, the impact of the transition from the LOGCAP III to the LOGCAP IV logistics contract structures and related issues, and lastly, DCMA, Defense Contract Management Agency, and DCAA, Defense Contract Audit Agency, coordination.

The third accountability issue on today's agenda takes the form of a progress report from two critical agencies, absolutely critical and important agencies with the Department of Defense. During the commission's August 11th 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 for this commission, 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. That is what this part of this hearing is about: to listen. We expect to hear good news about their meetings and their progress and about DOD's leadership commitment to achieving greater accountability for the contractors that the agencies oversee and audit.

The 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 contract -- contrary assessments and opinions and often failed to ensure that contractors took the corrective actions needed to improve the deficiencies.

We thank 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 five to seven minutes in order to ensure adequate time for questions and answers. The full text 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 days responses to any questions for the record that occur today and any additional information they may undertake to offer during this hearing.

I will now introduce the first panel -- well, I will introduce each new panel at the start of each session, and we turn to our first panel, who will speak to the concerns about the SPOT database -- I'm not going to try to repeat that, but maybe they've got it struck to memory for what SPOT stands for -- for contractor employee and administrative information.

Our witnesses are Mr. Gary Motsek, assistant deputy undersecretary of defense for program support; Mr. Redding Hobby, deputy director, logistics, contracting and engineering with the U.S. Army Central Command or CENTCOM; and Mr. John Hutton -- thank you, sir -- director, acquisition and sourcing management with the Government Accountability Office.

I would like to thank each of you ahead of time and, hopefully, we'll thank you after you're done. And I'd like to ask each of you if you'd please rise and we'll swear you in.

Do you solemnly swear -- please raise your right hand. Do you solemnly swear or affirm that the testimony you will give before this commission is the truth, the whole truth, and nothing but the truth?

WITNESSES: I do.

Let the record show that all three responded in the affirmative.

Take your seat, please. All right.

Mr. Motsek, sir, you're up.

MOTSEK: Good morning. (OFF-MIKE)

(UNKNOWN): Put your mic on.

MOTSEK: I'm sorry. I was hoping I could keep it off the whole time. It didn't work.

Co-chairs Shays and Thibault, the members of the commission, thank you for the opportunity to appear before you today to discuss the improvements we have made with respect to accountability and visibility of our contractors and contingency operations and, more particularly, our way ahead.

As you know, the Department of Defense established my office in October of 2006 to oversee DOD efforts to comply with the congressional direction set forth by Section 854 of the Fiscal Year 2007 National Defense Authorization Act. As required by that section, we continue to revise existing and develop new joint policies in each of the three areas designated, requirements definition, contingency program management, and contingency contracting.

Our implementation of the Synchronized Predeployment Operational Tracker, SPOT, is a key aspect to our strategy to institutionalize program management and operational contracting support. I will also add that now Mr. Thibault understands what SPOT is, we'll be changing the acronym to TOPS and we'll explain that to you later.

Having said that, SPOT is a good example of a distributive enterprise system that was developed quickly, initially for a single focused requirement, which is now being used for much broader purposes than we originally had anticipated. We've established aggressive time-lines early to accelerate persons registering on SPOT. As we sit here today, we currently have about three-quarters of the deployed contractor population in the CENTCOM area of responsibility registered in the database.

With the recent expansion of definitions provided by Congress in the 2010 NDAA, which was signed last Wednesday, in the introduction of the classified version of SPOT, we expect to see an increase in State Department and USAID contractor populations in the near future. Our primary challenge remains achieving full participation in SPOT, particularly with regard to local national registrations, those that are local nationals, particularly within Afghanistan.

I would also note that I'll have to talk in two different ways to you today, one as the DOD manager for our census in SPOT, and then I have a secondary hat as supporting my counterparts in USAID under the Section 861 requirements that came out in a previous NDAA.

It is our intention to transition and from totally relying on the resource and intensive dangerous CENTCOM manual census to primarily relying on SPOT for all relevant contractor management data as soon as practical. We have a transition plan in place, however, I caution you, although there are objective time-lines, it must be conditions based. We will not fully migrate to the

automated census within SPOT until we are confident that SPOT reflects a true representation of the contractors' employees within that particular country.

Clearly, there are real advantages to real-time visibility of the population over current quarterly snapshots. As we go through the numbers later on, you will note on the chart that we show, for example, 119-plus contractors within Iraq. If we enter the SPOT database today -- and we're very close in Iraq -- you'll find that that number has been reduced by approximately 5,000 since that report was made. So there are clear advantages to be able to talk in the real -- near real term as opposed to on quarterly snapshots.

In spite of these challenges, SPOT is being utilized to track and manage the drawdown in Iraq, both in terms of contractors and now the DOD civilian populations. The State Department has also decided to use SPOT to manage their civilian response corps.

The SPOT-generated letters of authorization have dramatically improved the management of transportation, medical, and installation support services. Congressionally mandated sub-elements within the SPOT database today are being successfully managed in both areas of contingency.

Finally, let me remind you that SPOT and the wider efforts are not solely focused on current operations. Congress has made it clear that we are to institute changes to the management and oversight contractors for future operations as well.

We are establishing those organizations, policies, guidance, and tools in order to institutionalize operational contracting support and allow a more active approach in the future operations. SPOT is a developing enabler for that broader effort.

My written statement provides specifics regarding our status, our way ahead, and the individual challenges we continue to face. I thank the members of the commission for your ongoing support, and I'll be happy to answer any of your questions.

Thank you.

THIBAULT: Thank you, Mr. Motsek.

Mr. Hobby?

HOBBY: Good morning to the chairmen of the committee, Co- chairman Thibault, Co-chairman Shays. I echo my colleague's comments from the secretary's office on the privilege and honor and, quite frankly, the sobering responsibility to appear before you this morning. I would report to you that the

soldiers, sailors, airmen, Marines, DOD civilians, contractors, and NATO partners from ISAF, as well as our coalition partners are performing magnificently in the theater against an enemy that isn't in uniform, is ubiquitous in the area of operations, and often difficult to determine any order of battle or other things common in our conventional military wisdom. A large part of our ability to be successful in counterinsurgency operations and at the point where we can call it counterterrorism and attack and defeat that terrorist activity, the contracting support that we've received over the last eight years in Afghanistan as well as the last six years in Iraq has been a critical enabler, as Co-chairman Thibault addressed in his opening remarks.

So on behalf of General Petraeus at Central Command and my director, Major General Dowd, I would acknowledge to you that we are appreciative to the Congress and to the National Command Authority for the support in that regard.

Prior to the advancement of the Synchronized Predeployment Operational Tracker, SPOT, we were directed by the department to institute a manual census to get at just the essence of what the commission is all about, that is, to account for and be aware of every contractor's activity in the area of operations, not just in OIF and OEF, but also in those other areas that give us support and are the enablers for movement and the other logistical functions of sustainment that go on in the area.

We manually compile the over 33 reports, again, that Co-chairman Thibault so eloquently acknowledged. There is a manual effort there, and with that manual effort, it becomes a snapshot in time. Much like the word itself describes, census, it give us an account for -- as the bodies and activities are being accounted for that day's report and that day's report among the 33 are then compiled.

The intentional -- the original intent of this was to transition to SPOT and give us the ability to automate this manual and admittedly cumbersome but very practical simplistic system with 13 data fields that accounted for the names, the location, and contract activity of what the contractors were doing -- not to be defensive about that at all, but the fact that it was being done by contractor officer representatives, administrative contractors and officer representatives, and the contractors themselves gave some validity to that report in the context that it was a manual account. So albeit cumbersome and unwieldy, it had the reactive and the responsiveness of a soldier obeying orders by carrying out a count.

As Mr. Motsek said, we believe it's the time to transition to make the move to go from the manual census, and as you can see from the numbers, we're getting closer. The DOD, NDAA, and the other activities that have given us authorities to make the counts and input the data will be very helpful. We're

committed to improving our visibility and our accountability of the contractors supporting our forces in all of CENTCOM's area of operations.

Again, I thank the members of the commission for your ongoing support, and at this time, I'm prepared to answer any of your questions. Thank you again.

THIBAULT: Thank you, Mr. Hobby.

Mr. Hutton?

HUTTON: Chairman Thibault, Chairman Shays, and commissioners, thank you for inviting me to discuss ongoing efforts by the Departments of Defense and State and the U.S. Agency for International Development to track information on contractor personnel and contracts in Iraq and Afghanistan. Reliable, meaningful data on contractors and services they provide can inform agency decisions on the most effective use, management, and oversight of contractors, which is particularly critical given the agencies' unprecedented reliance on contractors in the two countries.

I will first highlight the importance of having information on contracts and contracting personnel in managing overseas contractors. I will then discuss the status of agency efforts to track such information for Iraq and Afghanistan. This statement is based on an April testimony as well as our October 2009 report mandated by the National Defense Authorization Act of 2008.

GAO has issued several reports on longstanding contract management challenges related to using contractors in contingency operations. We have found that the agencies' lack of information on contractors inhibits officials and commanders from understanding the reliance on contractors and can create risks and increase costs.

For example, in a December 2006 review of DOD contractors supporting deployed forces, we reported that a battalion commander in Iraq could not determine the number of contract provided interpreters available to support his unit, which created challenges in planning and carrying out the missions. An Army official also estimated that \$43 million was lost each year to free meals provided to contractors at deployed locations who also received a per diem food allowance.

To increase oversight of contracts in Iraq and Afghanistan, Congress directed DOD, state, and USAID to maintain a common database to track information on contractor personnel and contracts in Iraq and Afghanistan. In July 2008 the three agencies agreed to use an existing DOD system, SPOT, to track the statutorily required information, such as the number of contractor personnel and the contract value.

They agreed that SPOT would contain information on contracts performed in Iraq or Afghanistan for more than 14 days or valued above \$100,000. Each agency further agreed to ensure that data on its contractor personnel were entered accurately, while contract data would be imported from the Federal Procurement Data System, Next Generation.

The agencies have made progress in implementing SPOT, but their efforts currently fall short in fulfilling the statutory requirements and providing reliable data that would help facilitate oversight and informed decision making. Specifically, we found that not all contractor personnel are currently entered into the system. Most notably, USAID does not require its contractor personnel in Afghanistan to be entered into the system.

Further, agencies use varying criteria to determine which personnel are entered. For example, DOD officials in Iraq told us that the primary determinant of who was entered into SPOT was whether a contractor needed a letter of authorization, not the MOU thresholds. However, not all contractor personnel, particularly local nationals, need letters of authorization.

These varying practices stem in part from different views on the need to collect and use data on contractor personnel. Some DOD officials question the need to track all contractor personnel by name in SPOT as opposed to tracking total numbers because of the cost of collecting such detailed information compared with the benefits.

Absent robust contractor personnel data in SPOT, the agencies relied on results of their periodic contractor surveys to provide us with contractor personnel data for our most recent report. We found that the data from these surveys are incomplete and because of how they were compiled cannot be used to identify trends or draw conclusions about the number of contractor personnel.

For example, by comparing two quarters from the CENTCOM contractor census, one might conclude there was a dramatic increase of contractors in Afghanistan. But this increase can be attributed to more accurate counting, not more contractors on the ground.

Additionally, although some contract information is entered into SPOT, the system cannot yet accurately import and track contract data elements as envisioned. While contract values and descriptions of the services provided are to be pulled into SPOT from FPDS-NG, this capability is not expected until 2010.

Even once a direct link is made, there may still be challenges because data are not being entered into SPOT in a standardized manner that will allow unique contracts to be matched with the right information in FPDS-NG, and this kind

of insight came from just in the work that we had to do in compiling the information for our October report.

To adjust for shortcomings in the agencies' implementation of SPOT, last month we recommended that the agencies jointly develop and execute a plan to better ensure that the contractors are consistently entered into the system and that contracts are entered in a standardized manner. The agencies did not agree that such a plan is needed, citing ongoing coordination efforts and anticipated system upgrades as sufficient.

However, we believe without a plan and actions to address the current shortcomings, there are few assurances that SPOT will fulfill its potential, leaving the agencies without reliable information on contracts and contractor personnel that could be used to address contract management challenges in Iraq and Afghanistan.

This concludes my prepared statement. I would be happy to respond to any questions you may have.

THIBAUT: Thank you, Mr. Hutton.

The process we're going to use is each commissioner will initially have a period of time, and then we'll go around again a second time in the order that we'll use.

Mr. Motsek -- well, first of all, I absolutely reiterate, Mr. Hobby, your comments about the commitment of the military, not only here but in theater -- truly impressive. I thank both of you for your military service, and I'm never lost on thanking a fellow paratrooper. I have a little bias in that regardless of any questions we're going to ask you later on, Mr. Hobby. I commend you for being willing to jump out of airplanes. Maybe today is a little like jumping out an airplane for you.

My theme of what I would like to explore in this is this gap in the census. I understand -- we understand why the census was so critical. It's a challenge, but it was -- I don't even want to call it best available. It was pretty well thought out.

But you have one system that's the official system, SPOT, and you have one system that is needed because the official system was struggling. And I commend throughout your statement, Mr. Motsek, the many improvements and changes in the SPOT system to construct a better system. And I do, and I don't say that facetiously. But a system is only as good as the inputs that go into that system. Therefore, as you can see on the chart up there, there's some very significant differences.

But what I'd like to explore, and it's a way of exploring the numbers and our concern on security -- and I know in your statement, Mr. Motsek, you state that you don't think that security -- I'm putting the words in there -- is a material issue that is at risk, and we'll explore that. But what I'd ask you to take a look at is the right-hand column, which tells me that in Iraq, we've done a pretty good job of getting the data in. And we're going to talk about reconciliation, because we're not really reconciling, and I verified that as early as this morning in discussions with some of your CENTCOM people, not to go around you, but we work with you all the time -- and just to be sure I could talk with some voracity.

But I point you out -- and we could -- we could -- we could talk about Kuwait and the rest of the area of operation, but I point to Afghanistan and that 43,447 number that is of concern. And one of the things I'd like to share -- and we don't have a chart on this, but I realize that an easy answer is, well, we're talking about apples and oranges but in terms of local nationals, because the big difference is always offered up -- well, it's pretty much all local nationals, in this case, Afghanis that are working as contractors in support of the military mission.

But in our CENTCOM discussion in Iraq, the exact number, 36,305, that was given to us by CENTCOM three or four months ago was that 27 percent of the contractor personnel are local nationals. So they had a challenge getting the local nationals into this system. Did a pretty good job -- reconciles really well, surprisingly well. In Afghanistan at that time, that number -- and, again, every time you put a number out, it changes every three months or whatever number. But at that time, three or four months ago, it was in Afghanistan 51,776 or 76 percent were local nationals. So you've got a substantial number of local nationals in both countries working to support the mission, and in one country -- and this commission worries about are we transitioning lessons learned and opportunities with the same sensitivity in Afghanistan? Even though we've been in Afghanistan longer, the real buildup in Afghanistan is occurring presently, in the last year. So it's not really like they've been working these systems for eight years.

But it seems to me that as we look at this, we ought to have concern, and the GAO -- Mr. Hutton talks about lack of contractor information needed to support. There's been story after story. When we went out -- difficulty in Afghanistan.

And then lastly, I've had a discussion with a senior military official talking about this gap and the difficulty -- the fact that it's not been reconciled, the fact that local nationals are offered up as the answer for the 43,000, but we don't know that. And so in a very pointed discussion one-on-one, what he told me, which I found compelling -- when I said, "Can you really" -- after we teased

(ph) it, his exact words were, "We don't know what we don't know." And, to me, that just said everything. We don't know what we don't know.

And our concern is that regardless of -- well, we have these alternative systems to be sure that people that aren't in the system don't get access to the military bases. Well, it's going to take one tragedy, and there's going to be a scorched earth effort at looking for accountability. And that's why this is so critical.

So Mr. Motsek, a long lead-in, but shouldn't we be deeply concerned about that gap and what's really in there? And then I'd ask any follow-up by Mr. Hutton or Mr. Hobby.

MOTSEK: Mr. Thibault, you should be concerned about the gap, because we're concerned about the gap. But we know what the gap is.

Let me step back. We are reasonably confident with the numbers coming out of the census, because it takes an extraordinary amount of effort to work that. We could probably, today, take the risk and move the census in Iraq to the database -- and I'll explain why shortly -- while we can't do it in Afghanistan.

There are two gaps we need to talk about, though. One is our DOD gap, and you also alluded to a larger gap, which is the U.S. government gap that, hopefully, we're going to bridge as well.

But a year -- a year ago today, literally, if you would ask us where our concentration war efforts were for contractor accountability, as you can imagine, they were in Iraq. That was the -- that was the primary area of responsibility.

So therefore the enablers -- because we had limited enablers, such as the JAMS (ph) machines that actually read the cards to confirm that someone is located in a particular location. The priority was issuing them to Iraq and not to Afghanistan, and that was -- that was a simple reality of what happened.

The big jump that we -- that occurred in Iraq that gave us the confidence in using the SPOT database was when we were able to merge the BISA database, the biometrics database -- which is the insulation access system in Iraq. It is not SPOT. It is not your cat card -- with the database that we had. And, literally, overnight, we policed up roughly half the difference in local nationals that had not yet appeared in SPOT. There's lots of socialization issues as to why local nationals do not wish to appear on SPOT, the least of which is they don't want to be identified in a U.S. database...

THIBAULT: Mr. Motsek, let me ask whoever is doing this -- this is important. I'd like to take three minutes off of my second so we can -- I can keep this in an order. I'd like to ask you to not repeat what's very well laid out in the

statement, but to really focus on what -- what -- what are we going to -- what are we going to do about getting that down to the same level in Iraq?

What do we need to do to -- you know, whether you -- to use your words, you police up roughly 50 percent. What do we need to really be able to reconcile this and to know there aren't people running around without proper vetting and authorization and the like?

MOTSEK: Again...

THIBAULT: What's the bottom line? What's the action you need to take?

MOTSEK: Let me clarify again that SPOT is not the access database. That is not the security database. It is a contractor management database.

The same thing that we did in Iraq we have to do in Afghanistan to -- but we'll have a limited degree of success. I told you we dumped the BISA database into SPOT. Uniquely, we had two areas of operation. We came up with two biometric data cards, so I can't talk about BISA in Afghanistan. I have to talk about BATS card, and we have to do the same thing in Afghanistan.

We got end-of-year money in September of this year to apply to that problem. If the numbers are as good as we think they are, we will police up with that dump -- and we'll have that before the end of the calendar year. We will police up from an accountability standpoint -- we will not (OFF-MIKE) into the contract yet -- but the accountability standpoint of the employee roughly half of that 43,000 buildup.

THIBAULT: OK. Let -- let -- let me inject here a little bit. You know, we -- we are concerned that all of those local nationals, some 76 percent as of three months ago, but I don't care if it's 70 percent or whatever it is now -- in the major program Afghan (OFF- MIKE). And you state accurately that some of these companies don't want to tell us who they are, because they're worried about the people going back into the environment and being penalized. Well, that's all fine. But that's the environment where they're trying to influence behavior, and you can't manage what you can't account for. Someone mentioned the contracting officer representatives in their statement. That's a real challenge. If you don't know what's there, it's really a challenge to go in there and say, you know, that they're there.

We all know in past wars that what people would do is just keep the people on a payroll and very light, cash, quick systems in the local economy. Are you getting what you need? And I go back to the quote, because it was by a senior official who was just being candid -- "We don't know what we don't know."

And I hear your actions of your office, and I commend those actions. But I'm really concerned, both from a contractor accountability, contractor management perspective, but I'm especially concerned about this security business, that it always is "Well, we've got another system" -- I've been out there. You've been out there. I've been out to a lot of both large and small foreign operating bases, and I'm concerned about one instance.

Now, my time's up, and I'm sure others will be exploring this. I apologize for not letting you two gentlemen -- but, by the way, our protocol works -- that at the end of every panel, we give you an opportunity to share any final comments that you might have on any subject, be it this or be it something else and the like. So I'd like to go on to Commissioner Zakheim.

Sir?

ZAKHEIM: Thank you, Chairman Thibault, and I do want to pick up on this. First, like Chairman Thibault, I want to thank you all for your service. It's very important and very distinguished.

Really, again, Mr. Motsek -- but not only Mr. Motsek -- so we're told that the local nationals -- I'm literally picking up from where Co-chairman Thibault left off. We're told the local nationals are covered by SIPRNet. We've got biometric tracking, BATS.

Can you give me a sense of what percentage of the local nationals are actually covered by all this? Is it 100 percent?

MOTSEK: No. That's the point. The biometrics and the accesses are all dependent upon access, frankly, to a U.S. installation. So within Afghanistan we have the biometric database.

Now, the biometric database is also used for other things. Criminals are injected in there, people that are arrested, and a variety of other areas, so that there's a database. If you enter -- the Afghan military are part of that database. The Afghan -- if you're an Afghan police, you're part of that database. So there's more than just bad people in there.

But, quite frankly, you have a country that has no centralized database for law enforcement, so this is the best that you can create. But the challenge that we have in Afghanistan that we -- is twofold with regard to this. Again, roughly half of the -- of the local national population has a BATS data card. They have access. They have been vetted. Their biometrics are there, and that's how they get in and off the installation.

We are dumping that data from BATS to our database this calendar year. That will bring up, again, roughly, I'm estimating, half of the shortfall. The real

challenge is the other 20,000 or so that we know are out there, based upon the manual day-to-day -- based upon -- walking out there, that never have a direct connection with a U.S. installation or U.S. support. They are out working on a project with one of the PRT teams or something of that nature. They go home to a local -- to a local community.

Those are the challenges that we have to register. There is no common national identity card in Afghanistan like you have in Iraq, so you can't apply that. I mean, even the basic things about putting a person's date of birth when a nation really only relies on your year of birth as an identity marker, you have a challenge. So our challenge is going to be that 20,000.

When I testified before the HASC subcommittee in April, we saw this coming, and we said that that would be the challenge, because we don't have the interconnectivity, and these people never touch the installation. In Iraq, we do have web-based access, so the COR actually can be out there on an occasion and manage these people right on site.

In Afghanistan, as you know, web access, Internet access, is virtually inaccessible except at the U.S. installations proper. We had, to a certain extent, a way to break that down by using thumb drives, bring things back and forth with thumb drives. And as you know, security protocols prevented us from doing that, so we -- that pushed us back.

So my concern -- and my concern will remain at the end of this testimony -- is that by the end of the year, that number of being able to match the manual census in Afghanistan with the -- with the SPOT database will be roughly 20,000, the bulk of which will be local nationals. And we've even queried The Hill as to whether or not we just come up with an algorithm for them at some point in time. Or we have to accept the fact that until the nation builds itself up a little bit more, we're going to have to rely on the CORs out there, because, as you know, we're pushing pretty strenuously with the COR training.

And one of the things we failed to do, by the way -- we didn't include SPOT training in the COR training. That's been fixed. We now have SPOT training so the COR knows what those responsibilities are. But that is going to continue to be a challenge.

I will also add that the contract data -- I don't own FPDS-NG. That's another agency of the U.S. government. The earliest we can bridge into that is 2010. We do have some manual bridges going on. But when our objective has always been to be able to identify a contractor to a contract, an expenditure to a location and to movement, when you don't have the contract number, you have a challenge.

I don't want to keep on painting BATS as being the bad guys. They are not the bad guys. We only got the money in September. They've already started making their cards HSPD 12 compliant, which they have to be compliant or we can't read them. They've also agreed in their database, independent of us, which is a great backstop, to include the contract number associated with the contract. So when they do issue a card, they will issue -- it will also have in the database that contract number, which is very, very important.

The other part is there were some secondary effects of which we're learned and we're also applying to BAT over in the other -- other country. With BISA, when we started getting involved in this, we found out the cards by large were being issued on a calendar basis. They nothing to do with the contract basis. So you theoretically gave a contractor an access data card -- base data card that may have extended beyond his contract number. Well, that's changed, so we've applied that to both theaters. So that's a challenge.

But I remain concerned about 20,000 when it's all said and done, and it may end up being -- it will be a manual count for the foreseeable future.

ZAKHEIM: Well, first of all, I want to thank you for your frankness. I mean, it makes it a lot easier for us when you actually say what it is so we don't have to drill down and get it. And I really do thank you.

But I'm also very, very troubled. Afghanistan is so different from Iraq, you know. The place where there are mountains, for instance, the remote areas -- in Iraq, it's all our buddies, the Kurds. In Afghanistan, it's our enemies. You've already talked about the lack of an Internet and so on. So it's much closer in many ways to Vietnam, you know. The guy who's working with you in the morning is helping the bad guys at night. And that's why I think the connection between contractors and local nationals is so critical.

And you mentioned PRTs -- and this will really be my final question, as I see my time is running out. I am stunned that AID does not request that every contractor in Afghanistan report to SPOT. It is unbelievable, and precisely for the reason you gave, Mr. Motsek.

If we don't know who these guys are, and they're a bunch of day laborers, and they go into the PRTs, how do we know they're not going to blow up the PRT or an allied PRT or some combination, so that our AID people will get killed and our military people, our DOD people who work there will get -- could you talk a little bit about what we need to do to get AID on track, because that's all -- you have to deal with them.

MOTSEK: Yes, sir. Very quickly, there's two things. We did make -- we did make the first step, which was a mandated MOU that was directed by -- in the 2008 NDAA. One of the shortfalls in that -- that and previous NDAA's, quite

frankly, from my assessment, were the definitions that we were associated with. My counterparts at USAID took a very narrow view of what a contract is, and so they took a contract to mean a multi-page contract like we have now. They did not want to include -- create as cooperative agreements and grants.

Congress, in their wisdom -- again, I thank them -- changed those definitions as of last Wednesday. So we have now the requirements in Section 813 for the 2010 NDAA. They changed those definitions, so we can't argue those points anymore that this doesn't count. This is a grant. It's not a contract. According to the law, it is now a contract.

They also changed the definition of a contractor. This was at our request in DOD, and I've got to -- I've got to give them credit for it. That's issue one.

Issue two is that they were very reluctant to put it into an unclassified database. We've accommodated them by starting up the classified database, which just came online last week. So we've got to give them a chance to start injecting. And the law just changed last week as well.

But, frankly, if you look at the enforcement mechanism, there really isn't one. I mean, the MOU which was mandated by law, really gives me nothing more than to go back and tell the secretary of state or the director of USAID "you're not complying." There are -- there are no -- there's no enforcement mechanism other than working with them. And so that, in my mind, is a deficiency. We don't have a -- we don't have a meaningful way to force compliance.

ZAKHEIM: Well, thank you very much. So right now, if I understand you correctly, even with the new law, some Afghan who is really working for the bad guys could still come on a PRT. He'll never had been reported, and he can blow up a PRT, and so nothing we could have done about it because they didn't comply. Am I wrong?

MOTSEK: You would be wrong if it was a USAID or State Department PRT, because the law says they now have to be registered.

ZAKHEIM: But anybody else's --

MOTSEK: And we have very few. I mean, actually, when you read the law, I'm going to be the guy that's in trouble now, in theory, because I may -- I have -- I have some outliers out there as well that don't fall under the criteria, and we're going to -- we're still going to have to police those guys up.

ZAKHEIM: But you don't have an enforcement mechanism.

MOTSEK: We do not have an enforcement mechanism.

ZAKHEIM: Mr. Hutton, could you comment on this, please, if you don't mind?

HUTTON: (OFF-MIKE)

ZAKHEIM: Thank you.

HUTTON: (OFF-MIKE) why we had a recommendation. I think what we found in doing this work -- and we've heard about some of the gaps and what's being entered or not being entered into SPOT. My question was, you know, until the agencies really embrace the importance of having this information to be able to manage and provide oversight of contractors, I think the fact that we aren't seeing them being inputted into the system is a reflection of maybe that lack of understanding.

We called for the agencies to get together. Now, there's an MOU, and you can agree to do a lot of things. But if it's not happening, my concern was a year from now, we could be invited back up, and we'd say, "Well, yes, there's some greater improvement. There's some more names in SPOT." I wasn't confident that our work showed that we would be in a much better place.

That said, I do have to say that over the last year or two, you have seen a lot more increase in use. And I think over time, when that becomes more routinized (ph) and people have a better understanding and agreement as to the criteria being used to enter information in SPOT, I think that'll carry it a lot farther.

And if I may add one point, too, the importance of the distinction between Iraq and Afghanistan, as the way we saw it -- and I think Mr. Motsek might have mentioned it earlier, that the letter of authorization was, in fact, a good trigger to have pretty good data relative to Afghanistan in terms of contractors in Iraq. I think the security -- information on security contractors is better than some of the other contractors.

But the issue is letter -- LOA, letter of authorizations, aren't the trigger that you might see in Afghanistan. So what is that trigger? How do you ensure that these contractors are going to be entered into SPOT?

ZAKHEIM: Thank you.

Thank you, Mr. Chairman.

MOTSEK (?): Sir, can I just add something real fast, because it's all not bad news. Please understand. You all had an earlier hearing on a private security contract that the State Department operates. They've had their data in SPOT for a year and a half -- absolutely no problem. PSCs is one of those sub-elements that Congress was pretty specific about. I don't have all the

equipment stuff in here yet, because we're just changing the database. But the people-wise and everything else -- that is a good news story.

So in those selected areas that Congress specifically mandate, that and interpreters -- we have achieved what we set out to achieve. But your problem is the broader problem, which is everybody.

THIBAULT: Thank you.

Commissioner Ervin? ERVIN: Thank you very much.

Likewise, I want to thank each of you for your service, and, likewise, most of my questions will be for you, Mr. Motsek. And I applaud the progress that has been made with regard to importing the biometric system in Iraq, BISA, and I'm glad that we're working to do likewise in Afghanistan.

You didn't give us a timeframe, by the way, for federating of that system. Approximately how long do you think it'll take for that to happen?

MOTSEK: With BISA, it took us nearly a year, because you have to re-issue the cards. One of the -- one of the -- and I know this technical...

ERVIN: Just quickly, please.

MOTSEK: ... but a very -- you have to have a compliant data card that is HSPD 12 compliant. That's a federal requirement, the national requirement. The BISA and BAT cards are not. We have to get them compliant. They are -- they will start issuing cards before the end of this calendar year. We'll have the database and the -- and it will change their metrics in their database so that we will have the contract number there.

So that's a backup to -- for me to get the contract number, because I do not want the same thing that happened in Iraq where I had orphans out there. When we dumped the BISA database, we had tens of thousands of people we couldn't apply to a contract, and it took us a month to go back and forth. This way, hopefully, we'll have the contract already associated with that and have far fewer orphans.

By the way, Mr. Thibault is an orphan in SPOT, as you know, because he did swipe his cards when he went in and outside dining facilities. I can show when he ate and where he ate and his last visit when he was over there.

ERVIN: All right. Let me get into the bulk of my questions here. You know, I'm concerned that we are conflating and confusing two different things.

You know, we gave you kudos -- my colleagues did earlier -- for the fact that there's only a 230 difference between SPOT and the manual count in Iraq. But reconciling SPOT to the manual count is one thing. Inaccuracy is another.

Isn't it the case that you can't certify that either SPOT or the manual count is accurate? There's just no way to tell that, right?

MOTSEK: I'll talk about SPOT and then let Mr. Hobby talk about the census. I mean, you're only as accurate as the data that's put into it. I will tell you right now, in the broadest context inside the CENTCOM AOR, we -- we generally accept the CENTCOM census as the baseline and work off of that. But if you assume that CENTCOM simply sends a set of numbers up to us and we accept them without hesitation, that is not the case. We know there are certain trends. We know -- when something does not appear to make sense, we go back and challenge numbers on a fairly routine basis and, in fact, it causes a delay of the census to being issued, because, again, we have some selected databases inside of SPOT that are very, very accurate, and we can -- if you're a U.S. national, we have no problems with you, absolutely not.

ERVIN: But, basically, what you're saying is you use the -- I think you said this explicitly at one point earlier. Basically, you're using the manual count to check SPOT now, right?

MOTSEK: And vice -- no, vice versa in selected areas. The gross numbers I will tell you that we accept -- after the -- after the...

ERVIN: After validation?

MOTSEK: After the broad discussions which are usually quite contentious, we will use and we will publish the CENTCOM numbers, the census numbers, in what we call the quarterly report, and that's what we post to the web as our baseline. And we're tracking -- when you look at the difference of 230, that's a fictitious number right there, because those numbers are three months apart. And I will tell you today the number in Iraq is at least 5,000 less than what you're showing on your chart today, and that is generally very, very accurate.

Am I going to reach 100 percent compliance? The answer is no. I will never reach 100 percent compliance, and, in fact, Congress has already directed me - - don't worry about a contractor that's on board for 30 days or less or the value of the contract is under \$100,000. There's too much churn there, and it's not worth tracking them.

ERVIN: Well, one thing I was pleased to hear you say is, if I heard you correctly -- is that you won't transition away from the manual count until you're absolutely certain that that's the right thing to do?

MOTSEK: Sir, that's absolutely correct. But one of the (OFF- MIKE) for this testimony, as a matter of fact -- it did raise an issue for us, because up to this point, we thought it was an all or nothing deal. We would transition the CENTCOM area all at once. Looking at the numbers and looking at how we've been doing this, it is clear that we're probably going to transition by country, because that's a more logical approach to take.

We are very confident inside of Iraq. We're confident with our numbers inside of, for example, Kuwait, which we never mandated inside of SPOT for all the contractors, just the contractors deploying with the force. But we can easily accommodate everything once CENTCOM directs that everything get dumped into there. So that would be another example where we could get it.

All the other ancillary countries inside the CENTCOM AOR we've never required to be in SPOT, but they are voluntarily doing it. So we're making some sort of incremental progress.

So I will tell you that if we have another hearing six months from now, the likelihood is that we will probably be off in selected countries, off the manual census, but the long pole in the tent, without exception, will be the Afghanistan area of responsibility. That is going to be our challenge.

ERVIN: Let me ask another nomenclature question. You know, we have a tendency in Washington to give fancy names to things to make them seem more substantial than they actually are. As I understand it, the difference between SPOT and SPOT-plus is that SPOT-plus will contain the information that SPOT presently doesn't. Isn't that essentially the difference?

MOTSEK: Well, no. SPOT-plus was an expansion, because we expanded a great many of the fields. This is a good time to explain that you're not going to hear about SPOT as the main entity in the near future, because we just submitted a new contract.

We -- we had two different contractors working both sides of the house. We finally combined the contracts about a month and a half ago. The new acronyms you'll hear will be TOPS and it stands for the total operational picture support system, which will merge both the classified and unclassified version into a set of metrics and a set of dashboard information that we can use to manage the system.

I don't know if you've seen the SPOT dashboard as it exists today, but it's -- it's -- it's gone a great way. I can tell you with a great degree of confidence, for example, of those people deploying into theater -- those contractors deploying into theater and those contractors deploying out of theater -- we've got those numbers now. We've got them 14 days in advance. So we have some predictive

modeling techniques. We don't have -- we don't have the control of the guys inside the country constantly.

So SPOT-plus was an extension, but, really, what you've got to look at is a classified version, unclassified version, and this cap or management system (OFF-MIKE) on top of it so that our leaders can use it. SPOT is not user friendly to a commander in the field. SPOT is not -- is not -- General McChrystal will never look at SPOT as it is. He will look at the metrics and look at the dashboard that shows what's going on in his theater when he's confident in that...

ERVIN: Let me move on. Isn't it the case right now that there really is no incentive for contractors to report accurately? I mean, if they report accurately, they get, essentially, a pat on the head. But isn't there an incentive to underreport, at least in Iraq, given the pressure for a drawdown?

MOTSEK: I don't know what the -- what -- frankly, I don't know what the advantage would be to them.

ERVIN: Well, there -- there's pressure for contractors to drawdown in Iraq commensurate with the drawdown in forces. That's what the second panel's about. MOTSEK: Absolutely, but I think they'll tell you it's condition based, just like anything else. There is -- there's an objective mark on the wall and, in fact, they are ahead of their -- their objective in contractor drawdown inside of Iraq as they -- as they are there.

But generally speaking, I think one of the misconceptions that we have is that somehow most people think we -- we pay for a contractor. We pay for a service, the contract for a service or capability. And if I was a contractor -- and thank God I am not, because I'd be a miserable one -- the incentive is in -- in my mind to go the other way to limit the number of contractors in -- in country, because your overhead and your -- and your costs drop.

There was a time where I would argue that you were absolutely correct. When -- when the theater was up and running very, very heavily, you could have a contractor that was -- that was phasing out, and you might want to try to keep some of your contractors in place to try to generate new work.

But clearly, with the -- with the numbers coming down, there -- there is not a generation of new work, and, in fact, there's, you know, MNFI has a -- a top number that they're going to accept with a number of contractors at -- at the end of this drawdown, and they're not going to go above it, so they're forcing the issue.

But those are really operational issues, and I'm really sensitive to talk about specifics, because that whole drawdown piece with regards to people is classified.

ERVIN: All right. Mr. Hutton, could I just get your comment about that -- about this underreporting notion? Do you have anything to add about that?

HUTTON: It's hard to put myself into the place of a contractor as to whether they'd have incentives to underreport or -- or not, so I'm sorry, I can't really comment on that.

ERVIN: All right. Mr. Hobby?

HOBBY: Yes, sir. Thank you. I would concur with my colleague from the department. Because we are paying for a service, because Central Command has directed that MNFI and Multinational Corps-Iraq reach certain goals with regard to the capabilities on an FOB and as that dining facility, for instance, is closed on that forward operating base, the service we pay to feed 2,500 soldiers on an operating basis is now no longer a requirement. That element has deployed -- redeployed back to home station.

So clearly, the decrement in that particular activity now pays that contractor less money, so from an operational point of view, although I don't want to get too much into the operations for -- for the appropriate reasons, I will tell you as a practical sense for a profit-making corporation, a company that won that contract, for them to leave people in the theater, to pay the insurance and the other letter of authorization entitlements that their workers have, their contracted employees have, would be not cost effective. So I would propose that they are a disincentive. It is a disincentive for the contractor to over report or to underreport and keep the people there. What I'm saying is the veracity of the count for Iraq is from a business point of view most likely accurate.

ERVIN: Thank you.

THIBAUT: Thank you, Commissioner.

Commissioner Green, please?

GREEN: Thank you.

Thank you, gentlemen. This -- take the Iraq number here -- 230 looks pretty neat. But if I remember earlier testimony, the census doesn't include State or AID personnel. Is that correct?

HUTTON: Sir, the -- from the Central Com point of view, that is correct.

GREEN: That's correct. And the SPOT stuff doesn't include local nationals who aren't in BISA, who don't require an LOA and don't have access to a facility, correct?

MOTSEK: In Iraq we've gotten around that because of the -- because there is Internet access, and the CORs or contracting officers can go out and certify and get the data invert relatively easily. And so we -- we did not -- we don't have that problem.

We did in fact police up the -- the eight or nine thousand when we first did the BISA dump, if I recall the numbers correctly -- please don't hold me to them -- was eight or nine thousand that we still had a delta that we had to police up. And so they were able to make a concerted effort in Iraq to police those up.

Now, I'm not going to tell you that of the eight or nine thousand that in every quarterly census we got the exact guide listed again. I'm not prepared to tell you that.

GREEN: So we may not really know the number.

MOTSEK: But -- but we have the number right, and he will give us the delta off that number. So again, even in Iraq, for those people who have no access, no -- no security requirements whatsoever, have never been registered in BISA of any sort, there is probably a small delta in there where the -- the physical person and numbers don't jive. The number jives, but the people have moved in and out.

MOTSEK: So I don't -- I don't want to give you the impression it's 100 percent 100 percent.

GREEN: OK.

MOTSEK: It can't be. It just physically can't be.

HOBBY: Sir, if I may, may I -- may I add about Afghanistan in regard to your comment?

GREEN: Sure.

HOBBY: The manual census does, where -- where you say there is a lack of a centralized identification card or some biometric capability, and I'm speaking specifically to Afghanistan, there is where I think the -- the simplicity and the direct count of a manual census does give us the capability to somewhat bridge that gap.

GREEN: Thank you. Thank you.

I'd like to pin you down a little more closely, Mr. Motsek. We've heard about the difficulties in accounting for local nationals who don't -- aren't in BISA and aren't in BAT. We've heard testimony from Mr. Hutton about the lack of standard language in the MOU that makes it somewhat difficult, or has made it difficult, for some of the agencies to respond. We've heard about unclassified versus classified and so on.

When do you guess that SPOT Plus will be in a condition where you can really do away with the manual census?

MOTSEK: We actually have in my -- in my testimony, my written testimony, we have a chart that will provide you our best guess. And to a certain extent this is a guess, because it is conditions based as to what we're doing.

Let me -- let me step back and say that we've -- we've changed the focus, and we're asking the undersecretary of defense to implement this, as opposed to implementing it at my level, to give it a little more focus.

But if you look on page eight of my written testimony, it will provide you what we think is our -- our objectives as to meet those goals to -- to go through it. So if you look at it, we're talking second and third quarter of F.Y. '10 before we'll make the decision as to whether or not we can migrate off of it.

But again, I got to caveat that by saying I still have that 20,000 that I'm not sure we'll ever migrate off the census until the systems in Afghanistan improve dramatically. I'm a -- I'm the guy who forced CENTCOM to do a manual census, so they have a -- they have something of me hanging in a corner of a room down there, and I understand that.

And I'm the guy that will be the ultimate guy to say you can get off the census, but I'm bluntly telling you I'm not sure as we sit here today, based upon the technology capabilities that we have, the fact that we've plussed-up so quickly inside of Afghanistan and the churn associated with that, that I'm prepared on the third quarter of next year to tell them that you're not going to have to count about 20,000 noses like they've been counting them today. I'm not prepared to say that right now.

GREEN: Thank you. We've also heard testimony about slowness in entering data into -- into SPOT, as good or bad as it may be -- some department, agencies better than others, and so forth. We've also heard some of the difficulties that agencies have raised and why they haven't done this.

We've heard also that there is no enforcement mechanism, no penalties, if you will, for either the contractor or the agency. Should there be penalties?

HOBBY: One -- one correction. For DOD personnel inside the CENTCOM AOR, the CENTCOM commander has indeed issued a fragmentary order that requires compliance. So he -- he has done the required compliance thing. And, you know, failure of a -- of a U.S. military contracting officer to follow the FRAGO, that's a disciplinary issue.

So there is -- there is some meat there, but your larger question is at the interagency process, and the answer right now is there is no vehicle to force compliance one way or...

GREEN: Should there be?

HOBBY: My -- in my opinion the answer is yes. That could either take the -- take the -- be either an executive order or legislation. I can't believe I'm actually asking for legislation, because that's always a risky thing to do.

GREEN: We like it.

HOBBY: But -- but yes, there has to be some sort of -- some sort of mechanism to -- to enforce the compliance piece. People are trying to do the best that they can. Don't misunderstand me.

GREEN: I understand, but we've been messing around with this MOU for a year and a half.

HOBBY: Right, and you're not going to have 100 percent, but the answer is that. Now, I don't know, as we speak here right now, what the effect will be with the new language that just got signed last Wednesday. I could come back to in 30 days and tell you that my counterparts have, you know, just hugged me and said, "We've got it all covered, not to worry." I don't think that's going to happen.

But -- but we -- we do have this transition where we have to approach now State and AID. And I must -- I might add we still have the weakness where we're talking about the big three in the area of responsibility, but there are other contractors out there...

GREEN: Right.

HOBBY: ... that are not still part of this. If you want to get this right, it's every department in the U.S. government that has to report, not just simply the big three.

GREEN: Mr. Hutton, how would you recommend that we get the attention of the departments and agencies so that they take this seriously? I assume

everybody likes SPOT or something like SPOT. How do you get the attention of those agencies and departments that aren't as good as some others might be?

HUTTON: Commissioner Green, I would say at the outset that already there's a -- a mandate for the three agencies to collaborate and have a common database. And, you know, that would require putting information into that database, as we've -- we've found in our work, that it's not, particularly for USAID, say, in Afghanistan, it's not being implemented like that.

GREEN: Right.

HUTTON: That's -- in part our way of trying to get at that was, again, to have this recommendation aimed at trying to get the three agencies to sit at the table again. I think coordination is good. I -- I...

GREEN: Well, it may be more than three.

HUTTON: Well, perhaps, but I think the three agencies that we're talking about here are -- are the lion's share of the agencies that have activity going on in -- in the countries.

But our recommendation was pointed at, you know, having an MOU and then -- and the coordinating is only one thing. You have to go beyond that, and we wanted concrete steps. We wanted to get more clarity and -- and better understanding of, OK, what is it that we really need to put into SPOT and why do we need it in SPOT and how are we going to manage SPOT?

GREEN: Who has the authority to direct it?

HUTTON: Well, right now I would think that the agency heads are responsible for ensuring that they're complying with the current mandate, I -- I would say.

GREEN: But, obviously, some don't care a lot.

HUTTON: Well, I don't know how I'd characterize that. The fact is that they aren't embracing it. And I look at it more from a management standpoint. Why wouldn't you want to know how many contractors you have in country and get a handle on that so you can better oversee those contractors?

GREEN: Don't ask me why you wouldn't want to know. Thank you. That's...

THIBAUT: Thank you, Commissioner Green.

Commissioner Charles Tiefer, please?

TIEFER: Thank you, Mr. Chairman.

And I -- I want to state again that because SPOT was a complete mystery to me -- I'm a professor of government contracting from the University of Baltimore Law School, and I did not understand it at all until you got into it from the moment that this commission was set up, so I want to state my respect for your leading -- your leadership on this particular subject.

Before I -- I'd turn to SPOT, Mr. Hutton, the report that we have from you, entitled "DOD, State and USAID Continue to Face Challenges in Tracking Contractor Personnel," also goes on to discuss such challenges with tracking contracts in Iraq and Afghanistan. And I want to speak to that part of your report.

Starting on page 24, you studied 79 contracts in theater that were above a threshold, and you came up with some data, some analysis that's startling and disturbing about the low level of competition. I want you to explain a little how you separated it out.

But just -- just to set the table, what I believe is out of those 79, you found that 71 did not have full and open competition. Eight had full and open competition. And of the 71 that didn't, they had something that's called limited competition. Can you explain how you came up with those low level of full and open competition going on?

HUTTON: Sure. What we wanted to do in this most recent report was to try to peel back and get some greater insight as to what was going on in terms of contracting over there in Iraq and Afghanistan, a previous report we were reporting on the -- the totals as best as we could.

What we did here was we wanted to take a look at and we did basically a -- a cut of the data we had. We wanted to go in and look at some contract files and get a sense of, OK, what -- what does it really mean when the agencies are reporting something as computer not competed?

And so what we did is we went into those files, and as you point out, we looked at, I think, 79 of them. And we found that there were a variety of reasons as to what was going on with those particular contracts. In some cases they were awarded to contractors that were the only ones available to provide that service at the time.

We find examples of where, you know, particularly for the smaller dollar ones, that the agencies went out to local firms and while not classically competed like we would think about it in full and open terms, they may have gotten a few bids and quotes from the local firms and then awarded the contract.

So we wanted to see -- take what the agencies reported, whether it was competed or not competed, and just get some understanding of what was going

on. Our data overall, however, I believe it was for all agencies. There were -- 97 percent I believe are contracting actions -- were competed, which represented about 70 percent of the obligations during the '08 or first half of '09.

TIEFER: OK. If I can take that further and the number of contracts competed is -- and includes a very large number of very tiny contracts, like -- like local -- hiring local help. I have tried to take -- take your study of the 79, which had a low level of competition, to the next step.

And then I have a table, that I've given you a copy of the top 10 awards in theater. I'm going to ask you for a little help on this. This is not a GAO table. This is not a commission table. This is only one commissioner's product, and no one else vouches for it. But I think you understand the terms enough to give us some help.

Of -- of the top 10, and I could use your help in explaining what the top 10 mean, for the last year awards in Iraq and Afghanistan, it seems that four of 10 were not competed, and six out of 10 were what you have called limited competition, and the study by the Waxman committee, which is the -- the principal study up to 2007 of non- competition, simply said not full and open competition.

My -- what I -- my conclusion from spinning the data is that 10 out of 10 of the largest awards in theater were not fully and openly competed in terms of the current awards. I know you can't vouch for that, but can you explain a little better what terminology we're using? And do you have any information that's consistent with that?

HUTTON: Sure. We know particularly in our -- our report that we issued in '08, I believe we had noted that there were some very large task orders. I think one had almost \$6 billion in obligations for '07 and I believe half of '08. So large task orders do make a difference here.

And then the case with some of the large ones that are in our scope, some of them were contracts awarded to one company after competition, and task orders were then awarded on those contracts. And in those cases, there would only be that contractor that would receive that.

TIEFER: Let me just check. For example, the LOGCAP contract, the -- the original LOGCAP-3, which has the two biggest awards, Task Order 159 and Task Order 139, currently, and there's only one contractor that can obtain task orders under that.

HUTTON: It's my understanding LOGCAP-3 has one contractor.

TIEFER: Yes.

HUTTON: But I -- I would like to point out that in LOGCAP-4 there was a competition, and I understand there's three firms that have awards there. And Congress in '08 had provided some new stipulations in that particular NDA '08 that said that if there were any task -- or anticipation of task orders being issued that are exceeding \$100 million, that you would have to have a multiple award on that contract precisely to, you know, help inject some competition.

TIEFER: OK.

I want to -- now I want to turn to SPOT, and -- and when there's a second round, I want to stay with SPOT. You found in your report, Mr. Hutton, that about 25,000 or 26,000 employees were not being counted, and you found numerous problems with entering Afghan local nationals.

I -- I myself have some difficulty. I can overlook 5,000, maybe 10,000 people at once, but if you assembled 26,000 people, that's beyond my -- my skill in overlooking. Do you -- do you stand by that number as how many's being overlooked?

HUTTON: Well, we did a lot of comparison between different runs of the data and also compared with the, like, say, the census with the SPOT, and then the SPOT FPDS, and that's where we got some of our insight.

But it's interesting in that one particular example -- I believe it was the Corps of Engineers -- it was about 25,000 contractors. And it was something that I think they themselves had found, the Army had found. And when we went into country as doing part of our work, we tried to get behind that, you know, how - how can this happen?

And quite frankly, for a variety of reasons, one in terms of people rotating in and out and -- and documentation, we weren't really ever to get real good insight as to what happened there, but I think it points to, you know, just the challenges in trying to get information. And I think when you -- you do some of the comparisons that we did, for example...

TIEFER: I'm -- I'm going to stop you, because my time is up.

HUTTON: Go ahead. OK.

THIBAUT: All right. Thank you. Thank you, Commissioner Tiefer.

Commissioner Henke, please?

HENKE: Mr. -- Mr. Motsek, I've got first an observation, and that is you've come a long way in three years. Your office was stood up October of '06, is that right? And here we are in October '09 -- November '09, and the department has

come a long way to getting its act together in terms of measuring, managing, observing contractors in theater. I give you and your staff a lot of credit for that, as well as CENTCOM for making it happen.

But I -- I want to -- I do want to ask you, Mr. Motsek, about the statement you make in your written testimony. It's on page five, and it's at the bottom of the page. It says -- let me quote -- you say, "Let me stress that the lack of registration of local and national contractors does not pose any security liability," unquote.

That's a very direct statement. I want to draw our collective attention to that and just ask you this question. Do you -- are you comfortable with that statement still?

MOTSEK: It's a lack of registration SPOT does not incur a security liability, and that is absolutely true...

HENKE: Right.

MOTSEK: ... because SPOT has never been, nor can it be, bluntly, a security system. Let's step back. It is a management system.

We are under -- under federal law. We have to be very careful what data we are allowed to collect for the management of civilians that are not U.S. government employees or military. We are restricted in doing that. It's -- it goes down in -- in CONUS, the United States, you technically don't have the authority to demand the cell phone number of a contractor in your office. The Privacy Act considerations...

HENKE: Right.

MOTSEK: ... all must be considered. What SPOT would do in the future, because again, SPOT -- we're -- we're building this airplane as we're flying it.

HENKE: OK.

MOTSEK: What SPOT does in the future is if we -- if we have it in place when we start the entire process off, people are preregistered like we envision it to be preregistered, you now have a database that you can use to help populate the other way. You can go to whatever security system they choose to use and populate that -- that system.

Conversely, the CAC card for U.S. government employees and contractors could end up being that security card in the future. In fact, that was the vision around 2007, 2008, which we have not achieved. But the fundamental thing inside of both Iraq and Afghanistan is the requirement for security on the

installations at access predated the development of my office or SPOT. And in 2004, roughly, both BISA and BAT independently were -- were developed for the two theaters.

Now, you can argue -- I've argued -- why do we have two? I have -- have never really gotten a -- a good solution to that, but that -- but that's what's happened. And the biometric system...

HENKE: OK. I just want to make sure I understand. Your statement is that lack of registration of -- of local national contractors...

MOTSEK: In SPOT.

HENKE: ... in SPOT does not pose any security liability. Do you stand by that statement?

MOTSEK: Yes, I do.

HENKE: OK.

You -- your office submitted to Congress a report in April 2008 about progress against mandates, legislative and otherwise. And that report was required by law. It went to Congress in April '08, and it said in there that -- on page 19 that by the fall of 2008, you'll have near 100 percent accountability of DOD contractors in the CENTCOM AOR. Let me just ask you very simply, what happened?

MOTSEK: We failed. We're concentrating on clearly which was Iraq, we did succeed. We -- we in fact -- we consciously applied our -- our limited resources to -- to associate with Iraq.

Let me make sure we understand. SPOT is not a system of record right now. SPOT has been existing to this day on supplemental funding and funding that we got at the end of the year. It is not a system of record. It was accepted as a business system, one of the first systems that was accepted as a -- as a business system. And -- and that is how we've -- we've driven this on, and we're trying to get that to become a system of record.

The fundamental question is, is it a DOD system that everyone else is using?

HENKE: Right.

MOTSEK: Or, perhaps more appropriate, is it a U.S. government system that the DOD is the executive agent for?

HENKE: OK.

MOTSEK: But that has -- that has major implications on how you fund it, how you resource it, and how you provide oversight to it, because right now, frankly, DOD's doing all that in and of itself.

So what happened? Specifically, in Afghanistan a couple of things happened, as dumb as -- I mean as simplistic as this sounds, first of all, 100 percent was a naive decision on my part. We're not going to get 100 percent.

HENKE: Fair.

MOTSEK: High 90s -- we're not going to get to 100 percent, and Congress recognized that in some of the thresholds. Some simplistic things that happened is that there truly -- when we were told in Afghanistan, we had come up with a solution set to run thumb drives all over the country...

HENKE: Right.

MOTSEK: ... to pull this data in. It would be late, but it would be there, and we'd be able to compare the thumb drive with data information with that -- that was which was in the -- the manual census. And lo and behold, thumb drives became illegal because of...

HENKE: Right.

MOTSEK: ... security considerations. We would then have to go back and do all three to Plan B, which is to start cutting discs...

HENKE: Yes.

MOTSEK: ... and of course, we did not have systems out there to cut discs, because they wanted to develop some drive systems. So we delayed several months.

The biggest effect, though, has been the draw -- the rapid increase of personnel inside Afghanistan since -- since we said that. You know, we're already in a plus-up of 68,000 military inside of Afghanistan, and we're still pending something else.

But contractors obviously go up with that, and of course, when you have construction like we have now, we exceed even the one-for-one rough ratios that we've been experiencing all along. So those two -- those two components caused the big challenge.

The third component, which quite frankly is -- is frustrating is that we were going to ride a lot of the HSPD-12 compliance issues with regards to everything. That Homeland Security Presidential Directive 12 sets out the stage

of what you're supposed to do, how you're supposed to do it. And in fact, we had come up with a way, and we had proposed to it early on. We thought we were going to have success in letting commercial sector folks...

HENKE: Right.

MOTSEK: ... publish their own CAC cards. That failed, and we're only in -- we're filing a test case at Fort Belvoir today, but all those things set us back.

HENKE: OK. Let me...

MOTSEK: I -- I was wrong to say that.

HENKE: OK. Let me move on to another question I have. I've got a limited amount of time left. You said something about the BAT solution in Afghanistan, biometrics that you received end of year '09 money. How much money does it take to get the solution moving, just roughly?

MOTSEK: It wasn't several millions of dollars.

HENKE: Single millions?

MOTSEK: Several million. I -- I -- it was under \$5 million that were needed.

HENKE: OK. But your solution going forward this year into F.Y. '10 in Afghanistan was -- results in or are contingent on getting that end of year money. Is that correct?

MOTSEK: That's absolutely...

HENKE: So if that money wasn't available, we wouldn't -- you wouldn't be able to close that 43,000 gap down to 20-some thousand.

MOTSEK: That's -- that's absolutely correct.

HENKE: To me that's -- that's one of the institutionalization problems, because you -- if you don't have this resourced properly, and you probably should have had it resourced at the start of the year, not at the end, but you just lucked out by having someone else's money under execute or moving money around, which is just a...

MOTSEK: We've been living like this for -- for several years. HENKE: Right, right. My last question is setting aside the challenges you have in Afghanistan with local nationals and 43,000 off, I'm struck by the Kuwait numbers and the rest of AOR numbers. If you look at the AOR -- the rest of AOR numbers, 2,679

to 15,000 on the nose count, that's off by a factor of five. I mean that -- to me that's -- that's stunning.

MOTSEK: Yes, I'm...

HENKE: My question is what -- what's going on in Kuwait? If the nose count is 35,000 and the census says 17, who's not doing what?

MOTSEK: The reason is, as -- as was discussed earlier, there's a differentiation today technically in -- in who you're reporting to SPOT. SPOT was required -- we were required -- we required folks to put the CDF contractors into SPOT, contractors deploying with the force. We did not require outside of Iraq and Afghanistan.

We did not require in Kuwait that they report at the time all contractors that were in Kuwait, but those that were fundamentally paid for, in our understanding, by the supplemental dollars, because that's where -- that's what Congress was tracking on. You have other contractors, thousands of contractors inside Kuwait, that are part of the baseline budgets of the service...

HENKE: OK.

MOTSEK: ... APS-5 support, things of that nature. So we -- we differentiate that.

But you bring up a very important point, and that is it is my assessment, watching what Congress has done to us up to this point, that this is a meaningless distinction in the near future.

HENKE: Right.

MOTSEK: We are -- we are operating now under the assumption that Congress would direct everyone, if you're a contractor, to be -- to be registered inside the system. That happens to be SPOT. And I'm not convinced it is solely going to be related to the CENTCOM AOR.

HENKE: OK.

MOTSEK: Hence, EUCOM and AFRICOM are already in discussions with us...

HENKE: OK. I'm afraid I'm out of time, so I'll have to go. Thank you.

THIBAUT: Thank you, Commissioner. Thank you, Commissioner.

My fellow co-chair, Commissioner Shays?

SHAYS: Thank you.

I want to thank all three of you for being here. I want to thank you for your service, and I want to acknowledge up front that we have an easier task, because we're just evaluating. We don't have to in the end do something on a daily basis and be held accountable in front of commissions and Congress and so on.

That notwithstanding, I kind of like want to scream, and I -- and I'm not sure why. I think part of it is that this is -- you're almost convincing me, Mr. Mostek, that -- that SPOT it's meaningless. And -- and it can't be meaningless. It's -- it's got to mean something, or we shouldn't be doing it. And if we're going to do it, we should do it right.

And -- and, you know, I thought -- well, I'd like to -- I'd like each of you to give me a sentence or two, starting with you, Mr. Hutton, why is SPOT important?

HUTTON: OK. For us I think our work is...

SHAYS: I don't know who "for us" is.

HUTTON: For GAO, sir.

SHAYS: No, not for GAO. Why is it important for our country? Why is it important for the war effort?

HUTTON: OK.

SHAYS: Why do we give a darn?

HUTTON: Agencies that award contracts to support either directly to the troops or some other activities in the country, for them to be able to sufficiently oversee and -- and manage the -- the work through those contracts to avoid situations of potential duplication, I think this is where it's even bigger than DOD. You have State and USAID in the same space trying to accomplish certain missions, a coherent strategy.

SHAYS: OK.

Mr. Hobby?

HOBBY: Sir, the enabling capability of the contracts to fill the gaps between our force on the ground and our requirements that put them there is absolutely filled by contractor support. We have to know with predictability and accuracy what that number is so we can predict tomorrow's requirement and

how we will deliver goods and services so the baseline count and the update of that count so we know what we're providing is the reason why we need...

SHAYS: Yes, I'm going to come back to baseline and -- and not a system of record, because this is inside baseball. But do you -- you -- thank you both for answering.

Mr. Mostek, you had a chance to really make yours even smaller now, because...

MOTSEK: Battlefield awareness. SHAYS: OK. Which means what?

MOTSEK: When you have half your force as contractors inside a battle space, to be able to manage and control them.

SHAYS: So -- so half of our effort is contractors -- admittedly, not the tip of the spear, Mr. Hobby. I mean these are -- what we decided in Congress years ago, what Congress decided, is we wanted our fighting men and women to be at the tip of the spear, you know, not cooking meals, not guarding bases, not taking diplomats all around kingdom come.

We thought, wouldn't it be better to have contractors do all those things? What we have encountered, though, is significant waste, abuse and fraud, and the misallocation of huge amounts of resources. So Congress said to DOD and to State and to AID and to anyone involved in this effort, we need to know who's there.

So now I -- you've convinced me it's important again. I -- I was beginning to think it wasn't. So my next question involves why, if it's so important, are we failing to do something very basic?

I started to hear from you, Mr. Motsek, an -- a -- a reason, and by the way, I appreciate your candidness. It enables me to really narrow in, so thank you. You know what? You're doing the exact opposite of what we have a problem. You're not trying to obfuscate. You're trying to help us sort this out.

The bottom line, though, is that contractors and so on have a built-in incentive in my judgment to obfuscate, because I know darn well that if a contractor wants to, he could tell you how much, what employees he has, where they are, how much he's paying them on an hourly basis, how much he's paying them to feather a bed, how much he's paying them when they are on contract but not actually working.

He can tell you whether he's getting paid cost plus or it's out of his dollar. He can tell you -- or she -- can tell you all those things. And they could tell us

that, but I'm not sure they want to. So I think there is a built-in incentive to have it just be really, really confusing.

Mr. Hobby, which are the more accurate figures -- the census or the SPOT?

HOBBY: The census, sir.

SHAYS: Yes.

Now, but even the census -- and so, Mr. Motsek, SPOT is not helpful right now, because it's not accurate. And so my question is -- I'm going to ask it again -- who in government has the authority to direct cooperation? This is like, you know, march into the secretary of defense's office, the secretary of state's office, and say, "We can't do this unless we get cooperation." Who has the -- who could force cooperation? Who could make your job easier?

MOTSEK: Sir, first of all, there is value to SPOT, if for no other reason than I articulated earlier, including, for example...

SHAYS: No, don't go there.

MOTSEK: OK. But...

SHAYS: I'm going to take your word for it. There is value to SPOT. I don't think so, unless it's accurate.

MOTSEK: OK, but the -- well, fortunately, the federal courts like it, so that's OK.

SHAYS: Keep going.

MOTSEK: But the -- the fact of the matter is that I testified before. It's -- it's really above that level of folks who are cooperating...

SHAYS: Do you want me to ask the question again? It's not a difficult question. Who specifically has the authority to direct cooperation?

MOTSEK: No one.

SHAYS: No one?

MOTSEK: No one.

SHAYS: Why?

MOTSEK: Because we're operating under a memorandum of understanding that was directed by Congress. And it's a good faith effort. You're asking me who is the single belly button to push to force compliance. And as I've testified before, there isn't one.

SHAYS: Well, let me ask you this. If the contractor doesn't provide this information, why the hell should they get paid?

MOTSEK: Within DOD, if you don't provide the information, generally speaking, it is part of the -- it is part of both the FAR and DFAR requirements.

SHAYS: I don't mean generally speaking. Why should -- why should they get paid, if they...

MOTSEK: They shouldn't. If -- if they -- I'm not the contracting officer.

SHAYS: Right.

MOTSEK: But it goes back to my statement when I talked with you earlier before. I think the broader issue is how do you expect will compliance with 8.5 linear feet of contract requirements?

SHAYS: It's -- it's really easy stuff. You know what? I want my money. These are the employees I have in theater. I give you their names. I'll give you some number next to them. And these are -- these are the folks.

MOTSEK: And if I am the service contract of Abdul-something-or- other outside of Kandahar, and I am hired by the U.S. government to move solid waste from Point A to Point B, the U.S. military's concern is that the solid waste gets picked up at a particular price, and not necessarily to be blunt about it, at that level it is whether it's 28 local nationals picking it up or 10.

SHAYS: See, but -- see, but...

MOTSEK: From my standpoint...

SHAYS: So let me just say the problem with that answer, and it may be a good answer, but the problem with that answer is it goes in the opposite direction. It says it doesn't really matter, because all we care about is the service is being provided.

MOTSEK: The reality is we do -- it does matter. It's -- and I'm just as frustrated as you are in enforcing the compliance.

SHAYS: No, I'm not -- I -- I...

MOTSEK: It matters, because there's force protection issues on the ground. A commander on the ground, if he has a goose egg (ph) of the area, would like to know how many people he's responsible for protecting.

SHAYS: Right, right.

MOTSEK: He wants to know what's going in and going out.

SHAYS: Right.

MOTSEK: And we can't get that full picture right now, because we don't -- we have those pieces that they have not yet complied.

THIBAUT: So then let me ask you. Let's take the example, because Chairman Shays just came up -- or you actually came up with 28 vice 10. You got 18 people. Does the commander on the ground know whether those 18 people are -- are Taliban?

MOTSEK: To my knowledge, unless they -- unless they enter the installation, unless they are affected with -- with U.S. government support, they do not know.

THIBAUT: So in theory -- in theory, 20,000 people could be working for the Taliban that we're paying, correct?

MOTSEK: I can't disprove it.

GREEN: It's a force protection issue, but not a security issue?

MOTSEK: It's a -- it's a force protection issue, if you -- if you -- if you are in an area of responsibility where you have patrols going in and out and things of that nature. But the security issue is the access to your installation, the access to your assets, the access to resources, the access to the Internet, the access to your -- your databases, the access to your support facilities.

That's what -- that's what a BAT card in -- in Afghanistan does.

GREEN: I understand that.

MOTSEK: But from the broadest concept of force protection, I have a goose egg (ph) -- my area of responsibility as brigade commander extends beyond my installation. I want to know what's out there. I want to know what's going on. And there -- you know, there could be a possibility -- I don't know, I'm just speculating -- there could be a possibility that at some point in time I'd want to get my arms all around these guys.

The best example I'll use is the interpreters. Until Congress mandated that we put interpreters into SPOT, we really didn't know what was out there. Section 1248 said you got to account for the interpreters. We've got to account for every damn one of them. We've done our best, and that's one of those databases that -- that are doing well. And we can leverage that database. We can move interpreters around. I can't move (inaudible) around.

THIBAUT: All right, all right, all right. I -- I want to say, Mr. Motsek, you're a great witness. You might as well call it like you see it. But I will reiterate, and then I'll turn it back to my co-chair.

I wrote down exactly, Grant, the same thing you wrote in a very instant, believable manner: why do you need it? It's a force protection issue.

Then you redefined, and -- and I'd just ask you to think. You're going to get some time at the end. You redefined "security" as within the base. Well, convoys go out. Military presence go out. We talked about PRTs. There's all sorts of activities out there where, quite frankly, that's where most of our people are dying. That's where the military is dying, and it is a force protection issue. So you're spot on -- no pun intended -- to the issue at hand.

And -- but, you know, I just commend you coming right back at us.

My co-chair?

SHAYS: The -- I think what would be helpful is I think what we're doing is we're coming into different directions. One of the directions is explaining in some reason why we may not need it. You know, we just need the job done. And -- and then the other, we're saying this is a matter of making sure that we maximize the ability of our fighting men and women to succeed.

And -- and so one of the things I think would be helpful, Mr. Motsek, because I think at the end we started -- before I was asking questions, it was helpful for me to know that when you talked about not a system of record, that means that it's not in the baseline budget, correct? And what you mean by the baseline budget, it's not in the budget every year, funded and you know you got it.

MOTSEK: That's correct.

SHAYS: And so when you don't have it, and when Congress doesn't pass its budget, you can't spend money, and you don't know quite -- and then you got six months of the fiscal year to try to fill it in. It is a really dumb way to -- to deal with this serious problem.

I could buy the argument that, you know, if we need some contractors to -- to work on the road, that we may not want to know. It's not as important to know how many were building the roads, especially other than to know that we could count on them being on our side, not against us.

But -- but then you -- you raised a really valid reason why we would not want to know every one. And I saw it firsthand in my many trips to Iraq. We didn't have interpreters when we needed them. We didn't have them as qualified as they could be. And I can't imagine our -- our -- those who were in charge of directing the activities of our troops not knowing that resource to the man or woman.

So I guess what I'm coming back to, and I -- and I'd just like -- and then finish my time. I want you to -- to think. I want each of you to think of the sensor. Who could be helpful? I said specifically has the authority to direct cooperation. Who could help make a difference in our getting better data?

I'm going to answer. I think it would help if the secretary of defense or his designee said, "Get the goddamn answers." I -- I think things -- would happen real quick. I think if the secretary of state did that, I think it would make a world of difference. I think if General Petraeus said, "This is a high, high, high, high priority. Get the..." and however he would say it, I think it would make a difference.

Who, Mr. Hobby, do you think could help?

And -- and let me say, and I think it would help for Congress to know, Mr. Motsek, really directly that we need this funded on an annualized basis, and -- and if you do fund it, I -- you know, then we will see kind of more the numbers you were talking about.

But, Mr. Hobby?

HOBBY: Sir, I would -- I would answer that question by saying you have the answer: help from the secretary and execution by the combatant commander and Central Command, General Petraeus, to execute that with frag orders, and then with the implementation strategy, be it a COR doing a manual count or a contractor being held accountable for entering data into an automated database called SPOT or to be called TOPS.

The execution, however, is -- that onus is on the military commander. If we allow that military commander to go interagency without the top cover from the secretary of state and the secretary of defense, then I think we've put him at odds, and we have not given him the appropriate authorities. SHAYS: And I'd just summarize by saying all three of you have made it very clear this is very important to know what people we have in theater. There's -- so this is not a

debatable issue. This is a very serious issue. SPOT is not a meaningless exercise. It needs to work better.

Mr. Motsek, you need better resources, and you need some support from different folks to make sure that they know that when you want this information, you deserve it.

MOTSEK: Mr. Shays, the only thing I would add is that...

SHAYS: I would like to end with my nice closing.

MOTSEK: Oh, sorry.

THIBAUT: And I'll reaffirm that each of you will get a final thought with your nice closing.

SHAYS: Exactly.

THIBAUT: So we're -- we're OK.

SHAYS: I just want to make sure we end with that note.

THIBAUT: We're -- great -- great discussion. Thank you, Mr. Co-chair. But I don't want to ever go out there and sit in front of you. I'll be in big trouble.

I appreciate it. I only have a couple of minutes left. Even though they put five up there, I used three already, so, you know, I'm the accountant auditor that remembers such things. And I -- I just want to provide some comments.

I absolutely support Christopher's position, because I kept wondering who, who, who. And I agree with him. The secretary of defense, the secretary of state has to say, "After all this time, if it's this important, let's get out and do it." Otherwise, we're going to continue to be there.

And I'd like to say that we've all been in school, and I did some math. Again, I guess I am the one that likes to do math and -- and keep myself entertained while a very good hearing is going on. And I did the bottom right-hand corner by the bottom left-hand corner of the chart, and somewhere around there you can do the math and come up with SPOT's about a 58 percent solution. I know the data always varies.

And I absolutely support the work you've done, Mr. Motsek, in terms of -- of putting pressure on the system, because this is all about trying to get you the ability and the resources to continue to put that pressure on the system. And - - and it's not your report card.

You know, if we're all in graduate school and we said, you know, we need this final exam to nail down a degree, and everybody did the traditional 90's an A, 80's a B, 70's a C and 58's a what, we'd -- we'd all be in a bit of a hurt. And that's kind of how I feel. We're in a bit of a hurt on this.

And I -- I think one of the major first steps that can be done -- and -- and again, I did it this morning, Mr. Hobby, not -- not to set you up, but I've got great contacts down in CENTCOM like you have, because they work for you.

But I -- I went down there this -- or I went down there -- I called down there, and I said, "Is it possible to reconcile the CENTCOM data that comes from the 33 points into your -- your shop?" And they -- they do a nice job of racking it up in the SPOT data. And the answer was, "Yes, but it's a major undertaking to do it."

Well, aren't we at a point, after how many sessions in front of Congress and others about the challenges that maybe we ought to do it once just to be sure that those are foreign nationals, just to be sure we don't have some American companies and their divisions, segments, small, because the big companies have shown they do a pretty good job.

And they have, and we -- we've had them walk us through it. But they're not the -- by far the only game going. And so I would suggest you take back the thought that maybe that reconciliation's overdue.

And my last comment is everybody out in the field, meaning the area of operations, thinks the manual census ends on 31 December, because it's all been kind of SPOT's going to be ready. And I appreciate Mr. Motsek's statement that, you know, we -- we may not be ready. I would encourage you to take that message back, because if we did away with, as Commissioner Shays said, the most accurate count, we could be in big trouble.

Commissioner Zakheim?

ZAKHEIM: Thank you.

First, a couple of quick questions. You mentioned on page five we have to worry about the Privacy Act, Mr. Motsek. That doesn't apply to Afghan nationals, does it?

MOTSEK: I can't -- I'm not a lawyer, so I can't say specifically the Privacy Act, but there are laws that prohibit us from maintaining certain -- certain -- clearly, we can put a Afghan contractor in the database. It's the level of detail that we're allowed to put them in that's a requirement of...

ZAKHEIM: Well, I'm not a lawyer either, but last time I checked, foreign nationals in their foreign countries are not treated the same way as American nationals in the United States. But, well, we can check that out. Perhaps you could answer that for the record, actually.

Secondly, you mentioned that fiscal -- in the -- you -- you got \$5 million for the fiscal -- in the fiscal '10 budget for SPOT, correct? Or is that in the SPOT?

MOTSEK: No, no, in F.Y. '10 we...

ZAKHEIM: What do you have in F.Y. '10?

MOTSEK: I believe it's 21.5. I believe it's 21.5. We've been struggling. We -- we provided a chart earlier.

ZAKHEIM: OK, 21.

MOTSEK: We've been -- we've been struggling like single digits for years.

ZAKHEIM: Ok.

MOTSEK: This has been -- been...

ZAKHEIM: OK. And -- and F.Y. '10 is in the baseline budget, or again in the supp?

MOTSEK: No, we're still in the supp.

ZAKHEIM: Still in the supp.

MOTSEK: In fact, it -- it was the -- the comptroller through a PBD that got us -- got us the dollars.

ZAKHEIM: Yes, OK. And so is there any sense that -- and is there any sense that either SPOT or TOPS will be in the baseline fiscal '11 budget? Do you have any sense that that right now?

MOTSEK: We've requested.

ZAKHEIM: You've requested it.

MOTSEK: But we requested it for '10 as well and didn't -- didn't succeed, so...

ZAKHEIM: OK. And it didn't succeed at what level? Comptroller level?

MOTSEK: That's correct.

ZAKHEIM: OK. That's good to know. Thank you.

Another question. Mr. Hobby, you mentioned that contractors, when obviously it's in -- you thought, because you said you weren't a contractor, which I happen to be -- you thought it was contractor's interest to draw -- not to leave people hanging around, if a service is closed down. And I think that makes sense. But aren't there cases where services only partially close down?

HOBBY: Yes, sir, there are.

ZAKHEIM: OK. So then let me explain as a contractor. If I'm a contractor and the service is only partially closed down, I have every incentive to keep as many people as possible, burn up that contract as much as possible, and say I'm using all those folks for that service that remains. And so the question that my fellow -- my fellow commissioners raised about the drawdown of contractors remains on the table. I totally grant you that if you're closing down a complete service at a -- at a facility or somewhere, then yes, it's in the contractor's interest.

The problem is that we're not closing down the services everywhere, nor are we even closing down all the services at the same base, and therefore, there is a huge incentive for contractors to drag their heels as much as possible and rack up those bills.

And I will leave it at that, and maybe my fellow commissioners will want to pick up on that, unless, Mr. Hutton, you may have some comment on that.

THIBAUT: Thank you, Commissioner Zackheim.

Commissioner Ervin?

ERVIN: Thank you.

As you know, we've made a practice over the course of the life of the commission, occasionally anyway, of issuing special reports when we learn something that we think is so important that we can't wait for our final report to -- to make everyone else aware of it. And it seems to me that we've learned four things over the course of the hearing today -- first, a statement, then a quick question, if time permits.

I think we've established -- you've all said it, really -- that the manual count, at least right now, is the most accurate one. It seems to me that we've established that we need to preserve the manual count in perpetuity as a check against SPOT and SPOT Plus. Seems to me that we've established that there is a potential security issue, just as we thought all along here, by the inaccuracy of SPOT to date.

Seems to me that we have learned that we've got to have the secretary of state, the secretary of defense and the director of AID making a priority that these respective agencies cooperate with an executive order, if necessary. And fourth, it seems to me that we've learned that we've got to get funding for SPOT in the baseline DOD budget.

Now, with that as a predicate, just one final question. One thing that we haven't talked about yet is -- we've talked about the security aspect, as I say -- but we haven't talked about the potential waste that comes from the inaccuracy and incompleteness of SPOT.

Mr. Hutton, there was a -- a GAO report in 2006, December of 2006, that said about \$43 million was lost to free meals provided contractors who had already been given a per diem meal allowance. And just did some quick math, and MRAP costs, as I understand it, about \$1.4 million, so we could buy, you know, several MRAPS to protect the troops for that \$43 million we lost.

Do you -- does GAO have any global estimate of the potential waste figure from the inaccuracy and incompleteness of SPOT?

HUTTON: That's a great question. We're often asked to see if there's any broader figure out there. What we have are examples in our work that point to what can happen when you don't have good contractor oversight and good systems for managing contractors. But we haven't come up with any kind of estimate like you're suggesting.

ERVIN: I think that would be a very useful -- we -- we're not in the position to task GAO, of course, but I think that would be a very useful exercise for GAO to undertake.

Mr. Motsek or Mr. Hobby, do you have anything to add about that?

MOTSEK: I -- I would not use meals anymore as an example, because I think that's one area we've actually had substantial success, because we do -- we can account for the people that get some sort of service.

And just as an anecdotal information, for example, when we went to the mandatory letter of authorization, the standard SPOT letter of authorization, and CENTCOM in their -- in their wisdom became draconian about enforcing that, we had a -- a hold in Kuwait of over 2,400 contractors that could not go down range until they had the proper documentation in place.

And as you know, Mr. Thibault, because I got your record right here, every time you go into a dining facility, you swiped your card, and that proves that you were in there, and we can go back and compare whether you're authorized that

or not. And your -- by the way, your LOA has a -- has a bar code on the bottom of it. That's a good example.

Perhaps the example you'd want to use is how well are we doing with medical care? How well are we doing with charging the contractor medical care in making sure we get reimbursed from those -- from those contracts that we're paying for their -- for their being deployed. That -- that's a better example.

So we -- we do have those successes that we can -- we can...

ERVIN: Do we have any idea in that medical area, that you raised it?

MOTSEK: We're -- we're still -- we're trying to make the placing of the JAMs machines mandatory inside the -- inside everything.

Fundamentally, if we get this right, I don't care whether you're authorized a meal or not in my dining facility. If you're swiped and you go in there, I'll bill you after the fact. So Lockheed Martin or anyone else could bring their 200 executives through, and they are not entitled to meals, and we'll bill them at the billing rate as part of -- part of the process.

That's relatively simple, but you got to get the machines out there. You got to get the business rules out there to force that compliance. And we're -- you know, as I told you before, we're struggling getting just the -- the readers out there and getting them compliant. You got to get in HSPD-12 compliant reader out there. We focused on Iraq. We're now focusing on Afghanistan, but there's - - there's a delta in there now we're just going to have to live with as we get them in there.

And there is resistance -- make no mistake. Mr. Zakheim brought it up a couple of times. There is resistance by the installation. Why do I have to dump this data to you, because it's another piece of work? And -- and you've got to change the culture and what we're doing.

We -- you know, we as DOD did not recognize that 50 percent of our -- our forces were going to be contractors in the battle space. You know, we had to stumble in on that. And so I take your point. But meals, by the way, is a good news story that, well, we can -- we can point to.

ERVIN: Thank you.

Did you have something to add onto that, Mr. Hobby? And then I'll be finished.

HOBBY: Well, I'll just add that absolutely we would rather have the force protection with our MRAP all-terrain vehicles and the other force protection

and command and control items rather than waste that money on an unnecessary service.

And I would point out that in Iraq, as Commissioner or Co- chairman Shays has said, the chain of command does have absolute visibility of those residual services that are left on FOBs that we have deployed out of.

And so things that are going on there as the Afghans -- I mean as the Iraqis occupy that forward operating base and we transition them over, there is a direct correlation between the Iraqis' ability to take over that function and that residual piece of that contract being drawn down.

Again, I just want to assure you that from an operational command and control and sensitivity of the commander on the ground, that occurrence that could occur with the residual contractor looking as many billing hours and as much that he can wring out of that period of performance and that burn rate, as -- as much as that is an incentive for him to maintain his profit, there is an equal sensitivity in the theater by the commanders and the operators on the ground to not let that get out of control.

ERVIN: Thank you.

THIBAUT: All right.

Mr. Motsek, since you -- since you brought it up twice, I -- I thought I'd help you clarify the record on -- on my meals. I was given a -- you may have it for the last one, but if you have it for the first two, I'll be really surprised. I show everyone who's seen a CAC card, this is the front of the CAC card that I have without a picture. That's what I was given -- no picture. And this is the back without a bar code.

So for the -- for the record, when I went into cafeterias, I had to talk my way in each time, or I wasn't going to. So I usually grab myself a -- a senior military colonel, lieutenant colonel, and kind of trail behind him and said I'm -- I'm with him.

But you probably have mine from the last trip, because after being unsuccessful in getting a CAC card, they gave me a -- a special CAC card so I could eat. So one out of three is pretty good.

Yes, they -- they did, with my picture on it and everything, but for the first two trips, you don't see pictures there. I -- I just say that because we have a little fun with it. That's all.

MOTSEK: You need a little light on the August 28th though.

THIBAULT: Well I know, that was the one where I had a -- I hope I ate well. The contractor does a great job, but I thought I'd just clarify that.

Commissioner Green?

GREEN: Just an observation or opinion if you like. Going back to something we quickly referenced before and Mr. Ervin referenced it again and that is, you know, mechanically SPOT or TOPS may not be a security system, but I think when you talk about forced protection, conceptually it is. It's part of a security system. No answer required.

To go back to the manual census in Tops Spot, we all know we've had difficulty in getting contractors in some cases to sign up for this. You all know how difficult it is despite our attempt here to identify a bellybutton or several bellybuttons who we can put the finger on. It's very difficult over the long term certainly to get senior people to focus on an issue with this.

It's just -- there are too many other things on their plate, but you know, I wish you well in -- in getting that done. But that being said and based on the fact that we're probably going to see more and more local nationals as contractors in both countries as we move out of Iraq and as we build up in Afghanistan and comply with Afghan First, who may or may not have the need to access military facilities.

Mr. Motsek, can you see any circumstance where you would maintain, retain the manual census as a -- as a check and balance, over -- over the long term?

MOTSEK: As I said earlier, first of all we will not cease doing a full census until we're confident. What I perceive is not the entire census being done but in a typical auditing fashion come up with a scheme where you audit segments of the population so that you continue to have confidence in your numbers that you're -- that you're producing. But I want to be blunt about it. I want to get away from that wall-to-wall inventory that these guys do on a quarterly basis to put themselves at great risk when they shouldn't have to do that.

A lot of enablers that allow us to do that, and again my frustration is I have a residual number that I've articulated that I think is right, which I don't have a solution for right now. The solution may be that they don't get a BAT or BISA card, but they simply get registered into the system. In other words, if you're going to be employed out at a -- at a far remote site, someone has to go out there with the biometric registration equipment, take your iris scans, take your scans and get you registered in the system like that. That may be the solution.

I am unwilling right now to tell you that I can commit the CENTCOM folks to do that because that -- you know that's extraordinarily intensive. But we -- we

recognize we have to solve it, but again I don't foresee us, once we get this right, having a full blown wall-to-wall census.

GREEN: OK.

MOTSEK: I do see us through a routing process doing segments.

GREEN: Thank you. One last quick question. With the new language, MOU language, what is your plan, what is the time-line for getting these departments and agencies, not just the big three, but all of them who may play a role in this, getting them together in the same room to talk about their responsibilities?

Anybody?

MOTSEK: Well only, I can't enforce that right now. There is -- there is no way to enforce that. We have voluntary, I repeat voluntary compliance by some agencies that have an incentive. The Department of Justice sees the incentive of putting their people in there because it helps provide them support services at a variety of our installations. But as I sit here right now, as Mr. Hobby sits here right now, we have no legal authority to mandate that and require it. The only thing we have, as we sit here right now, is the 2008 NDAA that directed us to develop an MOU between ourselves, aid and state and that's all we have. As I've testified before, there's really no enforcement mechanism behind it.

GREEN: Even with the new language?

MOTSEK: The new language clarifies that they got to put -- what they've got to put in so we can -- so in my mind you can't quibble that this pile of money that I'm spending is exempt. Now virtually nothing is exempt. Now we'll see how -- how reasonable we are in getting that -- those -- that bit of information in. But that does not address the other agencies. It only addresses those three.

GREEN: Who should broker a meeting like that? Somebody needs to.

MOTSEK: I'm stuck again. We -- we have approached on a couple of occasions both administrations, OMB perhaps being the...

GREEN: NSC.

MOTSEK: Vehicle to do that. I guess in theory NSC could do it, but I got -- again, this is management, this is business and we should be able to handle it inside the -- inside the community that way. We have not -- frankly we have not had success in doing that. We've -- we've even pushed SPOT north as one of the points of light or whatever we're calling these new incentives to the president's committee up there to review as -- as a possibility.

Because I -- I think we get great traction, again if we made the decision as a nation, what exactly is this supposed to be because every time I have an NDA that comes out, it changes and our focus changes and -- and we got to latch something else on. Is it a DOD system just for the three agencies, is it a -- is it a national system that we're the executive agency for. That's a fundamental problem...

GREEN: Thank you very much.

MOTSEK: That needs to be resolved.

GREEN: Just a -- a quick point. I think it's been pretty clear in this hearing that we're not just talking about pure management, although that's critical, but we're also talking about security at large and -- and the lives of our people. So wouldn't you say that given that that is the case, that this really belongs with the National Security Council, possibly with OMB support, but this is an NSC responsibility given that you're trying to manage three very important agencies and maybe more?

MOTSEK: If -- if you use the term manage, I would agree 100 percent, but again I got to caution you that inside the federal government we've very explicit as to what databases are security and intelligence and management, and this has been a management system since day one.

GREEN: Except you're now going to merge it with...

MOTSEK: I still -- please understand this is a distributed -- now this is a federation. I steal from any place I can legally steal from. This is not building this mega database ..

(UNKNOWN): Why don't you use another word.

MOTSEK: And remember...

GREEN: Borrow, borrow.

MOTSEK: I -- I trade electron appropriate...

(UNKNOWN): How about utilize?

MOTSEK: I utilize. I mean the best example, and you've heard me sort of mention it before, the best example is your ATM card, OK? When you first got your ATM card 15 years ago, you were proud that you'd go to your local bank and get cash out. Five years later you could go to their branches. You thought that was great. And now, today, you would be -- your ATM card not having worldwide access to every ATM in the world would be unacceptable. There is no

single database for that. That's a distributed database where we draw and -- and borrow information from each other, and that's the model we've built and that's one reason why instead of taking eight to 10 years to develop, it went out in 14 months.

Even with all its warts and everything else. So I take your point about it, but again I -- from my level we have tried to go OMB as -- as the point of contact to my -- to my credit, not to my credit, to my counterpart's credit and state, Will Moser has come with me as well and so he supports that who is the Deputy Assistant Secretary of State over there, who is my counterpart for that, he -- he's for that, as well.

GREEN: All right, well thank you.

Commissioner Tiefer, please.

TIEFER: Thank you. Thank you, Mr. Chairman. To sum up the earlier questioning about lack of competition among the top 10 of 10 of the largest awards in -- in theater, I was disheartened to see that results from the data, we seem to have turned out back on full and open competition and that's our trusted system for avoiding waste, and this might be the root cause of billions of dollars of waste in theater, the fact that we have no -- no full and open competition among the top 10.

Turn back to SPOT, I'm going to ask you at the end of summing up some things that I've heard today whether each of these are possible, Mr. Motsek, that we're exposed by the limitations of the system to ghost employees, idle employees, double counted employees, extra billing employees and even Taliban employees. Let me -- let me check that I've been listening carefully. The chairman, Mr. Thibault, in his opening statement mentioned the possibility of ghost employees. We've heard several commissioners talk to that.

Co-chairman Shays talked about the -- the risk of featherbedding of -- of employees who are not working. The GAO study on page seven says that conversely that have also been instances of contracted personnel being double counted in the census. And most -- most concerning, Commissioner Zakheim first noted that there could be extra -- there could be a strong reason during the drawdown for contractors to engage in extra billing by being slow to -- to actually take employees off the payroll or out of theater.

The reason the Taliban possibility most concerns me, another that Commissioner Zakheim correctly pointed out, pointing back to our experience in the Vietnam War is that we're also going to be engaged in a major effort to recruit new personnel for the Afghan Police and the Afghan Army, but I want to focus on the police. What better credential for someone wanting to -- an Afghan wanting to be sent by his tribal chief to be an Afghan policeman than that he

has previous experience as a contractor, an American contractor, and after all, if he's a ghost employee, it must be a favorable experience. Ghost employees don't cause trouble on the worksite. They don't destroy things. They're just not found -- they're not found with alcoholism problems.

So to sum up, my question is are all of these possible under -- in Afghanistan under the current system, Mr. Motsek?

MOTSEK: I guess the first one is the most important. Is there a possibility that we have Taliban employees? The commander in the field, or I should say the co-commander, General Petraeus, has made it a conscious effort to -- as part of his COIN strategy to hire local nationals. And I can't talk in this -- in this forum, nor am I the qualified guy to talk about it, but there is no doubt in my mind one day you're on one side of the ledger, the other day you may be on the other side of the ledger, but that's part of the strategy. So I -- I have to leave it at that. So in any -- any segment of the Afghan population or the Iraq population, you're going to have switched loyalties, and we know that. We know that and that has been part of the strategy that the commanders on the ground have -- have tried to focus on.

We don't have double counting inside the database, that's the good news. The bad news is you could have double counting in the census, and there's a lot of things that can contribute to that because we naturally assume that a person works a man day or a man week or a man month or a man year against this contract. And without an electronic database you find that that's not necessarily true, but their work is apportioned out.

One of the things you've asked me hundreds of times and I can't provide of you is what -- how many of your PFCs are doing site security, how many are doing personal security and how many are doing movement security, and the answer is I can tell you in any given instant, but it's not a -- it's a fictitious number because some of those people do all three and it's depending on what day of the week it is, what their focused on. And so you have that same -- you do have that same challenge.

GREEN: Mr. Motsek, I'm almost out of time. And I just want to note that I will have questions for the record on competition for Mr. Hutton. My time has expired.

THIBAULT: Thank you.

Commissioner Henke?

HENKE: I'm going to start with Mr. Hutton and then go to Mr. Motsek, if I could.

Mr. Hutton, GAO issued this report October 1st, "The Agencies continue to face challenges tracking contractors, personnel and contracts in Iraq and Afghanistan." Continue to face challenges is a fairly broad understatement, but the report is 60 some pages long. You get into the back of the report and I'm struck by the fact that you made three recommendations and DOD disagreed with all three recommendations. So I want to get at that issue.

The first recommendation, and just check me on this, Mr. Hutton, I'm going to simplify it. Your recommendations are that agencies have a plan with time-lines, number one, that will insure criteria for what GOA and SPOT is consistent with the law and what the agency's information needs are, number one. DOD disagreed. Number two, your second recommendation is that you should have -- the agency should have uniform requirements on how contract numbers are entered, whether they're 12 digits or 13 digits and how they pull information from FPDS. DOD disagreed. Number three, you recommended that the agency should revise SPOT reporting capabilities to insure that they fulfill statutory requirements and agency's information needs and DOD disagreed.

My question for you, sir, briefly is: Is that a fair synopsis of your three big recommendations in the report?

HUTTON: Yes, Commissioner Henke?

HENKE: Were you surprised the DOD disagreed fairly strongly on all three?

HUTTON: Quite frankly I was a bit surprised because I think what these recommendations are doing is getting at the heart of what we feel need to be -- what action needs to be taken. What really was a little peculiar to me was some reference to requiring further statutory authority, and I...

HENKE: Exactly.

HUTTON: Couldn't see that connection as to where that was coming from.

HENKE: Exactly. And it's a good report, but not to be -- not to criticize it, but I think some of the recommendations are fairly straight forward, they're fairly vanilla, perhaps. It's good government stuff.

HUTTON: Absolutely.

HENKE: It seems to me. Now with that as background, Mr. Motsek, not to put you on the spot again, but OK, let's do it. Why would DOD disagree fairly strongly with all three GAO recommendations?

MOTSEK: I've already eluded to the first one over and over again and that is, I could write as many plans as I want. The MOU is a plan for execution. I have

no teeth. Did the GAO say give Motsek the teeth to make this happen or give somebody the teeth to make this happen? The answer is no. It's another MOU, it's another bogus, a bunch of guys sitting around a table discussing the issue and we're not going to come up with the solution say.

HENKE: OK.

MOTSEK: I need something more than that.

HENKE: OK. And Mr. Hutton is disagreeing, so go ahead, sir.

HUTTON: Yes, quite frankly I think what we are asking for is -- well the agencies did agree to a -- or they assigned an MOU. I think what our work is showing, you know a year and a half, going on two years down the road, is I don't see that embracement of what the overall objectives are in terms of collecting this data. We're finding that not all agencies are on board. We were looking, this is our way of looking for a management focus on how to better insure that a year from now we're continuing to see some improvement, but we're going to see more rapid improvements.

HENKE: OK.

HUTTON: I don't think without that plan...

HENKE: OK.

Mr. Motsek, go ahead.

MOTSEK: USA put their 600 and some odd employees that made -- met the criteria, as they defined it, as a contractor in Iraq. They met the requirements. I told you I thought that was inadequate. Congress now agrees it's inadequate...

HENKE: And they clarified the law, right?

MOTSEK: They clarified the law.

HENKE: Right.

MOTSEK: So that -- that is a deal and it -- it will go in due course and we'll find out whether or not that 600 and some odd number now appreciably increases as everyone else gets -- gets in there, but we've had management needs. We continue to have management needs.

HENKE: Right.

MOTSEK: But again, you cannot force compliance on someone without the authority to force compliance.

HENKE: Until you -- but go at that issue. What authority do you need that you're lacking?

MOTSEK: Well we -- we discussed -- well first of all decide what the hell the system is. If it's a U.S. government system...

HENKE: Right.

MOTSEK: Then someone like OMB will establish a -- a ...

HENKE: A funding scheme, right.

MOTSEK: A funding scheme...

HENKE: Right.

MOTSEK: An interagency criteria as to what's going to -- what you're going to do. I don't mind being the executive agent. I urge us to do that.

HENKE: Right.

MOTSEK: But you -- but don't tell me over and over again to come up with a coordinated letter of consultation of committee...

HENKE: Right.

MOTSEK: Or something. This is too big and too tough to do it on the good old boy network. You're going to have to bite the bullet and decide who is in charge and give them the fundamental tools to do it with.

HENKE: OK. Has the department asked for enhanced authority?

MOTSEK: We have gone to OMB for it, but again it's in discussions. You know, the Secretary has never signed a letter out.

HENKE: Right.

MOTSEK: Nor am I probably brave enough to do that at now at this point, but - - but the answer to that is no. We haven't signed something out like that.

HENKE: OK.

Mr. Hutton you wanted to say something?

HUTTON: Yes I just wanted to add that our recommendations directed at the heads of all three agencies, that to us was where it should start, at the head of the agencies. And really what we're talking about here is we just don't want providing information into a database because Congress asked them to.

HENKE: Right.

HUTTON: I'm not talking about DOD here so much, but I really think that for all agencies to really take this and make it real in terms of how they manage the contractors...

HENKE: Right.

HUTTON: The fact that they're not inputting the information suggests to me that maybe they don't quite buy the -- the importance of it.

HENKE: The need of the data...

HUTTON: Again, the DOD...

HENKE: If the law didn't say anything, the managers that state and AID would still need the information, right?

HUTTON: I think this is important information.

HENKE: Right.

HUTTON: And I think that DOD, you know, gets it in the sense that they started with SPOT before this MOU came out.

HENKE: Right, to their credit, must to their credit.

HUTTON: Yes. Let me add that there's an addendum to the report. We actually changed our non-concur, I believe it's to concur with some pretty hard comments but...

HENKE: They concur but...

HUTTON: There was, you know there was that...

HENKE: Right.

HUTTON: Give and take. So there's actually another answer coming back.

HENKE: OK. It sounds to me, and I'll wrap up here that you made some good recommendations, pretty straightforward. Mr. Motsek is trying to get it done

and realizes that another plan with milestones isn't going to do it, so he needs something else, but it seems to me like we're talking past each other.

HUTTON: Well we, the heads of the agencies and I, that -- that's...

HENKE: I understand.

HUTTON: As far as we could go with that.

HENKE: Understand. OK, thank you very much.

THIBAUT: All right. We have our, my fellow co-chair battling cleanup with us now, so Commissioner Shays.

SHAYS: Not battling cleanup because these have been excellent questions and I think informative questions, answers.

But first off, Mr. Hutton, your -- your recommendations are very sensible and I'm struck by the fact that Mr. Motsek, it's hard to disagree with them. You might want to add color to them, but they -- they truly are, it almost sounds like you've given up when you're not willing to consider just some basic recommendations. And when I asked you, you know, who could have impact, you basically said no one and then you kind of then said, well it would help to have the -- the secretary.

And I basically think it's because you don't want to be in a hearing here telling the secretary what to do, and for that I respect it, so I'll take it under that. But you didn't disagree with Mr. Hobby saying it would be helpful and so on.

I'll tell you, the reason why I have this chart up, it's time- line for SPOT implementation and it's made to General Mitchell Aide Stevenson, AMC, that stands for...

(UNKNOWN): Material command. SHAYS: Material command directed AMC to utilize the Web-based SPOT tool for the CCC Mission. What's the CCC Mission, anybody know?

(UNKNOWN): Command Control...

SHAYS: Command Control Commission. OK. So let's go, count up one star, two star, three star, four star, five star, six star, seven star, eight star, nine stars. We finally had the business rules published not in October '06, but October '07. It basically took over two years to move forward to this. Now, you know, part of that is there are a lot of other things on people's plates.

But it's hard to convince the real world that DOD is serious and others are serious when we see it takes two years plus to just get the business rules published. And I'm struck by, I'm reacting to your comment which is really somewhat of a red herring when you talked about the privacy issue because, you know, names and so on is not to me a privacy issue. But I'm even struck with how, heck if you needed more information it is a war. And I'm struck by the fact that the critics of this effort in Iraq and Afghanistan who say we're in a war but the only ones who really know it are our fighting men and women because everyone back home doesn't seem to get it. And this, to me, is a great illustration of that.

And so I think what we're going to try to do as a commission is to try to see if we can shorten that span. And one of the points that Mr. Ervin suggested is that maybe we should get State and AID here to say, OK how are you all going to cooperate. So we're going to try to help you, and I'd like to lift your spirits up a little bit by saying that we all know it's a priority and we all know you've got lots of things to do, but we're going to try to impact this, have it work better, have it work sooner, and we're going to want a few more yesses out of you, not then a few more noes. Mr. Hutton's suggestions, GAO's make sense, in conjunction with other things. So I think the way I would have wanted you to respond to GAO was to say, yes, but we want these things added and then it will work better.

I don't have anything other to add except to say that this really concerns me that it would take two years. Why do you think it took two years?

MOTSEK: Well first of all when General Stevenson announced it back in August, it wasn't a DOD system, it was Army only, and again, as I mentioned in my...

SHAYS: OK, that's one reason.

MOTSEK: It was only, in fact it was only for a very small segment of contractors and those were contractors of company supported weapon systems going into the field, and this thing mushroomed through. We did not accept SPOT. We -- we identified SPOT right after August, I mean October of 2006.

SHAYS: Except that you resisted it, or did you?

MOTSEK: No, we were looking for something to do. Congress passed Section 854 and we said we've got to come up with something and it was SPOT because it was already in an embryonic summation.

SHAYS: Right.

MOTSEK: It was for a very tight shock group...

SHAYS: Gotcha.

MOTSEK: And we expanded it.

SHAYS: Can you tell me when did Congress say to come forward? Refresh me.

MOTSEK: That was the 2007 NDAA which was pub, was actually passed if I recall in October.

SHAYS: So OK.

MOTSEK: Of 2006 when I came on board, in 30 days we were at GAO briefing what our plan was.

SHAYS: So SPOT started a year before and you jumped on board.

MOTSEK: We grabbed it and we got DOD at the DAWG, Defense Advising Work...

SHAYS: Yes. But -- but even then -- but even then -- so what you're saying is October '07 before the rules were published. It just takes a heck of a long time. And one of the things that maybe our commission has to look at, is what should be speeded up during times of war. I mean we're not looking at all contracting, so there are a lot of things we don't get into, but we are looking at contingency contracting, wartime contracting.

Mr. Hobby, would you have any comment about this chart?

HOBBY: As far as the -- the embryonic stage on the chart indicated, we thought that the -- in that timeframe of August 2005, before some of the expansion that was going on and the whole governance idea, the Afghan First Policy, etcetera, it expanded some of the contract base that CENTCOM now leans heavily on, 119,000 contractors in Iraq and so forth that early in that stage we never, Central Command never saw this going to be a one for one or a half the force in the fight, and there's another force that becomes the sustainment that are contractors.

(UNKNOWN): Well, we knew it was pretty high though, whether it was one for, even if it was, you know, one for two fighting men and women, we still knew it was a huge issue.

HOBBY: So it was. Absolutely. But our systems to acknowledge that, to account for that, and to manage that to the level...

(UNKNOWN): Right.

HOBBY: Requirement that we now see we have to, we did not. (UNKNOWN): Well, we -- we know that and we talked about course and to the general public they may not understand that, but we know there is beginning to be a change in culture in the Army in particular, to begin to value those folks that are overseeing contractors within our military so that they potentially, by dealing with contractors, don't get out of the chain to become a flag officer. And -- and so we're seeing some very good things happen and we're seeing real efforts to change a culture, which is encouraging.

But in my past life I served on the Government Oversight Committee and we dealt with contracting, and we have written in laws for contractors that give them two years before we can lower a price on what they get. We have contractors who in the space of six months have fully paid, we've fully paid for something we rented from them and then we keep it for another 10 years. We have trouble changing that process, to give contractors lots and lots of protection. I -- I am beginning to believe that when it comes to contracting overseas we've got to have a faster process. And to help people like Mr. Motsek and to help you, Mr. Hobby, to have Mr. Hutton see that waste, fraud and abuse will be a lot less than it is today.

So I thank all three of you for coming.

THIBAULT: All right, this wraps up the first panel. I also, for the commission, would like to thank all three of you. You've been candid and -- and very helpful. I'd like to thank each of the three commissioners. I'd be remiss if I didn't at least thank at least once, and maybe more often, the commission staff that an awful lot of where we come from is generated by -- by our staff.

So we're going to take about five minutes and I don't mean to say this -- oh, thank you. You know, my fellow co-chair missed it last time, I missed it this time, we're even. So we're going to give you a couple minutes before each if you have some comments that you'd like to chair with this commission. I apologize.

MOTSEK: I'll be very, very brief. Let me just reiterate point number one. We don't get rid of the census until we're comfortable with the numbers. That -- that's a fact. Number two, as good as having this hearing on SPOT, and as important as it is, it's part of a larger challenge and that's why I got very uncomfortable with when Mr. Shays was asking me some questions because a lot of enablers out there, a lot of other requirements, it goes back to the number of contracting officers we have in place, the fact that we haven't got that fully -- fully solved, it goes back to the fact that we have made some major improvements.

JCC, Joint Contracting Committee, as you know it, is about to go out the door and the Joint Theater Support Committee is about to go in place, which will help address that, but it's taken us two years to develop the resources to -- to

at least marginally increase the JCC and to -- to move the flag so he has more of an area of operation responsibility as opposed to ...

(UNKNOWN): Move the flag means? MOTSEK: Pardon me? Move the headquarters, the one -- the one star that supported, because again if you recall, will require us to put a general flag reporting to the commander. I've done a terrible job with regards, and I've clearly not convinced you that SPOT is not a security system, and I apologize and I'm sure we'll have dialogue on further. Security for us breaks down to two pieces, physical access and logical access. You could argue that SPOT does help the logical access part, but from a physical access part, it does not. We have -- we were not there in time to even affect it if we wanted to because in 2004 they had to make the decision, and they did so, and they came up with that and they are modifying them to accommodate me and I have to say thank you to the -- to the Defense, DDRE folks who are doing that.

My last comment is, and that's the challenge that we're always facing, and it's kind of a catch all comment, but I think it's very, very important, is that we try to balance the best that we can, effectiveness and efficiency. Early on in battle space management, effectiveness is more important, as things track on, efficiency starts rising and so the balance changes. But that is our challenges.

Mr. Carter has mentioned several times it's that balance. It's not to constipate the person in the field with so much bureaucracy that they cease to be effective. It is our intent to take the burden off the guy in the field with everything we're doing, not to add to his burden.

And that's why I keep on summarizing our -- summarizing my comments that we're not going to keep the entire manual census in place because it is just simply too labor intensive. But it is very important that a person in the battle space can slice and dice this work force, this contractor work force with basically the same fidelity we slice and dice the military. We ought to be able to say, how many people are located at this particular location? What are the skill sets that they're looking at? Are we duplicating skill sets, duplicating contracts because two different contract agencies did it. That's what the objective is and that's what we're going to go to. Thank you.

THIBAULT: Mr. Hobby?

HOBBY: Thanks to the Commissioner again and I will take back his, you asked who the commander of the criticality, of what we've talked about today, the issue of counting contractors, who are they and what they're doing. Thanks also to all of you for your kind words to the deployed force and what they're doing and your acknowledgement of that. Thank you for acknowledging that Afghanistan is not Iraq and knowing the difference and perhaps that's the real heart of why this is so difficult.

Freedom of movement, access to the outlying placement, movement of goods and services on general trucks with mostly Afghanistan employees, mostly hired through tribal vetting that we don't have absolute control over, I appreciate your acknowledgement of that. And finally, thank you for your oversight of contracting. It is a critical enabler to what we're doing and what we will probably do in our future wars. I think what we're doing here is critical and I appreciate your interest as our extension of the military here into the National Command Authority and to our Congress. Thank you.

THIBAULT: Thank you, sir.

Mr. Hutton.

HUTTON: Well, first I want to thank you for inviting GAO to this hearing. We always delight in being able to talk through our findings and recommendations. I think SPOT has potential to be a good useful tool to help not only DOD but other agencies have a better understanding of how they use contractors, for what purpose, to help them better manage and oversee those contractors. JAO as you know, has done a lot of work over the years and we've been pushing for many of the things that we've been talking about today including the establishment of a position that Mr. Motsek presently fits in, which I think has been a help. Maybe we would have like to have seen it sooner, but we're thankful that -- to have that type of position...

THIBAULT: Well he wasn't very helpful, helped create the position and then he doesn't take your recommendations.

HUTTON: He said he modified them.

MOTSEK: Sir, sir he cited me for not doing my job before I had it.

HUTTON: But anyways, you know, I just think overall, whether it be for planning for future contingency operations, you know, knowing how we use contractors and building that into the plans up front so you have your eyes wide open and a better understanding of how you're going to go the next time is very helpful. I think, again, SPOT, if implemented, is going to help with the management and oversight, may help address some waste and abuse, and other types of things like that. I'm glad Mr. Henke did bring up our particular recommendations because for me, quite frankly, the MOU was just an agreement, but I wanted to see the agencies further along in terms of their embracement of SPOT.

And I think it takes it all the way back to the requirements. The Agency's recommendation that it is important to know how to use contractors and where to use contractors and for what are you using contractors so you can better manage them. And I, what we tried to do was find a way to get that buy in.

Every agency may have some slightly different needs. It may depend on the types of activities contractors are planning.

Ones, like, security forces may have a lot more sensitivity and importance to making sure you know what's going on in theater than perhaps someone that's, you know, working on some off site, 100 miles away from some U.S. installation, but helping to further U.S. interests with reconstruction and other things. So we think our recommendations, if embraced, and taking it back to each agency, thinking about what's important to them for managing their contractors, then articulating that and putting it into a good shared understanding of the requirements, as to how things are going to be entered into SPOT, I think we'll be further along, and that was the intention of our recommendation. Thank you. THIBAULT: Thank you, Mr. Hutton. Thank you, all.

END

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