

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

Hearing:
**Reliance on Contingency Services Contracts:
Where is the Management and Oversight?**

106 Dirksen Senate Office Building, Washington, DC
9:30 a.m., April 19, 2010

[As prepared for delivery.]

Good morning. I am Michael Thibault, co-chairman of the Commission on Wartime Contracting in Iraq and Afghanistan.

This hearing will probe the government's management and oversight of contracting for services to support contingency operations in Iraq and Afghanistan. The Commission estimates that these contracts have consumed some \$80 billion of taxpayers' money over the past five years. Most of the services contracts—for tasks like logistical support, security, transportation, and maintenance, as distinct from buying weapons or equipment—are made by the U.S. Army.

I will say at the outset, we have serious concerns about the Army's management and oversight of these

vast and costly arrangements. We will explore those concerns today.

This opening statement is made on behalf of Co-Chairman Christopher Shays, our fellow Commissioners, and myself. The other Commissioners at the dais today are Clark Kent Ervin, Grant Green, Robert Henke, Katherine Schinasi, Charles Tiefer, and Dov Zakheim.

Observers of this hearing may wonder why its focus is on services contracting. After all, the Commission has already heard extensive testimony of the largest of the service contracts, the LOGCAP contract for global logistical services, and on the many services to be managed in the drawdown of American military forces in Iraq.

The answer is simple. Although services contracts account for more than 60 percent of contract effort in the Southwest Asia theater and have cost about \$80 billion over the past five years, they continue to suffer from lack of commensurate focus, oversight, and program management by government officials. The result is unnecessary risk of waste, fraud, abuse, and undermining of national objectives.

These concerns are not new. Department of Defense contract management has been on the Government Accountability Office's "High-Risk List" since 1992. If that designation were a person, it would be old enough to vote. Numerous GAO reports over succeeding years have added much detail to the catalog of shortcomings, including one released last month under the title, "Warfighter Support: DOD Needs to Improve Its Planning for Using Contractors to Support Future Military Operations."

In the past decade, Congress has weighed in nearly every year with new directives on contracting. For example, statutory mandates in the fiscal 2002 and 2006 National Defense Authorization Acts direct the Secretary of Defense to "establish ... a management structure for the procurement of contract services." The law calls for a designated official in each military department to exercise responsibility for managing its procurement of services, for departments to dedicate full-time commodity managers to coordinate

procurement of key services, and to conduct annual execution reviews.

The U.S. Army does not appear to have effectively responded to these requirements. For example, the law requires that management of services contracts be comparable to that applied to weapons systems. But progress is incomplete. Four very large—over \$1 billion each—services contracts in Southwest Asia received Department of Defense secretarial level review both before and after they were awarded.

But Commission staff have identified 38 large services contracts in the area ranging from \$50 million to \$1 billion. Of those 38, three received only *pre-award* review at Army headquarters. The other 35 had only field reviews—below headquarters level. We are concerned that this situation represents a gap in contract oversight for many large contracts. Below the \$50 million level, incidentally, about 3,500 contracts in Iraq and Afghanistan have received only field reviews, even though they add up to very large sums of money.

We are very interested in hearing our government witnesses clarify what has been done to fulfill statutory mandates for better contract oversight.

The issue of Army commitment to aggressive and effective contract management shows up in other ways. After more than seven years of war in Southwest Asia, typically with a one-to-one ratio of contractor employees to warfighters, it is astonishing but

apparently true that no one in DoD or the Army has either a department-wide or theater-wide view of contracts, contracting activity, or the numbers and location of contractors. And with a massive drawdown operation under way in Iraq, it was also astonishing to hear a three-star Army general confirm at our last hearing that there is no single entity with the power to monitor operational needs and order appropriate adjustments in the scope of contracts.

The Commission has other concerns that will be elaborated in the question period, including Army structure and staffing for effective program management, leadership interest and energy, and contracting that may impinge upon inherently governmental functions.

One other contract-management subject that really interests us is the use of competition to motivate contractors to provide good service to the government and good value to taxpayers. One current issue under this heading is whether the multi-vendor competition for service task orders now being used via LOGCAP IV in Afghanistan should be applied in Iraq rather than the single-vendor LOGCAP III contract. We hope and expect that the Army is considering all relevant operational, competitive, and business issues—as well as the accuracy of any base-case assumptions—in deciding how to provide for continued logistical support in Iraq.

None of our questions will be asked in a hostile spirit. And however critical we may sound, none of us lacks in respect and appreciation for the service and sacrifices of our military forces. In fact, there are several former military officers on this dais. But the more clearly we can identify weaknesses and devise counter-measures, the better prepared our nation will be for future contingency operations.

We have two panels of witnesses for today's hearing.

Panel One comprises:

- Mr. Shay Assad, Director of Defense Procurement and Acquisition Policy, Department of Defense;
- Lieutenant General William Phillips, principal military deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology; and
- Mr. Edward Harrington, Deputy Assistant Secretary of the Army for Procurement.

For Panel Two, we have invited three witnesses from the contracting community:

- Mr. Jay Ward, chief operating officer, AECOM Government Services;
- Ms. Kristi Clemens, president, Aegis Defense Services; and
- Mr. Terry Raney, senior vice president and division group leader, CACI International.

For the benefit of our audience, let me note that each of the companies represented here holds important federal contracts. AECOM performs work under the \$727 million Global Maintenance and Supply Services, including maintenance of the mine-resistant MRAP vehicles that protect our troops moving in theater. That contract is with the Army Material Command. AEGIS provides security services under a \$287 million contract with the Joint Contracting Command-Iraq/Afghanistan. And CACI International provides contract-management support to the Army under a \$30 million contract with JCC-I/A.

Like all the companies that provide contract support for our military in Southwest Asia, these organizations are providing vital services for American troops and American objectives in challenging and dangerous settings. The Commission respects their role in contingency operations and their cooperation with our inquiries.

We have asked the company witnesses to be prepared to discuss the services they provide, their views on how government management of services contracts might be improved, how their firms address work that might approach performance of inherently governmental functions, and their policies and training on business ethics and conflicts of interest.

Our witnesses have been asked to summarize their testimony in 5 to 7 minutes in order to ensure adequate time for questions and answers. The full texts of their written statements will be entered into the hearing record and posted on the Commission's website. We also ask that within 15 business days, witnesses respond to questions for the record and submit any additional information they may offer to provide.

We thank all of today's witnesses for participating in what we view as a very important hearing. After the swearing in, we will begin the first panel's testimony by hearing from Mr. Assad.

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