

Testimony of Greg Schmidt (Northrop Grumman) before Commission on Wartime Contracting

August 6, 2009

Good _____ Chairman Thibault, Chairman Shays and other distinguished members of the commission.

I am here today at your invitation to discuss the subcontract relationship between Northrop Grumman Technical Services and the prime contractor, Global Linguist Solutions LLC, or GLS supporting the Army's Iraqi Linguist program. In addition, I would like to take a moment and explain our obligations and commitments to GLS under the subcontract GLS awarded to us.

To begin, I'd like to provide a brief history of Northrop Grumman's linguist operations, which cover a span of nearly 20 years. Northrop Grumman has supported large-scale linguist requirements for DoD since Operations Desert Shield and Storm, including operations in Somalia, Haiti, Bosnia, and Kosovo to name a few. Prior to joining the GLS team, we were a subcontractor to L-3 on the previous Iraqi linguist contract. Joining the GLS team in late 2007 provided us the opportunity to retain a position on this program while we assessed future translation requirements in the Iraqi theater in relation to our long term corporate objectives.

Northrop Grumman Technical Services' paramount operating principle is 100 percent commitment to exceptional program performance. Technical Services has DCAA approved business systems that include estimating, planning and budgeting, purchasing, and internal controls. We also have a well-defined set of business management processes that are ISO 9001 compliant and DCMA approved where applicable. Our rates have been approved by DCMA and are also subject to careful scrutiny by Technical Service' strong independent internal audit organization. Any issues raised by DCMA, DCAA, or Northrop Grumman internal audit are immediately addressed and resolved. Senior leadership is personally involved in detailed bi-weekly and monthly reviews of all programs with particular emphasis on programs that exceed \$5 million in annual revenue. Furthermore, our program managers, including our Iraqi Linguist Program Manager, are empowered to make management decisions to execute the program in compliance with all applicable policies, regulations and laws that govern the contract. Our Program Managers have the full support of Technical Services functional areas to include HR, program control, finance, legal, contracts and pricing.

Technical Services provides its subcontract support to GLS under a fixed price subcontract. Under the terms of this subcontract, we provide management controls for time reporting accountability and payroll for a varying workforce of approximately 1,500 Category 1 Iraqi national linguists. These responsibilities include maintaining auditable pay records, timesheet Cash Disbursement Vouchers and tracking data by individual linguist.

The subcontract contains two daily rate schedules for Iraqi national linguists based on their experience level and the degree of hazard in their work. Should GLS choose to modify the linguist daily pay rates, the subcontract provides for adjustment of these fixed price daily rates. In addition to the fixed daily rates, the subcontract establishes a fixed program support charge based on the number of linguists and a fixed profit percentage.

The subcontract also provides incentives and disincentives based on performance. Through superior performance, the subcontract allows us to gain additional linguist positions, which, due to the fixed rates and profit should yield increased revenue and profit for Technical Services. Additionally, the subcontract also contains a structural disincentive in the fixed program support charge. In other words, if we do not control costs for program support, we could lose money as the program support charge is fixed in terms of what we can bill. This also protects the government against any such increased costs.

Per the terms of the subcontract, our business operations include: the receipt and review of the GLS certified payroll spreadsheet; the receipt and review of the actual timesheet and Cash Disbursement Vouchers; and providing GLS with a monthly status report to identify discrepancies on timesheets, vouchers and the payroll roster. By doing so, Technical Services ensures timely payment, within three business days, of the linguist monthly payroll based upon receipt of the GLS-certified spreadsheet, as well as integrity of payroll by providing a monthly data integrity report to allow GLS to take action.

The GLS-certified payroll and acceptance of funds sent via Electronic Funds Transfer (EFT) to GLS's bank account also provides the basis of Technical Services' billings. Everything is 100 percent factual because once we receive the timesheet and vouchers, we validate the data against the certified payroll. If there are any discrepancies, we provide the information to GLS in the Monthly Status Report. Our ability to detect and report problems to GLS is contingent upon GLS providing us the critical documents for analyses, such as linguist agreements and timesheets, in a timely manner.

It is important to note that all Iraqi national linguists assigned to Technical Services are independent contractors. Management and daily supervision of these linguists is the responsibility of GLS's in-country management team. In accordance with GLS's Integrated Team Management Approach, or ITMA, we are responsible, as stated previously, for managing timecard validation, payroll processing and auditing of the records to ensure accountability. In essence, GLS's ITMA is a concept of operations allowing for centralized resource allocation among team members.

Furthermore, in accordance with the terms of the GLS ITMA, Technical Services does not have, and has not had, direct interface with the contracting officer's representative, or COR. The ITMA was designed by our prime in conjunction with the Army in order to reduce the duplication of costs that sometimes occurs with a prime contractor subcontracting efforts. Our PM receives technical direction from GLS's Operations Director (Buzz Blizzard) and interfaces continuously with GLS in the form of: routine guidance and direction on contractual matters from GLS's Procurement and Contracts Director (Mr. Shingledecker) as well as their Subcontracts Administrator (Mr. Buffalo); weekly or "as-required" coordination with Corporate Support Director (Mr. Agrati) and Human Capital/Program Support Deputy Director (Mr. Blizzard). GLS, in its role as the prime contractor, has the responsibility for directly interfacing with INSCOM, in-country units, and CORs.

It has been my pleasure to testify before you today in regards to Northrop Grumman's Iraqi Linguists subcontract with GLS, and I'm prepared to answer any additional questions. Thank you.