

STATEMENT OF

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GLOBAL LINGUIST SOLUTIONS, LLC

BEFORE THE

COMMISSION ON WARTIME CONTRACTING

AUGUST 12, 2009

Global Linguist Solutions, LLC (GLS)

Chairman Thibault, Chairman Shays, Members of the Commission: On behalf of Global Linguist Solution, provider of interpreters and translators in Iraq, I want to thank you for the opportunity to discuss subcontracting processes and contingency operations.

Global Linguist Solutions, LLC (GLS) is pleased to submit this statement for record to the Commission on Wartime Contracting in Iraq and Afghanistan. DynCorp International and McNeil Technologies formed the GLS joint venture in 2006 for the sole purpose of executing a U.S. Army Intelligence and Security Command (INSCOM) contract to provide interpreters and translators in support of Operation Iraqi Freedom. GLS built a team of experienced military and business professionals from the fields of language training and testing, recruiting, intelligence, quality assurance, program management, military operations, business processes and systems and information management technology to perform this critically important mission. We combine these skills with extensive outreach to diverse Arab-American and other communities with origins in U.S Central Command's area of responsibility. The Joint Venture has no other business other than performance on this contract.

From December 2006, when the contract was first awarded to GLS, until March 2008, when uninterrupted performance commenced, GLS continued to refine the leadership and management staff, plan for transition and recruit native Arabic-speaking linguists throughout the United States. Our efforts focused on ensuring that our troops serving in harm's way would have linguists with the right skills, at the right place and at the right time. In March 2008, we executed a rapid transition (the first transition ever on the linguist program in Iraq), unprecedented in scale and complexity for a services contract in a combat zone. When transition was completed, we focused on contract performance to meet the increased numbers of interpreters and translators required by the contract.

A year later, GLS points with pride to the over 9,000 linguists in Iraq and other Gulf states with a fill rate approaching 100% in all categories of contract requirements. Two thousand eight hundred (2,800) of the linguists who were born in the Middle East or North African regions have become citizens or permanent residents of the United States. These linguists have volunteered to serve in Iraq in a most difficult and dangerous line of work to support our troops. Six thousand six hundred (6,600) are citizens of Iraq or neighboring countries who risk their lives to work with American and Coalition forces despite the dangers of service in combat units and the explicit threats against linguists and their families issued by enemies of the American and Iraqi peoples. These loyal, dedicated linguists are embedded in every unit throughout Iraq, from platoon to 4-star headquarters, and share the same harsh living conditions and risks to body and mind as the Soldiers and Marines with whom most are serving.

The price has been high. In the first full year of GLS' tenure in Iraq, 12 linguists have been killed in action and 52 seriously wounded. Despite the risks, our linguists continue to serve with determination and hundreds of new candidates apply every month for linguist positions with GLS. The men and women of Team GLS are proud to be part of this endeavor.

In your letter of invitation, you outlined seven General Areas for Discussion. Following is our elaboration on these Areas for Discussion.

General Areas for Discussion

Requirements for the use of small business subcontractors under the Global Linguist Solutions (“GLS”) contract and the implementation of those subcontracting requirements.

GLS adopted a “best value” competitive strategy to provide linguists in Iraq. We designed a team of small businesses in response to solicitation requirements to maximize evaluation points. The GLS prime contract contains the required FAR/DFAR clauses for subcontracting and the requirements for the use of small business subcontractors specified in the INSCOM solicitation (W911W4-05-R-0001). In summary, the solicitation requires 25% small business participation and a 5% requirement for small disadvantaged businesses, 5% for woman owned businesses, 3% to HUB Zone small businesses and 3% to serviced disabled small businesses. The additional requirements are a subset of the overall 25% requirement.

GLS, based on existing mentor-protégé relationships, first designed a small business team methodology to subcontract 25% of the total contract value to small business concerns (defined by NAICS code 541930-as a company with average annual revenues less than \$6.5 million or less than 500 employees):

In August 2007, INSCOM amended the solicitation and requested compliant proposals. GLS increased its proposed small business subcontracting percentage (the amended solicitation provided for increased competitive evaluation points for small business participation greater than 25%) leading to an adjustment of the GLS teaming structure to maximize the potential evaluation score. As a result, GLS invited Shee Atika Languages, LLC (SAL) to join the team based on its past performance, corporate management experience and available linguists associated with a previous contract award from the U.S. Army. Because of this addition to the team, the work shares for all team subcontractors were adjusted to support a proposal strategy to achieve a 35% small business participation.

After the second award of the prime contract in December 2007, GLS completed negotiations with the subcontractor team members, including ceiling indirect rates as a control measure to protect against cost overruns. GLS submitted requests for consent to the subcontract arrangement to the INSCOM Contracting Officer. After INSCOM consent, GLS began uninterrupted performance of the prime contract on 13 March 2008. Upon completion of transition, in the fall of 2008, GLS began the phased implementation of our Small Business Subcontractors Plan.

The implementation of the GLS Small Business Program continues with day-to-day administration of the subcontracts. This administration includes the evaluation of subcontract conformance, funding adjustments received from INSCOM and pricing to support any adjustments to the subcontract(s). The GLS-designated Subcontract Technical Representative monitors the technical performance of the subcontractor to ensure that services are provided consistent with the terms of the subcontract. These activities generally occur in the Integrated Team Management Approach (ITMA) Field Support Center (FSC) where subcontractor work shares are managed, linguist assignments are made, Foreign Service Agreements are administered and subcontractor technical performance issues are addressed/resolved.

Analysis of subcontract costs by DynCorp or GLS regarding GLS contract including indirect cost “adders” applied by both prime and subcontractors.

GLS conducted subcontractor costs analysis as part of compliance with governing regulations and for the execution of a competitive strategy. To this end, GLS has an internal process to analyze subcontractor cost estimates. The analysis process begins with receipt of cost proposals from the subcontractors. As documented in Attachment 1 to this response, GLS focused on minimizing subcontractor costs well before the second award of the prime contract. This step was taken to ensure conformance with governing regulations and to ensure the most cost competitive proposal as part of our strategy to be considered “best value” by INSCOM, thereby providing the taxpayer maximum value.

The letter provided as Attachment 1 is the product of an analysis of subcontractor cost proposals. As noted in the letter, the subcontractors submitted a wide variation of indirect rates for identical work. The spectrum of five offerors provided GLS with a good perspective on the marketplace and enabled a valid cost analysis. This cost analysis resulted in a management decision for subcontractors to meet specific rate targets for Overhead and General Administrative (G&A) costs or receive a reduced work share consistent with the terms of the Teaming Agreement. Direct labor rates analysis was based upon market research, an understanding of current rates being paid and the cost competitive nature of the procurement. Fringe benefits, per the GLS Integrated Team Management Approach, were to be consistent across the team; therefore, the rates were reviewed to ensure they reasonably represented the cost of the specified benefits. GLS aggressively pursued cost-minimizing measures through economies of scale and other avenues in order to minimize potential “adders.” As some of these costs were borne by GLS, the subcontractor burdens on these costs were averted. The subcontractors’ work shares were to be accommodated via linguists, not Other Direct Costs (ODCs), so ODCs were not proposed nor subject to analysis. Fee was the subject of negotiations with individual subcontractors and proposed consistent with those agreements. The analysis described above and the potential savings made the GLS team more cost competitive.

A combined overhead and G&A ceiling was established but this amount included costs associated with providing labor to GLS to assist in the management of the prime contract. This labor was referred to as “ITMA labor” and was used to support recruiting, linguist candidate screening, logistics and other administrative efforts. The labor was to be provided after commencement of subcontract performance. It was designed to augment GLS staff as well as to serve as a mentoring initiative to provide the small business subcontractors with experience necessary to become a large business competing in federal procurements.

The only subcontractor to begin performance of its subcontract at contract start-up was L-3 Communications (L-3); therefore, L-3 were the only subcontractor to provide a substantial amount of “ITMA labor.” By the time GLS began to implement small business subcontractor support in the fall of 2008, we determined that “ITMA labor” was a cost driver. As a result, the requirement to provide “ITMA labor” was terminated in late fall 2008 resulting in the renegotiation of indirect rate ceilings with each subcontractor. The renegotiation of subcontractor indirect rate ceilings reduced the overhead rates by as much as 50%.

Process for the selection and award of major subcontractors under the GLS contract.

GLS followed a methodical and measured process for the selection and award of major subcontractors. GLS initiated Teaming Agreements with subcontractors capable of technical performance and low cost. The original proposal submitted in August 2006 included:

COMPANY	WORK SHARE
Invizion, Inc.	5%
KMS Solutions, LLC	5%
TigerSwan, Inc.	5%
Thomas/Wright, Inc.	5%
World Wide Language Resources, Inc.	5%

The solicitation established a small business size standard that limited teaming opportunities. GLS drew on the existing mentor-protégé program at McNeil Technologies and the small businesses identified above represent companies with which McNeil Technologies had mentorship business relationships.

INSCOM amended the solicitation and requested proposals in August 2007. GLS adjusted its team to meet the requirements of the amended solicitation. GLS invited Northrop Grumman to join the team based upon its past performance and corporate experience with its linguist contracts supporting military efforts in the Balkans. GLS adjusted the work shares to support a prime contract proposal strategy of 35% small business participation.

COMPANY	WORK SHARE
Invizion, Inc.	4%
KMS Solutions, LLC	4%
TigerSwan, Inc.	4%
Thomas/Wright, Inc.	4%
Shee Atika Language , LLC	15%
Northrop Grumman Technical Services, Inc.	5% (large business)

(Note: GLS would achieve the remaining 4% by subcontracting to other small businesses for required services such as travel and information technology in order to achieve the 35% goal).

INSCOM awarded the prime contract again in December 2007. GLS completed negotiations with the subcontractors including ceiling indirect rates to protect against cost overruns. INSCOM granted consent and performance of the contract began.

Your understanding of the rationale for the selection of L-3 and Northrop Grumman as major subcontractors and of those firms’ duties under the contract. Your assessment of the value-added of that contract for the GLS program.

The GLS rationale for selection of L-3 and Northrop Grumman as teaming partners was driven by considerations of performance, scope, linguists’ familiarity with the contract and transition expertise to meet competitive solicitation requirements. The firms’ duties under the contract are described below. Independently and as part of the larger team, these key partners provide value-

add to the full team's core competencies through their unique experience honed over many years of service in this industry.

Rationale for Selection of L-3—GLS invited L-3 to join the team in March of 2008 to provide linguists, facilitate transition, provide staff and management experience in Iraq, and enable reconciliation of protests and stays of performance. Prior to the teaming arrangement, GLS owners (DynCorp International and McNeil Technologies) had invested a substantial amount of time, resources and effort to build and maintain the GLS team, including the core GLS leadership. The prime contract was awarded in December 2006 but performance was stayed by INSCOM due to protest. The contract was again awarded to GLS on 7 December 2007, but performance was stayed again on 17 December after GLS had begun to execute its staffing and transition plan. DynCorp and McNeil continued incurring un-billable expenses for labor and Other Direct Costs (ODCs) so that GLS would be ready to perform immediately upon lifting of the stay. INSCOM lifted the stay on 14 February and GLS mobilized to execute its staffing and transition plan. GLS sent staff to Iraq to start transition, but on 25 February another stay of performance was initiated and GLS had to recall its transition staff from Iraq. Throughout this 14-month period of protests and stays of performance, DynCorp International was incurring substantial non-billable costs to ensure transition could be executed on short notice and without interruption of linguist support for Multi-National Forces Iraq (MNF-I).

During the third stay of performance in March 2008, DynCorp International and McNeil Technologies approached L-3 to explore a teaming relationship on the INSCOM Iraq Linguist Program. These discussions led to a signed subcontract in March 2008 with an L-3 work share of 22.5% of the revenue on the prime contract. After INSCOM consented to this subcontracting agreement, L-3 withdrew its protest and jointly planned and assisted with a complex and comprehensive 90-day transition of over 7,000 linguists and staff members. This solution enabled the GLS team to complete the critical transition phase and continue uninterrupted prime contract performance from 13 March 2008 to present.

Rationale for Selection of Northrop Grumman Technical Services (NGTS)—INSCOM amended the solicitation in August 2007 to require companies to demonstrate an ability to manage contracts of similar size and scope. In response, GLS adjusted its team composition to meet the requirements of the solicitation in the competitive best value environment. Northrop Grumman had past performance and experience with linguist contracts supporting military efforts in the Balkans and proven ability to provide linguists at or below the cost ceilings already established for the GLS team. GLS invited NGTS to join the team and provide linguists within the costs already established for the team, which improved GLS' competitive proposal of August 2007 by demonstrating the ability to manage a contract of the size and scope of the Iraq linguist contract.

Northrop Grumman and L-3 provide substantial, although different, value added support to GLS. We have summarized the subcontractor team general duties in the chart below.

Function	GLS	Shee Atika Languages (SAL)	NGTS	L-3	SB Subs
Recruiting	√				
Language Testing	√				
Medical, Dental, Psych Screening	√				
Corporate Training	√			√	
Functional Training (Linguist Services/operating in a war zone)	√				
CI Screening	√				
Personnel Security Administration	√	√		√	√
Personnel Deployment	√				
Human Resources Administration (Benefits, HRIS, Employee Relations)	√	√	√	√	√
DBA Administration	√				
Casualty Assistance	√	√	√	√	√
Financial Administration (Timekeeping, Payroll, Invoicing)	√	√	√	√	√
Cash Payroll Distribution	√				
Direct Deposit	√	√	√	√	√
In-country Management/Leadership/Supervision	√				
Advisory/Management Support		√	√	√	

NGTS employs local national linguists in support of GLS. As the employer, NGTS establishes and maintains records for each local national linguist in human resource and financial systems, provides linguists lifecycle management information, and manages transactions for assigned linguists. Through the teaming relationship, NGTS, based on their previous experience in the Balkans, provides valuable advice and insights on the management of large contracts for linguists working overseas in support of U.S. forces.

In contrast to NGTS, L-3 exclusively employs US Hire linguists in support of GLS. As the employer, L-3 is required to establish and maintain records for each US Hire linguist in human resource and financial systems, provide lifecycle management information, and manage transactions for assigned linguists.

The support that L-3 has provided GLS goes well beyond the personnel and financial management of over 730 US Hire linguists. Engaging daily, GLS and L-3 management strive to apply lessons learned to insure solid processes to provide unparalleled linguist services to US Soldiers and Marines. Perhaps most notably, L-3 management staff both in the U.S. and internationally, cooperated fully in the transition of over 7,000 linguists and staff under the contractually mandated 90 days. Senior MNFI and INSCOM officials have commented on the professional, seamless and rapid transfer of personnel (spread among 132 Forward Operating Bases and combat outposts throughout Iraq) and the uninterrupted support of linguists to troop units and senior MNFI staff. After the transition period in June 2008, L-3 has continued to provide historical perspective and advice on every aspect of this important contract. This has enabled GLS to modify and improve the standard operating procedures and policies that today result in high-quality support for MNFI with over 9,000 linguists actively working in theater.

Subcontract management under the GLS contract including use of foreign/off-shore and related business entities.

Subcontract management under the GLS contract is embodied in the day-to-day administration of the subcontracts from a technical administrative perspective. This administration includes the evaluation of subcontract conformance, funding adjustments received from INSCOM, and pricing to support any adjustments to the subcontract(s). Additionally, GLS designated Technical Representatives monitor the technical performance of the subcontractors to ensure that services are provided consistent with the terms of the subcontract.

It is our experience that subcontracting with foreign/off-shore based businesses presents a high level of risk. Most of these companies are not familiar with U.S. procurement laws and regulations and more importantly, because they are foreign based, GLS has little “leverage” to enforce compliance. Due to this risk and lack of “leverage,” GLS, in an effort to mitigate risk, has limited our subcontracting with these companies to circumstances where there is no alternative. For instance, prime contract technical requirements combined with sponsorship laws in certain countries dictate that we enter into agreements with companies in those countries. The following is a description of our major foreign-based subcontracting arrangements:

Intermarkets Global (IMG): GLS entered into a subcontract with IMG in June 2008 for the provision of Jordanian-based Third Country National linguists. IMG provided nearly 300 linguists supporting the US Marines in the western province of Iraq. These linguists had non-compete agreements already in place with IMG. Failure to enter into a contract with IMG carried the risk for immediate loss of those linguists and severe mission degradation.

Al Shora: Al Shora is a Kuwait based company that provides sponsorship related services to GLS. Each sponsor must have a license to conduct business in Kuwait and only sponsored employees can work in the sponsor’s office. Under Kuwait Law, all personnel sponsored for a resident work visa are considered employees of the sponsoring company. To accommodate our prime contract requirement to provide support from Kuwait, GLS teamed with Al Shora.

GLS entered into that subcontract because the alternative would have meant the immediate loss of an ability of incumbent personnel to work in Kuwait and the immediate loss of linguists and support personnel sponsored by Al Shora. Failure to subcontract with Al Shora would have led to immediate mission degradation. GLS has other smaller subcontracts with foreign-based service providers. We have agreements with companies in Qatar, Bahrain, Yemen and Saudi Arabia to provide sponsorship services but these contracts are much smaller each providing less than five linguists.

Business relationship between DynCorp International and GLS.

DynCorp International LLC with 51% and McNeil Technologies, Inc. (McNeil) with 49% formed the GLS joint venture. The GLS operating agreement allows the owners to designate Managers to oversee the business and affairs of the Company. McNeil and DynCorp International designated three Managers each as well as a jointly designated Chairman. The Managers meet quarterly or more frequently as conditions may require. The Board of Managers has appointed an Executive Committee tasked with day-to-day operational oversight of the Company. The CEO of each owner comprises the Executive Committee and meet multiple times each month with the GLS General Manager and his designees.

Aside from the legal relationship, there are several financial and operational aspects of the partnership between DynCorp International and GLS. DynCorp International funds GLS' operating capital. GLS financial statements are consolidated into DynCorp International financial statements. GLS financial statements are examined as part of the Deloitte and Touche quarterly reviews and annual audit of DynCorp International. As part of Deloitte and Touche's efforts, they examine GLS internal controls as part of the DynCorp International Sarbanes-Oxley (SOX) audit efforts. The DynCorp International internal SOX team evaluates GLS internal controls throughout each year. As GLS is consolidated into the DynCorp International financial statements, the DynCorp International I Internal Audit team (separate from the DynCorp International SOX team) also conducts financial and operational audits of GLS. DynCorp International I Accounting reviews several aspects of GLS financial statements including balance sheet reconciliations, variance analysis reports and revenue recognition. DynCorp International resources, both in the U.S. and overseas, provide levels of support and oversight to help ensure GLS is compliant to applicable tax regulations. As DynCorp International was already operating in Iraq and the Gulf region and faced similar challenges of infrastructure supporting contracts primarily composed of heavy labor components, GLS drew on DynCorp International infrastructure already in place. Examples include property management, time and labor, human resource systems and financial systems.

Government oversight of DynCorp and GLS contract/subcontracts including audit and contract administration (coverage, issues and resolution).

The Government oversight of the GLS contract/subcontracts includes both audit functions (chiefly a function of DCAA) and contract administration functions (chiefly a function of the INSCOM Contracting Office/Program Office emissaries - i.e. Contracting Officer Representative and Active Duty Assistant Contracting Officer Representatives (ACORs).

Coverage is provided by DCAA directly to GLS or through DynCorp International in contract/subcontracts key interest areas related to time charging/keeping, invoicing/billing procedures, employee database entries and subcontractor management. Since December 15, 2008, GLS has received, directly or indirectly, over 220 Requests for Information (RFI) or Data Calls from DCAA. GLS strives to maintain a productive working relationship with DCAA through GLS single point of contact assignment and RFI/Data Call tracking management while striving to meet requests to RFIs or Data Calls by due date/time (less than 24 hours on average).

Issues identified through DCAA diligence have focused on employee database entries (linguist identification, status, operating locations and qualification), billing activities and linguists time keeping methods disciplined to published procedures.

Resolution of identified concerns is responsively managed through the GLS Quality Management process and Quality Control Program. Through this process, process owners conduct root cause analysis, partner with stakeholders to develop appropriate corrective action plans and estimated completion dates for initiation of corrective action plans, and includes follow up by GLS organic internal auditors to confirm effectiveness of implemented Corrective Action Plans.

Coverage is provided by INSCOM through the ACOR network overseas. Assigned regionally throughout Iraq, these ACORs provide timely feedback and observations to the Senior ACOR

and directly to GLS Iraq Site Management Office (ISMO). ACORs regularly visit GLS locations in Kuwait and Iraq to provide oversight to the GLS contract and subcontractor operations directing or suggesting improvements to current methods.

Issues and feedback through these activities have focused generally on theater operational issues, suggestions for operating improvements and contract requirements focus.

Resolution of each observation or issue is a key focus of the GLS ISMO Project Director. The ISMO Project Director seeks clarification and definition of the issues, identifies the root causes of the issues and is responsive to the ACOR with the team-developed corrective action plan implementation.

Issues related to GLS contract/subcontractors are identified through government oversight coverage and are a key focus of GLS management. Feedback, observations and concerns are closely managed to completion through the GLS Quality Control Plan process. Management reviews corrective actions regularly through senior management activities such as GM/Quality Director Weekly Audit meetings, GLS Monthly Management Audit Committee meetings and continuous process owner/auditor partnerships.

ATTACHMENT 1

August 15, 2007

Subcontractor Name and Address

Attention:

Subject: Request for Cost Reduction

Reference: Teaming Agreement

Dear:

GLS faces significant competition to re-win the linguist support contract from INSCOM and as your prime, GLS is "leaving no stone unturned" in our efforts to defeat L3/Titan in the next competition.

As you may know, the Government's debrief from the first competition indicated that GLS's proposed cost and fee was [REDACTED], or [REDACTED] higher than L3/Titan. While it is noteworthy that GLS was selected as the best value offeror despite its higher offered cost and fee, we cannot rely solely upon a superior technical and management solution to win the contract in the next competition. It is imperative that GLS substantially lower its offered cost and fee to have a chance of winning the prime contract.

To this end, GLS has conducted an exhaustive salary and benefits survey in an effort to make the team more competitive. Additionally, a review of the indirect rates included in the proposals received to date indicates a wide range of indirect cost rates for nearly identical services.

Paragraph 7 of Exhibit A to the referenced Teaming Agreement states: "Subcontractor agrees to fit within the rate structure strategy of GLS in pursuit of this work. In the interests of workforce parity, subcontractor agrees to compensate its workforce at substantially the same pay and benefits as those provided by GLS"

Article 1, paragraph C of the referenced Teaming Agreement states in part: "McNeil Technologies, Inc. reserves the right to reasonably adjust the scope of work of Subcontractor in the event that Subcontractor's cost estimate is not reasonable relative to the work to be performed or relative to the pricing strategies of McNeil Technologies Inc."

GLS hereby requests a revised cost proposal at or below a consolidated wrap rate of [REDACTED] for your combined overhead and G&A. As before, fringe and wages with bonus and uplifts are common among all companies and provided by GLS. Your fees are unchanged from the Nov06 FPR submittal. Proposals should be submitted via email to the undersigned in the format provided in Attachment 1 cost model by 5:00 PM DST August 17, 2007. The cost model is the same as used with the August 06 and Nov 06 submissions with two updates. The first update is based on a revised work share target using the Nov 06 FPR price less [REDACTED]. The second update is a revised fringe package that applies to all OCONUS linguists. Do not apply your company fringe package since it is not applicable to this Middle East location.

Should you have any questions concerning this requirement, please call me at 703-462-7217. Questions regarding Attachment 2 should be directed to Glen Schuhmacher at 703-462-7129.

Thank you for being part of the world's best linguist contractor team and for your continued support for our joint endeavor.

Sincerely,

Stephen P. Agrati
Vice President (Acting), Program Support