

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

Hearing on:
Linguist Support Services in Theater

342 Dirksen Senate Office Building, Washington, DC
August 12, 2009

Good morning. I am Michael Thibault, co-chair of the Commission on Wartime Contracting in Iraq and Afghanistan. Thank you for attending this hearing on Linguist Support Services in Theater.

I will make an opening statement on behalf of Co-Chair Christopher Shays and myself.

The other Commissioners at the dais are:

Clark Kent Ervin,
Grant Green,
Linda Gustitus,
Robert Henke,
Charles Tiefer, and
Dov Zakheim.

Yesterday's hearing was a broad-gauged approach to the problems of effectively monitoring contractor performance, controlling payments, and auditing results when contractors' business systems have significant inadequacies.

Today we are taking a case-study approach to gather information on a different topic. We will hear testimony about the Army's Intelligence and Security Command or INSCOM contract for global linguist services in Iraq. The contract began in December 2007, and could run five years at an ultimate cost of nearly \$5 billion.

This hearing will feature government and industry testimony about the structure, operation, and oversight of this contract, which involves extensive subcontracting and

therefore the potential for significant added costs that may or may not reflect proportional added value.

I want to stress that this is not an accusatory proceeding. The prime contractor, Global Linguist Solutions, LLC (GLS), and subcontractors including L-3 Services and Northrop Grumman are providing vital support for U.S. operations in Iraq by fielding and managing about 9,000 translators and interpreters who are native speakers of Arabic or Kurdish. Our warfighters, diplomats, reconstruction officials, and others depend heavily on linguist support to interact effectively with the Iraqi government, military, local officials, and the civilian population.

Our hearing focuses on other issues, including our policies for determining that subcontracting arrangements are providing value commensurate with costs and our methods for providing effective monitoring of contractor performance.

We have two panels of witnesses today. The first comprises federal officials involved with the contract and its oversight. They are:

- John Isgrigg, deputy director of contracting at INSCOM;
- Forrest Evans, deputy program manager and Contracting Officer's Representative (COR) at INSCOM; and
- April Stephenson, director of the Defense Contract Audit Agency.

Our second panel represents some of the companies working under the linguist-services contract. Those witnesses are:

- John Houck, president of Global Linguist Solutions, LLC;
- Thomas Miller, general counsel, L-3; and
- Gregory Schmidt, vice president, Northrop Technical Services.

Thanks to all of you for participating.

Before we hear from the witnesses, I want to offer some background to illustrate why the GLS contract makes a good case study for some of the myriad of questions that Congress has directed this Commission to tackle.

As noted, the GLS contract is a five-year contract of the Indefinite Quantity/Indefinite Delivery type that the government uses when precise forecasts cannot be made of the scale or timing of needs. The GLS contract is a cost-type, award-fee arrangement: the

contractor can recover supported costs plus an award fee determined by the government within a proposed range that is largely keyed to contractor performance.

One of the aspects of the GLS contract that will receive attention today is the cost impact of its subcontracting. As I outlined, the contract arrangements involve very heavy use of subcontractors, even though GLS does all of the recruiting, vetting, hiring, training, and field management of the linguists. It appears that many of the subcontractors are providing only payroll services and some administrative oversight. Their indirect costs and fees, plus the prime contractor's administrative costs and fees, all become add-ons to the total cost of the contract.

In the year and a half since the GLS contract took effect, these add-on costs may account for \$100 million — a good chunk of the total \$800 million billed so far.

So, one key question for today's session is whether the government has adequate controls and metrics to judge whether subcontracting is meeting genuine operational needs or adding value to justify its added costs.

There is certainly nothing wrong with a prime contractor calling in subcontractor assistance for a surge in work or for special skills, capabilities, or support. In most cases, subcontractors are crucial team members who provide invaluable contract support. But in the case of GLS, there is the question — whether the contract's extensive outsourcing of administrative work represents business necessity or some other consideration.

Other questions will also emerge. L-3 Services filed three protests of the contract award to GLS, upon the initial award to GLS and again after the Government Accountability Office reaffirmed its decision in favor of GLS. L-3 withdrew its protest after reaching agreement that it would be a GLS subcontractor. L-3 in fact now accounts for more than 20 percent of the total contract value. Today we will explore the GLS and L-3 relationship and any impact from the bid protest.

This point is important to explore. GLS identifies and hires 100 percent of the linguists. Then they assign linguists to subcontractors, who pay the U.S.-based direct hires and who validate local payments. When the linguists go to work in theater, they all wear a GLS badge and they are all assigned their work and are supervised by GLS managers. The questions becomes: How are these contracts structured, and what value do the subcontractors bring to the contract?

On the contract-management and -oversight front, we may also probe the question

whether service users like INSCOM are taking full advantage and maintaining effective coordination with DCMA and DCAA. We may also ask how proper monitoring of contractor performance can be maintained in cases where, as in this instance, the Army is not only short of Contracting Officer's Representatives and Subject Matter Experts, but has none assigned to the GLS contract who can speak Arabic or Kurdish.

The implications of these issues extend far beyond the linguist-services contract, but they can be brought to a sharp focus in this case study. We can seek to identify whether and what contracting alternatives are possible to reduce costs. As I said before, our objective today is to ask questions and discuss alternatives. Even if everyone involved in awarding, structuring, executing, monitoring, and auditing the GLS contract is doing every task by the book, it seems clear that this example raises some issues that should concern policymakers and taxpayers.

Again, we thank our witnesses for participating in what promises to be a very informative session. The hearing record will remain open for 10 business days to gather responses to any questions for the record. Now we turn to our first panel.

