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COMMISSION ON WARTIME CONTRACTING**

TESTIMONY OF

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Co-chair Shays, Co-chair Thibault, and Members of the Commission, thank you for the opportunity to appear before you today to discuss improvements we have made with respect to accountability and visibility of contractors in contingency operations, and our way ahead.

As you know, the Department of Defense (DoD) established my office, the Office of the Assistant Deputy Under Secretary of Defense for Program Support (OADUSD (PS)), in October 2006 to oversee DoD efforts to comply with congressional direction set forth by Section 854 of the Fiscal Year 2007 National Defense Authorization Act (NDAA). As required by Section 854, 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 and Operational Tracker (SPOT), the first and only single integrated database containing authoritative data about contractors on the battlefield, is a key aspect of our strategy to institutionalize program management of Operational Contract Support. It is important to remember that, when initially conceived, SPOT was only supposed to track a limited number of U.S. citizen contractor personnel sent by program managers to support key systems in the contingency area.

Current Status of the SPOT System

In January 2007, the Office of the Secretary of Defense (OSD) designated SPOT as the joint database for contractor tracking and administrative accountability for the vast number of contractors who accompany the U.S. Armed Forces. Today, the SPOT objective system is a web-based automated system to: (1) track contractor personnel movements within Iraq, Afghanistan, and the U.S. Central Command (CENTCOM) area of responsibility (AOR); (2) validate individual contractor personnel association with specific contracts; (3) verify their authority and their authorization for access to specific DoD facilities; and (4)

establish their individual eligibility for specific DoD support services. By providing information on contractor location, training, and capabilities, SPOT improves the ability of the current civilian and military acquisition workforce to conduct program management activities relative to combat support, reconstruction, or other aspects of contingency operations.

An update to SPOT (version 6.1.16), with the added functionality required by Section 861, of the 2008 NDAA was released in January 2009. This version has the capability to provide such information as major categories of contracts, the total number of personnel performing security functions, the number of contractors who have been killed and wounded, and whether a contract was awarded competitively. To reflect these changes to SPOT, a revised set of business rules were published for the user community.

Further, we have now established a Secret Internet Protocol Router Network (SIPRNET) functionality that will allow classified and sensitive contract and contractor information to be accessible through the database. The United States Agency for International Development (USAID), in particular, had security concerns about registering grantees in an unclassified U.S. sanctioned database. With the fielding of the SIPRNET SPOT, these concerns have been addressed.

In order to better account for local national contractors, who have to date been lagging in SPOT registration, we have integrated SPOT with the Biometric Identification System for Access (BISA), an access control system that was already being used extensively in Iraq. Last year, we transitioned from a traditional BISA card to a SPOT enabled BISA card by adding an interoperable barcode. This allows us to populate basic individual data in SPOT and track movements. We are now working with the BISA Program Manager to add a field for a contract number to BISA which will provide us with the ability to cross reference individual local national contractor personnel to their contract.

In Afghanistan, the Biometric Automated Toolset (BAT) card is used for base access. The BAT system collects fingerprints, iris scans, facial photos and biographical information of persons of interest and stores them in a searchable data base. As with BISA in Iraq, we are now working to federate the BAT system with SPOT. Funding was made available at the end of fiscal year 2009 to modify software enabling data exchange between the SPOT database and the BAT database, procure new card stock and reissue new BAT cards with a SPOT readable barcode.

SPOT continues to mature. As a reflection of the changing nature of SPOT, DoD just awarded a new contract which brings together the unclassified and classified systems along with an overarching management tool, the Total Operational Picture Support System (TOPSS). Statute only specifically requires us to track to the individual for selected contractor functions. However, it is clear, with the continued requirements placed on contractor personnel management, our objective system will eventually track nearly all U.S. contractor personnel in the contingency area of operations. It is our intent to replace the present CENTCOM manual census with SPOT. It is important to relieve the field of this time intensive and sometimes dangerous function.

Current Data in SPOT

The requirement to track contractors in contingency operations now extends to other U.S. Government agencies as well. In July 2008, the Department of State (DoS), DoD, and USAID signed the MOU, required by section 861 of the 2008 NDAA, which established roles and responsibilities and identified SPOT as the common database. We have developed a closer working relationship with our colleagues at DoS and USAID and, since last July, we have made steady and significant progress in our implementation of the MOU. The Federal Acquisition Regulation (FAR) requires the use of a database and the Defense Federal Acquisition Regulation (DFAR) specifically designates SPOT, as does CENTCOM Fragmentary Order 09-1451, *Contractor Theater Entrance*

Requirements. We also must carefully operate SPOT in accordance with other federal laws (e.g. Privacy Act) which carefully limit the U.S. Government authority to maintain data on private citizens.

Currently, SPOT reflects a total of 183,828 personnel deployed around the world. DoS has approximately 7,500 contractors deployed in SPOT and USAID approximately 680. With the recent expanded definition provided by Congress, these populations will increase to include other “contract like” actions as well. In the CENTCOM AOR, we have seen an increase of 93,500 (85,000 to 178,500) contractors registered since last July. This number reflects about three quarters of the contractor population (virtually all U.S. and most third country nationals) reported in the 3rd quarter 2009 CENTCOM manual census. The table below reflects the current breakdown of deployed contractors in Iraq and Afghanistan.

**Total Number of Deployed Contractors in Iraq and Afghanistan
Registered in SPOT as of October 23, 2009**

	US Citizen	Third Country National	Host Nation	Total
Iraq	38,667	68,141	19,093	125,901
Afghanistan	13,752	14,590	5,073	33,415
			Total	159,316

While we have confidence in the accuracy of U.S. and third country national (TCN) contractor data in both Iraq and Afghanistan, we recognize the need to ensure we are fully capturing the required data on local national contractors. We are addressing this shortcoming in a number of ways, including the BISA / BAT initiatives I described earlier. Let me stress that the lack of registration of local national contractors does not pose any security liability. The security vetting process for access to U.S. bases or for performance of certain contracted functions is completely independent from SPOT. However, we intend to draw key data from the BISA / BAT system. When this is fully accomplished,

the subset of local nationals who have no access to, or are not supported by U.S. installations, will require resolution.

Challenges

Lack of connectivity and the rapid buildup of forces in Afghanistan, further exacerbated by our efforts to hire local nationals to support the counter insurgency strategy and the use of a simplified contracting system, are challenges which keep us from achieving full participation in SPOT. SPOT relies upon internet connectivity. The geography and dispersed nature of operations in Afghanistan, in particular, has posed an ongoing challenge. In Iraq, we initially overcame the lack of internet connectivity by using thumb drives to transfer data until access to the internet was achieved country-wide. However, a recent DoD policy forbidding their use due to security concerns subsequently made the approach untenable in Afghanistan. As previously noted, a further challenge is that some contracts in Afghanistan are issued locally and many local nationals don't have contact with our bases and receive no U.S. support or access to our facilities. Because these contractors don't require a BAT card or a letter of authorization (LOA), for example, we don't have an easy enforcement mechanism. Finally, there is an ongoing challenge in ensuring that contract and contractor data is properly populated and maintained especially when local nationals are placed in the system since there are numerous persons with the same name, no further distinguishing data elements, and no national data system or individual identity numbers.

SPOT Compliance

The ADUSD (PS) and SPOT Program Manager continue to work with CENTCOM to help contractors meet the requirement, outlined in the DFARS, FAR, and DoD policy, to register employees supporting contingency operations in SPOT.

An important tool to ensure compliance is the LOA, which contractors need in order to receive any government furnished support in the area of operations. In August 2008, the U.S. Central Command published a

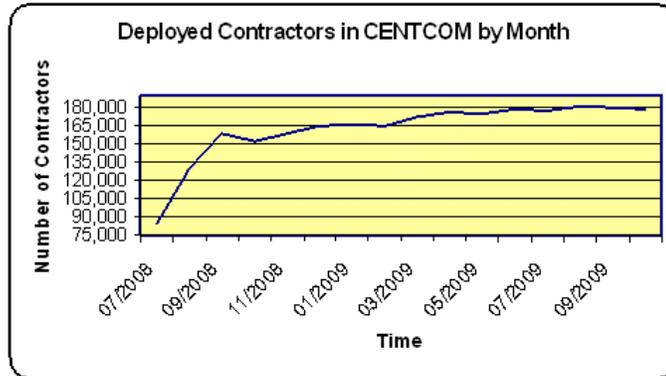


Figure 1

fragmentary order requiring that contractors be registered in SPOT and that those contractors authorized government furnished services obtain a SPOT-generated LOA. This requirement led to an exponential increase in registered contractors in SPOT. (See Figure 1) Beginning December 1, 2009, only SPOT-generated LOAs will be authorized in the CENTCOM AOR and on December 31, 2009, manually-generated LOAs will cease to be accepted with exceptions granted on a case-by-case basis.

Beginning February 2010, senior leaders and contracting officers will receive compliance metrics from SPOT. These metrics will focus on contracting activities not in compliance with current directives as well as companies not properly providing the information required per their contract / FAR / DFAR.

Transition to an Automated Census

When the OADUSD (PS) was established, we directed the development of a quarterly contractor personnel census. For the past three years we have relied upon that manual census, conducted by CENTCOM to provide data on contractors supporting the DoD in their area of operations (AOR). On a quarterly basis, contracting activities in the CENTCOM AOR provide data on contracts and associated numbers of contractors to the CENTCOM J-4. CENTCOM J-4 then compiles, analyzes and publishes the data. We have always recognized that CENTCOM's manual census is cumbersome, resource intensive, and a "snapshot in time." Our original intent was to transition to an automated census a

year ago, however, we lacked confidence in the accuracy and completeness of data in SPOT which had been impacted by the earlier mentioned turbulence associated with the rapid plus up in Afghanistan, lack of available bandwidth and connectivity, and transition to local nationals. Given that SPOT now provides extensive data on contracts and contractor personnel in support of the CENTCOM AOR and indicators and sampling show improved accuracy, we believe that it is an appropriate time to begin the transition from the manual census to an automated report, generated from SPOT. In conjunction with CENTCOM and the Joint Staff J-4, we have developed a detailed transition plan, outlined below.

Transition Plan to an Automated Census of Contractors Supporting Operations in the U.S. Central Command Area of Responsibility

Timescale	Actions
1 st Qtr FY10 data collection ("SPOT Plus")	<ul style="list-style-type: none"> • At the start of the 1st Qtr FY10, current contract and contractor data from SPOT will be downloaded into the existing CENTCOM census data collection templates. • These SPOT-preloaded templates will be reviewed, reconciled and updated as necessary with actual contract and contractor personnel data. • Action will be taken to ensure the information in SPOT is up to date and accurate. • The data from the completed templates will be consolidated and reconciled with SPOT. Based on the template information a 1st Qtr report will be produced.
December 2009	<ul style="list-style-type: none"> • To enforce contractor compliance in using SPOT, beginning December 1, 2009, only SPOT-generated Letters of Authorization (LOAs) will be authorized in the CENTCOM AOR. • On December 31, 2009, manually-generated LOAs will cease to be accepted with exceptions granted on a case-by-case basis.
2 nd Qtr FY10 data collection	<ul style="list-style-type: none"> • SPOT pre-populated templates will be produced for validation in lieu of the manual census. • These pre-populated templates will be reviewed and updated as necessary with actual contractor and contractor personnel data. • The data from the updated templates will be consolidated and reconciled with SPOT. Based on the template information a 2nd Qtr report will be produced
Future Data Collection	<ul style="list-style-type: none"> • Beginning February 2010 DoD leadership will receive compliance metrics from SPOT. These metrics will focus on contracting activities not in compliance with current directives as well as companies not properly providing the information required per their contract/FAR/DFAR. • The process described above for 2nd Qtr FY10 will continue each Qtr until it has been determined using statistical sampling in conjunction with strategic analysis and validation, that there is a high level of confidence that SPOT has a true representation of contractor employees. At this point, there will be no further requirement to validate templates each quarter, and SPOT will be used as the sole record for future reports.
Ongoing Compliance Verification	<ul style="list-style-type: none"> • Random sampling will be undertaken to reaffirm confidence in SPOT's accuracy.

I am comfortable with our data for Iraq and that the transition to an automated census will be successful. The critical challenge continues to be accounting for the aforementioned Afghan local national population. With the passage of the 2010 NDAA, Congress will have clarified reporting thresholds and definitions to help assure compliance and consistency among DoD, DoS, and USAID.

Iraq Drawdown

As we begin the drawdown of U.S. forces from Iraq, contractors continue to provide a wide range of tasks essential for operations including maintenance, transportation, and base support. The Department recognizes the risks inherent in the Iraq drawdown and, along with CENTCOM, DoS, and the Government of Iraq, has issued comprehensive guidance to ensure a responsible drawdown. The guidance calls for transitioning the military mission from Operation Iraqi Freedom to DoS-led stability and partner capacity building and for positioning the CENTCOM theater to respond to current and emerging threats. Contractors will remain an important part of the drawdown and post-drawdown operations with a planned maximum DoD contractor footprint of approximately 75,000 by the end of fiscal year 2010 within Iraq.

We are working hard to synchronize the drawdown of contractors and contracting requirements through working groups and boards that engage all key stakeholders. SPOT will now track progress toward this goal and report data to the Joint Staff, the Secretary of Defense and Congress. To date, the reduction in contractors has proceeded well ahead of Multi-National Force-Iraq's goal and this trend is expected to continue.

Way Ahead

Looking forward, DoD will use SPOT in all future global contingencies and SPOT will provide system generated reports on contracted capability and the contractor footprint. I expect future legislation will eventually expand reporting

requirements for all U.S. contractors in the contingency area, and eventually globally. DoD is implementing the necessary steps to shape the means by which we will meet these future statutory requirements.

In terms of planning for contractors in future operations, we are currently in negotiations with a Federally Funded Research & Development Center (FFRDC) to develop a strategic planning tool and support the Contingency Acquisition Support Model (cASM) system which will help automate the contracts and task orders supporting a future operations plan. While SPOT itself is not a planning tool, the Total Operational Picture Support System (TOPPS) can provide historical and data trend analysis and reports that can be used by planners.

We have engaged DoD's Business Transformation Agency and the Under Secretary of Defense (Comptroller) who have supported funding SPOT at \$25 Million in fiscal year 2010. It is still not institutionalized as a program of record. SPOT is a business system, fielded rapidly, and funded by supplementals. We must make the resourcing transition to ensure permanent funding. However, I believe we must first determine whether SPOT should remain a DoD system or become a U.S. government system with DoD as the executive agent for all government users. We can then tackle the appropriate funding stream.

We are committed to improving our visibility and accountability of contractors supporting contingency operations. We cannot be solely focused on existing operations. Congress has made clear that we are to institute changes to our management and oversight for future operations as well. As I have stated throughout this testimony, we believe we have made significant advances in this regard. However, we are not complacent: there is more to be done. We will maintain our working relationship with the Commission to keep you informed of our progress. I thank the Members of the Commission for your ongoing support. I would be happy to answer any questions you may have. Thank you.