

RECORD VERSION

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BEFORE THE

**SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS
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Introduction

Chairman Snyder, Congressman Wittman, and distinguished members of the Oversight and Investigations Subcommittee: Thank you for this opportunity to discuss the U.S. Army's progress and completed actions to enable our contracting mission to be agile, expeditionary, and responsive to our warfighters, while ensuring proper fiscal stewardship of taxpayer dollars. We are pleased to report to you that our progress has been steady and significant.

Our actions are based on the recommendations contained in the report, *Urgent Reform Required: Army Expeditionary Contracting* dated October 31, 2007, by Dr. Jacques Gansler and Members of the Commission on Army Acquisition and Program Management in Expeditionary Operations. We are guided by the report's overarching recommendation – *implement the Commission's recommendations rapidly and measure success* – and four supporting recommendations for the success of future expeditionary operations:

- (1) Increase the stature, quantity, and career development of military and civilian contracting personnel, particularly for expeditionary operations;
- (2) Restructure organization and restore responsibility to facilitate contracting and contract management;
- (3) Provide training and tools for overall contracting activities in expeditionary operations; and
- (4) Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations.

It is important to emphasize that Dr. Gansler's Commission was chartered to look at the long-term, strategic view of the Army's acquisition and contracting system in support of expeditionary operations. To complement the Commission's strategic review, the Army Contracting Task Force (ACTF), co-chaired by Lieutenant General N. Ross Thompson III, Principal Military Deputy to the Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)), and Ms. Kathryn A. Condon, Executive Deputy to the Commanding General at the U.S. Army Materiel Command (AMC), reviewed current contracting operations and initiated immediate actions needed to reduce the Army's risk of fraudulent activity in Southwest Asia. The ACTF completed its work in January 2008, and the Army chartered the Army Contracting Campaign Plan Task Force (ACCP-TF) to ensure that the ACTF's momentum was carried forward.

The ACCP-TF's work began in February 2008, headed by Major General George R. Harris, ASA(ALT)'s Assistant Military Deputy, to review the Commission recommendations and other contracting recommendations to determine the requirements and resources needed to address them. Shortly thereafter, in March 2008, the Army established the U.S. Army Contracting Command with a mission to continually improve contracting, acquisition, and program management in expeditionary operations. While part of AMC, the Army Contracting Command is closely aligned for policy and oversight with the Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology (OASA(ALT)). Finally, to broaden the scope of our efforts, the ACCP-TF developed the Army Contracting Campaign Plan to ensure an institutional approach to identifying and implementing systemic and long-lasting

improvements, along with the successful alignment of contracting with doctrine, organization, training, materiel, leader development, personnel, and facilities. These improvements are designed to ensure successful contracting and procurement operations from requirements development through source selection, award, delivery/acceptance, payment, and contract closeout – allowing us to support our Soldiers and provide best value to our Nation’s taxpayers.

The Gansler Commission’s four supporting recommendations listed above included 40 actions to correct the discrepancies identified – 22 of these are Army-specific while the remaining 18 are within the purview of the Office of the Secretary of Defense (OSD), or are legislative actions being addressed jointly among the Services with OSD as the lead agent.

The Army has taken action or is implementing 21 of the 22 Army-specific recommendations. The remaining one – to increase the contracting workforce by 400 military and 1,000 civilians – requires significant time to hire and train new personnel, but we are making progress. Our plan for FY09 is to increase our military contracting workforce by 131 members and our civilian workforce by 347 members. The increase in workforce size will be deliberate over the next three years to ensure we have both the quality and quantity necessary to execute the contracting mission.

U.S. Army Actions

In support of the **first recommendation – “increase the stature, quantity, and career development of military and civilian contracting personnel, particularly for expeditionary operations,”** – the Army has expanded its expeditionary contracting

structure to include planning cells within our Contracting Support Brigades to coordinate contract requirements with operational commanders. There is also educational and leadership focus for Army commanders, staff, and other non-contracting professionals to value the role of the Contracting Officer's Representative (COR). The COR's role is key to ensuring that the government is getting what it is paying for with appropriate oversight.

Section 503(a) of the National Defense Authorization Act (NDAA) for Fiscal Year 2009 (FY09) authorized five additional General Officer billets in the Active Component designated for acquisition. As of September 2008, the Army selected one additional acquisition General Officer (GO) and will select more this year until the five billets are filled. The GO selected is a Brigadier General who is the Commander of the recently established Expeditionary Contracting Command. The Army had already established the two-star U.S. Army Contracting Command as part of AMC and the one-star Mission & Installation Contracting Command – which are two billets presently filled by experienced members of the Senior Executive Service until new GOs are selected. The two remaining billets are the Military Deputy for Contracting in the U.S. Army Corps of Engineers (USACE) and an acquisition (contracting) GO in OASA(ALT) in the Office of the Deputy Assistant Secretary for Procurement (DASA(P)). These positions are currently not filled. The Army has filled the DASA(P) position, vacant for nine months, with a former Brigadier General with extensive program executive office and contracting experience. His background includes being the former Director of the Defense Contract Management Agency and the Director for Contracting for the Army.

The Commission recommended increasing the number of military (by 400) and civilian (by 1,000) personnel in the Army contracting workforce, which is roughly a 25 percent increase. The Army has been working to ensure contracting or contracting-related needs are identified and codified through the Army's concept plan process, which serves to document organizational force structure. An analysis of the 19 concept plans submitted, further refined contracting workforce requirements beyond the numbers suggested by the Gansler Commission to 617 military personnel and 1,635 civilian personnel. In addition to the concept plans, a Force Design Update has been tentatively approved to increase the Contracting Support Brigades and subordinate battalions and teams with 295 military personnel in FY09-13. These plans are currently being staffed as part of the resourcing process.

In other actions, the Army is establishing an earlier accession point for military contracting officers and noncommissioned officers to enable them to begin their acquisition careers two to three years earlier, providing for increased availability of Army contracting personnel and more time to develop and apply their expertise. The Army is developing a comprehensive strategy to systematically integrate the collection, analysis, and dissemination of observations and insights about expeditionary contracting into its lessons learned processes. This will enable us to capture lessons learned from three different perspectives: the requiring activity, the contracting officer, and the contractor. The intent is to analyze the information to determine gaps or changes needed in our doctrine, organization, training, materiel, leader development, personnel, and facilities assessments. In addition, we have issued career guidance to restrict military

contracting professionals from serving in theater until they have a minimum of one year of contracting experience within the United States. Finally, the Department received legislative authority for several incentives to foster civilian participation in future expeditionary operations in the FY09 NDAA, specifically Section 1101 (Pay Adjustments) and Section 1103(Life Insurance) and we thank the Congress for this action.

The Army is implementing Section 852 of the FY08 NDAA which directed establishment of the DoD Acquisition Workforce Development Fund and mandates the military departments and DoD agencies make quarterly monetary transfers to this fund to enable the Department to retain, hire, and train the requisite acquisition workforce. The Section 852 authority will also enable corrective action measures identified by the Commission. Under this authority, the Army plans to hire new interns as follows: 347 interns in FY09; 625 interns in FY10; 850 interns in FY11; 745 interns in FY12; and 610 interns in FY13. Additional efforts are underway to provide Army contracting professionals with opportunities to accomplish training that addresses the commercial business environment and advanced issues in vendor evaluation and source selection. Furthermore, the Army is working closely with the Defense Acquisition University (DAU) and other educational venues to increase the number of contracting training courses for certification that will be delivered starting in FY09 and to review and update training plans based on lessons learned. Specifically, DAU has added more than 100 contracting course offerings and additional seating capacity for Army personnel.

With the support of the Expedited Delegated Hiring Authority (DHA) provided by Congress in the 2009 National Defense Authorization Act Section 833, the Army will

fully embrace the use of this practice to acquire the right personnel at the journeyman and authorized senior levels, which are the only levels currently authorized. We also anticipate further delegation of this authority to allow us to hire entry-level personnel as contracting interns. It is clear that Section 852 has enabled the start of many key initiatives for our workforce to allow the hiring, necessary training, and other incentives for key contracting personnel with recruitment incentives, training, and retention incentives.

Stakeholders in the acquisition process agree that decisive action must be taken to further develop and rebuild the acquisition workforce to improve both capacity and capability. This, for the Army, directly impacts our contracting workforce first and foremost, along with other functional career fields. Shaping the right size and mix of the workforce is challenging. To help us, the Army and other Services participated on a Defense Acquisition Workforce Joint Assessment Team (JAT) which included a senior-level steering group and a working-level group. The JAT explored rebuilding DoD's acquisition workforce with a goal of increasing the organic acquisition workforce and rebuilding capacity and capability by addressing workforce gaps.

In support of **recommendation two – “restructure organization and restore responsibility to facilitate contracting and contract management,”** – the Army responded quickly to restructure its contracting organizations by moving the Army Contracting Agency (ACA) under AMC. By merging and transforming the contracting resources of ACA and AMC, the two-star U.S. Army Contracting Command was established in March 2008. This restructuring places approximately 70 percent of the

Army's contracting resources under AMC.

After a review of contracts awarded in Kuwait, Iraq, and Afghanistan revealed a significant backlog of contracts completed in theater that require close-out, we queried the Army-wide database of awarded contracts. In doing so, we found that more than 600,000 contracts may be complete, but have not been officially closed-out in the contract management system. We have taken immediate steps to obtain greater fidelity on this figure, explore the root causes, and implement a comprehensive plan to clear the backlog of contracts requiring close-out. A primary cause has been the 25 percent reduction in the contracting workforce during a period of 500+ percent in contract transaction workload.

The Army has made great progress in supporting **recommendation three – “provide training and tools for overall contracting activities in expeditionary operations.”** We are addressing this recommendation in two broad areas: first, train as we fight; and second, develop and field contract tools needed for expeditionary forces. In the first area, we are adapting our training exercises to stress rapid acquisition, logistics, and contracting in expeditionary operations and are beginning to include contracting operations and planning requirements in some military exercises. Sixteen different officer and non-commissioned officer professional military education courses have been added or modified to include information on Operational Contract Support to increase the awareness of contracting and contractor management by our operational Army. To improve knowledge gaps in training venues, the U.S. Army

Training and Doctrine Command has an approved concept plan to add acquisition personnel to their Combat Training Centers. This new, collective training capability is designed to stimulate commanders and their staffs to solve expeditionary tactical problems, apply emerging doctrine to these tactical situations, and to promote a better appreciation of the challenge of integrating contractor support into military operations.

The Army also worked with OSD and other Services on the publication of a pocket-sized, Joint Contingency Contracting handbook to equip contingency contracting officers with the necessary tools for joint service operations. The handbook is being incorporated into new training material for the expeditionary/contingency contracting force structure. The Army is also working to field the Virtual Contracting Enterprise (VCE) and other Information Technology tools to aid Army commanders and staff in contract operations. The VCE will enable us to move existing contracting tools to a web-based environment allowing for the sharing of contract information and enhanced oversight in a paperless environment. Furthermore, the U.S. Army Acquisition Support Center is sponsoring a scenario-based contracting laboratory for both the officer and noncommissioned officer training course to provide them with the tools and understanding of how to prepare and execute contracts prior to their first contracting assignment. This course is in addition to the current Basic Acquisition and Intermediate Contracting courses offered through the Army Logistics Management College at its Huntsville, Alabama, campus.

The Joint Contracting Command – Iraq/Afghanistan recently established policy requiring all contracts over \$25,000 in Iraq to be paid electronically to minimize cash operations and introduce supporting electronic commerce solutions that maximize

effective financial and contract management operations and reduce the potential for fraud and, more importantly, reduce the risk to our Soldiers' lives while transporting funds and authenticating documents to specific work sites. In the long-term, the Army will evaluate training and tool alternatives and implement a federated approach to business systems development to determine requirements and solutions for integrated contract and financial management capabilities to support garrison and deployed operations.

In support of **recommendation four – “obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations,”** – OSD, with Army assistance, led the effort. Several aspects of this recommendation have been addressed earlier in this statement and include the increase of five general officers in acquisition and overall increases in the contracting workforce. The Army worked closely with OSD to analyze the Gansler Commission's recommendations for potential legislative changes, and will continue to assess opportunities for legislative, regulatory, and policy assistance.

Conclusion

As stewards of the taxpayers' dollars, the Army is committed to excellence in managing and documenting contractor performance and the overall discipline of contract administrative services. With service and construction contracts, whether in Iraq, Afghanistan, the United States, or elsewhere in the world, representing an ever-increasing percentage of our overall contract dollars, greater emphasis is rightfully being

placed on their management and oversight. This includes documenting the contractor's performance in accordance with policy.

The Army has carefully and comprehensively analyzed all of the Gansler Commission recommendations. We realize that complete implementation will be accomplished over a period of years due to the Program Objective Memorandum and budgetary cycles, human resources workload, and the institutional capacity to accommodate the requisite training and development of newly hired personnel. The mandate of the Army Contracting Campaign Plan Task Force has been met; their mission is complete and their workload transferred to the enduring organizations responsible for sustaining long-term Army contracting success. The Deputy Assistant Secretary of the Army (Procurement) has the responsibility to continue the emphasis of implementing the ACCP-TF's actions.

Expeditionary military operations in Iraq and Afghanistan have placed extraordinary demands on the contracting system and our contracting support personnel. The vast majority of our military and civilian contracting personnel perform well in tough, austere conditions. Their customers are the warfighters – the men and women who depend on them to do their jobs. In the end, the success of our warfighters is linked directly to the success of the contracting workforce. We are working hard to ensure that policies, procedures, and tools are in place for all joint, expeditionary contracting operations in Iraq, Afghanistan, and Kuwait or anywhere else our brave men and women in uniform are asked to serve.