

**Record Version**

**STATEMENT BY  
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DYNCORP INTERNATIONAL LLC**

**BEFORE THE  
COMMISSION ON WARTIME CONTRACTING  
September 14, 2009**

## **Introduction**

Chairman Thibault, Chairman Shays, Members of the Commission: It is my pleasure to once again represent DynCorp International and our 25,000 plus employees serving in over 30 countries. I want to thank you for the opportunity to discuss U.S. Department of State contract oversight and DynCorp International's internal proactive approach to managing our large workforce, dispersed around the globe in often remote, dangerous, and austere environments.

We appreciate the seriousness of the topic being discussed today not only from a business perspective, but also as citizens and taxpayers. The work we perform directly supports U.S. foreign policy and national security objectives and the actions of our leadership and employees have consequences. Quite simply, individual misconduct can do damage to the reputation of our nation. More importantly, we fully realize our actions and conduct impact the lives of U.S. soldiers and diplomats and on their ability to execute their missions successfully.

## **DynCorp International**

As you are aware from my previous testimony, DynCorp International is a global government services provider of innovative solutions supporting U.S. national security and foreign policy objectives. From our post-World War II roots in aviation and aviation services, DynCorp International has grown into the integrated global enterprise it is today, operating major programs in law enforcement training and support, security services, base operations, aviation, contingency operations, and logistics support.

DynCorp International provides global platform support in aviation and land systems, and integrated solutions supporting international stability and

development. Our work meets government needs for platform, aviation and logistics support during a conflict; and the equipment repositioning and reset, and war reserve materiel management afterwards. We provide the training and mentoring engagement with host country law enforcement, security, and defense institutions that is the foundation for post-conflict stability. Through our Global Linguist Solutions (GLS) joint venture, we provide linguistic and language management expertise to support the intelligence capabilities of the U.S. military.

Our international program footprint, our capabilities, and our focus closely align with the emphasis placed by the Administration of President Obama on the use of “smart power” as a vital means of advancing U.S. national security and foreign policy interests. We are proud to serve our country and believe our work and standards must always reflect the public trust placed in us by our customers.

Given the importance of the missions we support and the complexity of the challenges we face each day – our missions, our customers’ expectations, and the logistics and environments associated with our work – our standard for both performance and compliance is, and must be, perfection. We realize the impracticalities of this standard. We are not perfect. But this standard reflects an ambition that drives our culture to be proactive in preventing issues and to respond with transparency and accountability when they do occur.

## **Our Approach**

The foundation of DynCorp International’s approach is our core values and Code of Conduct. This foundation supports our governance framework. Our core values and governance framework are capped by our leadership culture. Our integrated approach (see **figure 1**) guides our actions, enables our systems, and produces the leaders required to provide the performance, accountability, transparency, and compliance our customers, our employees, and the American public demand and deserve.



Figure 1

## Core Values and Code of Ethics and Business Conduct

Our team takes great pride in the role that we play as a U.S. Government contractor and partner supporting U.S. national security and foreign policy objectives around the world. Our corporate culture is defined by a common purpose that each employee shares and embraces personally: **We Serve Today for a Safe Tomorrow.**

DynCorp International works relentlessly to be a responsible partner. As such, we seek not only to be responsive to our customers, but to responsibly anticipate and prevent problems. We strive to operate the right way with the right leadership, we implement the right controls to ensure compliance with respect to legal, contractual, financial, and trade requirements, and to establish the right working environments. We have thousands of people around the world doing

exactly this every day, striving to earn our customers' trust and confidence and we fully realize it only takes one mishap to dissolve this trust.

As a result, our standard with respect to meeting commitments and doing it the right way can only be perfection. Meeting this standard starts with our corporate values. They are not just words. They are the foundation of our corporate culture and they capture the essence of how we operate and the working environments we strive to foster. As such, we are guided by these values, which are:

- **We serve** – willingly in all locations and conditions.
- **We care** – for the safety, security, development, and well-being of our employees.
- **We empower** – our employees to succeed in a culture based on trust, respect, loyalty, and commitment.
- **We perform** – with a relentless commitment to exceeding expectations.
- **We do the right thing** – always, for our customers, our employees, and those we serve.

To codify our commitment to our core values, DynCorp International has developed a Code of Ethics and Business Conduct which sets forth the compliance standards that we demand of our directors, officers, and employees. The Code provides a clear sense of direction in complying with laws, company policies, and ethical business practices in our daily work activities. The Code focuses on four key areas: 1) Respect for Our Co-Workers; 2) Working with Integrity; 3) Protection of Company Assets; and 4) Fairness and Honesty in Business. Guidance in each focus area is consistent with the Code's underlying principles, which are:

- Highly ethical conduct is everyone's responsibility
- Directors, officers, and employees are expected to do what is right
- We are expected to treat each other with respect, and we all have the right to work in an environment in which we are respected and valued

- We are expected to raise questions and make reports about conduct which we believe in good faith to be an ethical or legal violation
- Employees are encouraged to work with supervisors to resolve ethical issues; supervisors are to foster an “open door” environment to discuss ethical issues
- We are protected from retaliation for reports made in good faith

All DynCorp International employees are required to participate in a course based on the Code of Ethics and Business Conduct and must sign a certification that states “I have read the Code of Ethics and Business Conduct. I understand its provisions, having asked the questions necessary. I agree to follow the Code of Ethics and Business Conduct in my business activities.” We monitor compliance closely. Employees are required to participate in an annual refresher course on the Code.

In addition to the Code of Conduct, all DynCorp International employees must complete a mandatory sexual harassment course. The sexual harassment awareness module trains employees to understand the provisions of federal and state law prohibiting sexual harassment, to modify their behavior to comply fully with these requirements, and to respond effectively to complaints from subordinates or colleagues. Employees are required to participate in an annual refresher course on sexual harassment policies.

We have a strict zero tolerance policy with respect to completing our mandatory compliance training. Employees who fail to complete a required course are subject to discipline, up to and including termination. Further, employees who have not fulfilled their training requirements are not eligible to receive a merit increase. Supervisors are also held accountable if their employees do not complete all applicable mandatory compliance training.

My expectation is that our leaders lead in a manner consistent with our core values and Code of Conduct – know what they are and use every opportunity to reinforce them with their team. This manner of leadership creates an environment consistent with our values, one that is based on accountability, transparency, respect, and on treating others with courtesy and respect. Our leaders are encouraged and trained to establish a professional, collegial workplace where employees are respected and feel comfortable expressing their views, and where our customer relationships are positive and productive. Harassment, intimidation, or retaliation is not tolerated.

In addition to our internal Code of Ethics and Business Conduct, DynCorp International is a member of IPOA, our industry trade association, and as such has agreed to abide by its Code of Conduct or face disciplinary action, up to and including expulsion. We would ask that the Commission consider recommending a government-wide Code of Conduct similar to our internal Code or IPOA's to set a baseline for ethics and business conduct required to perform work for the government.

## **Governance Framework**

Our Core values and Code of Conduct guide our culture and actions, while our internal systems provide the structural framework to perform successfully for our customers and to enable good governance and compliance. DynCorp International's business is all about people. We are not primarily a technology or a product company; we are distinguished by the quality of the services delivered through our people.

Our ability to recruit, train, deploy, internally grow, and retain a highly motivated, well-qualified workforce and leadership is key to the achievement of our customer's mission and, in turn, to the overall success of the company. DynCorp International has an integrated life cycle approach to attracting, training, managing and developing our team.

**Recruiting** – All regular exempt and non-exempt job openings are posted on the DynCorp International LLC Web site for employees and external candidates to review. Field positions are also advertised externally based upon need and budget requirements. All applications are screened and the hiring manager selects the most qualified candidates to be interviewed. The hiring manager has ultimate responsibility for making a hiring decision.

**Vetting and Suitability** – Once a candidate is selected, an offer will be made contingent upon the satisfactory completion of required background investigations, required medical/dental testing, suitability testing, credit checks, and drug screens.

For Department of State contracts, DynCorp International processes necessary paperwork for employees and candidates requiring personnel security clearances, Moderate Risk Public Trust (MRPT), and “No Objection” letters. The DynCorp International Security Office provides prospective employees with technical assistance and clarification in answering security questions. Prior to submitting the complete security package to the Department of State, internal security staff reviews the forms for consistency and completeness. The Department of State notifies DynCorp International of its determination to grant, deny, or authorize interim clearance.

The complete package is submitted to the Department of State for adjudication. It should be noted that DynCorp International is not involved in government mandated security background investigations or the adjudication process, which is briefly described as follows:

- Background Investigation - An official inquiry into the activities of a person designed to develop information from a review of records, one or more interviews of the person, and interviews of people having knowledge of the person.

- Adjudication - Evaluation of pertinent data contained in a personnel security investigation, as well as any other relevant, reliable information made available, to determine whether an individual is eligible for access to classified information, for access to special nuclear material, or for employment in a position of trust.

***New Hire Orientation*** – New Hire Orientation is provided to U.S. employees under Department of State contracts. The orientation is a compilation of presentations covering the following topics:

- Strategic Framework and Core Values
- History and Organization
- What We Do
- Global Presence
- Key Policies
- Quality, Health and Safety Programs
- Security Services
- Information Technology
- Employee Communications vehicles
- Ethics and Compliance
  - Code of Ethics and Business Conduct
  - Ethics Training Program
  - Compliance with Securities Laws and Regulations
  - Cost Charging
  - International Trade Compliance
  - Foreign Corrupt Practices Act
  - Reporting Compliance Issues
- Benefits
- Payroll and Timekeeping

Employees are required to complete the New Hire Orientation within the first two weeks of employment. They are also required to complete the mandated compliance training within the first 30 days of employment.

***In-Service Training, Annual Training and Recertification*** – Police Advisors on the CIVPOL program are required to complete a two-week Police Assessment Selection Training (PAST) program. The PAST process entails an Oral Board review, a face-to-face psychological assessment, a physical agility test, and fire arms qualification. PAST training also includes a three-hour segment which covers ethics, conduct and behavior in the CIVPOL program, and an eight-hour segment on workplace conduct.

Employees serving in this capacity are required to leave the program after two years. In Iraq, police advisors must be off the program for six months prior to return. However, present practice in Iraq is to request approval from the customer to extend their service period. Assuming that approval is obtained, no further training is required. In Afghanistan, police advisors must leave the program after two years and must leave for a minimum of 30 days. When the 30 days is completed, employees may return to the program after completing a modified one-week PAST program.

Employees deployed on the Worldwide Personal Protective Services (WPPS) contract are also required to complete a training curriculum. WPPS personnel participate in a 25-day training program that includes weapons qualification, physical training, defensive tactics, defensive driving, first aid, land navigation, and other related topics. Additionally, WPPS personnel must qualify quarterly on the weapons that they carry as required by the customer. WPPS has classes similar to the PAST segments on ethics, behavior, and workplace conduct. DynCorp International exceeds WPPS expectations by also requiring weekly training on topics covered in the initial training so that employees remain proficient on established procedures and protocol.

***Personnel Management*** – DynCorp International is committed to maintaining a work environment free from employee abuse of alcohol, illegal drugs, and/or other substances. Management personnel are responsible for the enforcement

of DynCorp International's substance abuse policies at all international locations with violations immediately brought to the attention of the appropriate Human Resources personnel for review. Violation of this policy may result in discipline up to and including termination of employment.

- Alcohol Policy – We have an absolute ban on alcohol in Iraq and Afghanistan. Since October 2006, DynCorp International has had a specific alcohol policy which prohibits all employees when located within the countries of Iraq and Afghanistan from introducing, possessing, selling, transferring, manufacturing, or consuming any alcoholic beverage. We recognize that the presence of alcohol can be problematic in a war zone, and do not allow it. This is a corporate policy, not a specific contract requirement. In all other countries employees must conform to the laws and customs of the host nation in which they are operating unless the specific contract under which they are working requires a more restrictive policy.

In addition, DynCorp International has its own company Rules for the Use of Force (RUF) policy which prohibits the consumption of any alcoholic beverage sufficient to impair an employee's judgment or ability to perform his or her duties while armed or within the immediate control of arms, within six hours prior to being armed, or at any time prior to being armed. Under this policy all personnel outside of Iraq and Afghanistan may not drink for at least 6 hours before being armed. They must also be rested and not suffering from any effects of alcohol consumption before they are permitted to be armed.

- Drug Policy – All DynCorp International potential new hires are required to take and pass a drug test. An applicant who has a positive drug test will not be hired and will not be considered for employment for a period of one year. During an employee's term of employment he or she may be subjected to random testing. A positive result will subject the employee to termination. Additional drug testing is performed in accordance with contract requirements. Although it is not required by the contract DynCorp International has begun implementing a steroid testing program for CIVPOL employees.

**Hotline Program** – DynCorp International has established a corporate hotline that employees, contractors, vendors, and others are encouraged to use for the submission of allegations of misconduct, discrimination, waste, fraud, abuse, or other improprieties. Each submission is investigated by the Compliance Office. The office uses internal investigators who are independent of the company's programs to ensure fairness. In cases in which the investigation substantiates the merits of a complaint or identifies a problem that requires corrective action, the Compliance Office works with the involved department(s) and Human Resources (HR) to implement the needed changes.

Employees regularly use the hotline to raise a variety of claims. Hotline claims are reviewed and divided into seven categories:

- Timesheet Issues
- Harassment and Discrimination
- Employee Relations
- Misappropriation and Misuse of Property
- Contract Management
- Fraud
- Other Issues.

I want to strongly emphasize the priority we give all hotline submissions. Every one is investigated, and in fact, over the past two and half years, almost thirty percent have resulted in some form of corporate response, whether adjusting a corporate policy, individual disciplinary action, or other corrective measures as appropriate.

**Leadership Development** – To continue to compete, grow, and meet our standard of perfection, DynCorp International must have the right people, with the right leadership skills, at all levels of management. Therefore, we are

allocating significant time, money, and resources to growing and expanding our leadership development programs. Leadership development efforts include:

- **Growth Catalyst Leadership Development Program** – Unique to DynCorp International, developed based on the company’s strategic framework and stated core values. This program is limited to senior level managers and is an intensive, multi-faceted, year-long program with a curriculum focused on four core training areas: 1) Leading Self; 2) Leading Growth; 3) Leading the Charge; and 4) Leading Change.
- **360 degree feedback instruments** – For senior leadership and program managers. Allows direct reports, peers, and supervisors to provide feedback on an individual’s leadership style as compared to DynCorp International’s core values, pointing out strengths and areas for improvement.
- **360 leadership development program** – For manager level employees to reinforce expectations consistent with core values. 275 senior managers at DynCorp International are scheduled to participate in the program in fiscal year 2010. We launched this program in Iraq and Afghanistan to convey the importance of operating in a manner consistent with our core values in the most challenging environments. To date, 92 employees have completed the course, to include my 12 most senior leaders, 62 Middle East managers and 18 additional senior managers throughout the company.

**Employee Opinion Surveys** – Given the distributed nature of our workforce and the challenging conditions and environments our employees must endure, it is critical for me, and our leaders, to have direct, unbiased feedback from employees on leadership, controls, and working environment. To gain a clearer understanding of “on-the-ground” employee satisfaction and morale, as well as to identify good practices and potential areas of concern, we have initiated a program to conduct employee opinion surveys. The surveys will be conducted at least annually and cover all international and domestic sites. Issues surveyed include:

- Work environment and recreational needs

- Dignity and respect
- Compensation and benefits
- Training
- Quality of supervision
- Comfort in raising concerns and expressing opinions
- Teamwork and team interaction
- Clear and open communications regarding vision, mission, and values

The initial survey closed at the end of August 2009 with results currently being tabulated.

As one of the leading government services providers, we have applied lessons learned to our governance framework that would be applicable to other contractors supporting contingency operations. I recommend to the Commission that the government consider the following:

- Require a no alcohol policy for all contractors and subcontractors operating in war zones. This requirement would be beneficial to the government in many areas, not the least of which is safety and security. Setting a clear standard will also reduce tension and confusion between customer and contractor, as well as contractor and subcontractor where currently alcohol policies may differ.
- Require a steroid testing program for all contractors in security or training related positions.
- Make leadership development programs a standard contract clause. Leadership development programs should minimally include a program and curriculum to develop first line, field managers.
- Require an employee opinion survey program to be conducted at least annually.

## Leadership Culture

As I stated in my previous testimony on business systems, the single most important factor in overcoming the demands of operating in contingency environments is leadership. It sounds so simple to say, that all these factors can be mitigated or overcome by having the right people in the right positions, but it's true. At DynCorp International we have a leadership focused on striving toward the standard of perfection, operating with a zero tolerance for non-compliance and committed to transparency and accountability.

***Perfection is our Standard*** – To effectively support U.S. national security and foreign policy objectives, we must have the right people doing the right thing across the full spectrum of responsibilities, from the CEO to the supervisor in the field. Our leadership team must strive for perfection each day in all elements of our business from performance, to compliance, to partnership with our customers. As I have stated before, we are realistic enough to recognize that perfection is difficult to achieve, especially in hostile environments, but we are pushing toward that goal. To meet this standard our workforce must be vetted, trained, and managed effectively by leaders who have the requisite skills and decision making tools to do what is best for the customer.

***Zero Tolerance for Non-Compliance*** – With perfection as our standard, we must operate with a zero tolerance for non-compliance. As part of our continuous improvement in the areas of good governance and compliance, we have created the position of Chief Compliance Officer who reports directly to me and to the Audit Committee of our Board of Directors. This move further amplifies and focuses the company's across-the-board commitment to its core values, compliance, and performance. The Compliance Office works to ensure a proactive corporate culture dedicated to satisfying the highest standards of government and public scrutiny, accountability, and oversight. This culture reinforces ethics and full compliance as an essential part of each employee's daily responsibilities. Further, the office integrates and streamlines the efforts

made previously by each department of the company to ensure full compliance with legal and regulatory standards.

The Compliance Office supervises the company's ethics and business conduct program, internal investigations, internal audit, and trade compliance, including all export and import activities. The office is also responsible for related regulatory and compliance matters. Responsible activities include:

- Developing and monitoring compliance by all employees with corporate ethics and compliance training requirements
- Managing the corporate hotline program
- Supervising DynCorp International's internal investigations
- Working with operations management to impose effective remedial steps where warranted as a result of internal investigations
- Monitoring training and compliance with the Foreign Corrupt Practices Act
- Overseeing trade, export, and import compliance and training
- Supervising the internal audit function

***Accountability and Transparency*** – With more than two-thirds of our 25,000-person workforce serving overseas in distributed locations and remote environments, working six- or seven-day weeks, long hours, and extended time away from family and home communities, incidents of improper behavior by individuals or programmatic mistakes do happen, despite our relentless commitment to our core values and compliance programs. In response to any allegation of potential misconduct or impropriety, we immediately coordinate closely and openly with our customers to address problems, carry out independent investigations, and take appropriate follow-up action – up to and including termination or, when warranted by the facts, referral to law enforcement. We also review each situation to assess what management changes should be made to strengthen our management procedures and controls to prevent similar incidents.

Following the tragic death of a DynCorp International employee in Afghanistan in March 2009 from an apparent drug overdose, I personally met with our program managers in Iraq, Afghanistan, Kuwait, and the U.S. We reinforced our ethics, behavior, and conduct standards, and implemented management training programs for all levels of management.

As you are aware, this tragedy is still under investigation so I do not want to comment inappropriately, but I think it is important to understand the level of partnership we think we have with our INL customer. As soon as our senior CIVPOL manager received the call alerting him to the incident, in real time from the moment of discovery, our in-country team was instructed to seal the scene as a crime scene, immediately contact the Embassy RSO and request federal law enforcement investigative support. As the in-country team was contacting the Embassy, our senior manager was contacting his Contracting Officer Representative to alert him to the situation and request INL take the lead. Since the incident, DynCorp International leadership, to include me, has been in constant communication and working closely with our State/INL partners in an effort to institute new policies and requirements that will prevent this type of incident from occurring again. I have met regularly with the Assistant Secretary of State for INL, as recently as last week, to ensure he concurs with the management, policy, and process changes we have put in place.

## **Conclusion**

While our customers' expectations for performance and compliance are high, let me assure you that our expectations for ourselves are even higher. At DynCorp International our objective is to be the leading global government services provider, which is measured by outperforming our competition and being the most valued company to our customers and employees. As a result, one incident is too many. Again, our standard can only be perfection. To achieve this

standard, we work continuously to improve ourselves by focusing on core values, internal systems, and most importantly, our leadership.

In closing, I would like to reiterate something I said in the last hearing. The work we perform is difficult and often dangerous. In fact, 65 DynCorp International employees have made the ultimate sacrifice of their life due to hostile action and many more have been severely injured.

Tomorrow, I have the privilege of awarding the DynCorp International corporate Medal of Valor to Jose Guillen, who served as an international police advisor in Afghanistan. Last September, when a police training team convoy was struck by an IED, he rushed from his vehicle to perform first aid on the wounded, including another DynCorp International police mentor. The convoy was under small arms fire, and he shielded the injured men with his own body. This is the workplace risk our employees face.

Just last week, I received a letter from the wife of one of our fallen employees which commented on my previous testimony before the Commission and encouraged me to continue to uphold and honor our obligation to the injured and the families of those killed supporting U.S. foreign policy and national security objectives. I would like to take this opportunity to reiterate my recommendation that the government mandate and fund a support program for all contractors injured and for the families of those killed while supporting these missions.

Thank you again for the opportunity to participate in this hearing. DynCorp International is committed to providing the warfighter, diplomat, and taxpayer with world-class, worldwide services. I stand ready to answer questions in any areas of interest to the Commission.

William L. Ballhaus  
President and CEO  
DynCorp International LLC

William L. Ballhaus was named president and chief executive officer of DynCorp International in May 2008.

Mr. Ballhaus joined DynCorp International from BAE Systems, where he was president of the Network Systems division. Previously, he was president of BAE Systems' National Security Solutions and Mission Solutions divisions.

Before joining BAE Systems, Mr. Ballhaus held a number of senior executive positions at Boeing's satellite systems business (previously Hughes Space and Communications), including senior vice president of system engineering and general manager of a stand-alone electronics subsidiary.

Mr. Ballhaus received a bachelor's degree in mechanical engineering from the University of California at Davis, and a master's and Ph.D. in aeronautics and astronautics from Stanford University. He also holds a master's degree in business administration from UCLA's Anderson Graduate School of Management.