

STATEMENT BY

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BEFORE THE

SENATE COMMITTEE ON APPROPRIATIONS  
UNITED STATES SENATE

ON THE ADEQUACY OF DEFENSE CONTRACT OVERSIGHT  
FOR  
OPERATION IRAQI FREEDOM

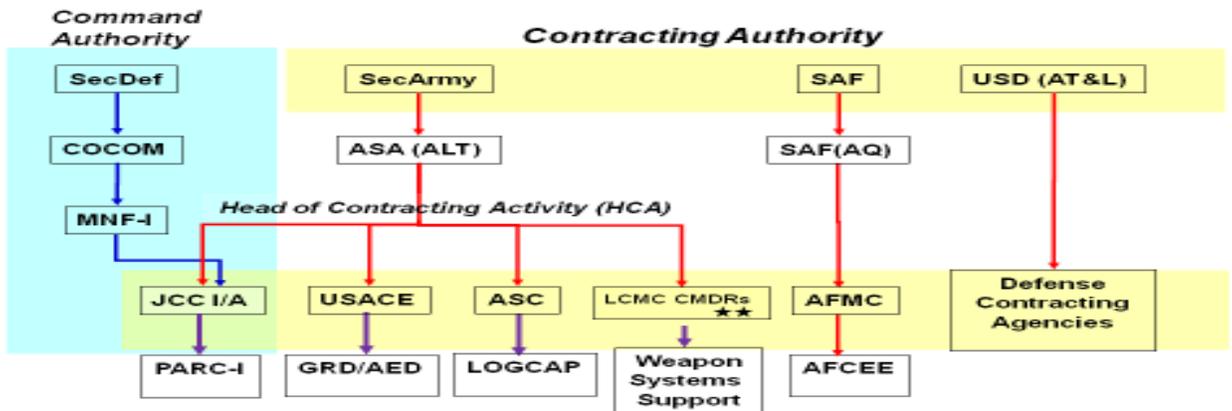
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Mr. Chairman, Senator Cochran, and members of the Committee, I thank you for the opportunity to appear before you today to discuss the adequacy of defense contract oversight for Operation Iraqi Freedom. To do this, I will describe how AMC is addressing the issues identified by the Commission on Army Acquisition and Program Management in Expeditionary Operations, which released its final report, "Urgent Reform Required: Army Expeditionary Contracting," on October 31, 2007; and by the Army Contracting Task Force which completed its work in March 2008.

Before I begin, however, I would like to ensure that the Committee understands the role of the Army Materiel Command's contract oversight and authority in U.S. Central Command's theater of operations. As shown in Table 1, Command authority flows from the Central Command (CENTCOM) Commander to the Multi National Force-Iraq (MNF-I) Commander, to the Joint Contracting Command Iraq-Afghanistan (JCC-I/A) Commander. Contracting authority flows from the Secretary of the Army to the Assistant Secretary of the Army, Acquisition, Logistics, and Technology, designated as the Army Senior Procurement Executive to the Head of the Contracting Activity.

The Army Heads of Contracting Activities engaged in the writing and the execution of contracts in support of Operation Iraqi Freedom: the Joint Contracting Command Iraq-Afghanistan (JCC-I/A); the Army Materiel Command's Life Cycle Management Commands; the Army Materiel Command's Army Sustainment Command; and the U.S. Army Corps of Engineers. Today, neither the Army Materiel Command nor the Army Contracting Command has contracting authority for any of these contracting activities.

**Table 1. DoD Contracting Authority - Iraq**



Army Materiel Command’s engagement in the CENTCOM theater of contracting operations primarily consists of the management and execution of the Logistics Civil Augmentation Program (LOGCAP) III contract, managed by the Army Sustainment Command located at Rock Island Arsenal, Illinois, a subordinate command of the Army Materiel Command. Additionally, equipment, maintenance and repair contracts are managed by the Army Materiel Command’s Life Cycle Management Commands. These 2-star commands receive their contracting authority and oversight directly from the Assistant Secretary of the Army for Acquisition, Logistics, and Technology who is also the Army Senior Procurement Executive.

The Defense Contract Management Agency (DCMA), one of the Defense Contracting Agencies under the authority of the Under Secretary of Defense for Acquisition, Technology and Logistics has the responsibility for contract management of task orders awarded by the Army Sustainment Command under the LOGCAP III contract.

As you are aware, Secretary Geren chartered the Commission on Army Acquisition and Program Management in Expeditionary Operations chaired by Dr. Jacques Gansler, the former Under Secretary of Defense

for Acquisition, Technology and Logistics, on August 30, 2007. The Gansler Commission provided an independent, long-term, strategic assessment of the Army's acquisition and contracting system and its ability to support expeditionary operations and sustain high operational demand in an era of persistent conflict.

To complement the work of the Commission, the Army Contracting Task Force was established in early September 2007, co-chaired by LTG N. Ross Thompson III, Military Deputy to the Assistant Secretary of the Army for Acquisition, Logistics and Technology and Ms. Kathryn Condon, Executive Deputy to the Commanding General at the Army Materiel Command. The task force mission was to take an intensive look at current Army operations and future plans for providing contracting support to contingency or other military operations. The task force findings and recommendations were consistent with those of the Gansler Commission. The Army Contracting Task Force final report was completed on March 17, 2008 and was presented to the Secretary of the Army.

The details of the report were included in the Army's submission of Section 849 of the National Defense Authorization Act for Fiscal Year 2008's report to Congress which also addresses all of the Army's actions underway to address Gansler Commission recommendations. Additionally, the report is being utilized by the Army Contracting Campaign Plan Task Force, established by Secretary of the Army in February 2008, to ensure that the Task Force and Gansler Commission's finding and recommendations are implemented as quickly as possible without the loss of momentum. This Army-wide contracting campaign plan will improve doctrine, organization, training, leadership, materiel, personnel and facilities. Achieving this objective will require resources, time, and sustained leadership focus.

The Gansler Commission made four overarching recommendations to ensure 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 organizations 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.

With regard to the first Gansler Commission recommendation - - to increase the stature, quantity, and career development of the Army's contracting personnel - - we have a number of initiatives underway. In June 2006, the Army approved a new force design structure consisting of 19-person Contracting Support Brigades, 8-person Contingency Contracting Battalions, 4-person Senior Contingency Contracting Teams, and 4-person Contingency Contracting Teams composed of Active Duty, Reserve, and Army National Guard personnel. Each Contracting Support Brigade will be commanded by a colonel. These brigades oversee Contingency Contracting Battalions commanded by lieutenant colonels, and Contingency Contracting Teams in the execution of the Army Service Component Commander's contracting support plan.

Prior to the Gansler Commission and the work of the Army Contracting Task Force, AMC had already taken action to increase the number of Contracting Support Brigades from four to seven; the number of Contingency Contracting Battalions from six to eleven; the number of Senior Contingency Contracting Teams from 15 to 18; and Contingency Contracting Teams from 105 to 153. This represents a potential increase of over 300 military personnel for a total of over 900 deployable military officers and non-commissioned officers. Sourcing for the proposed

increases is currently being worked as part of the Department of Army Total Army Analysis process. Based upon the scope of the mission, we plan to augment the Contracting Support Brigades with deployable civilian personnel, including support from Army Criminal Investigative Division agents and Army Audit Agency officials to enhance and improve our ability to execute and manage contracts for expeditionary operations. Contracting Support Brigades will be located in the United States and overseas supporting operations in Southwest Asia, Korea, Europe, Africa, the Pacific, South America, and North America.

This new contingency contracting structure will provide ample professional development and growth opportunities for our military officers and non-commissioned officers, allowing them to progress in capability and experience from captains and sergeants, to colonels and sergeants major. This structure did not exist prior to Operation Enduring Freedom and Operation Iraqi Freedom. Not only will it enhance the development of our military contracting personnel, but also increase their stature once they are fully resourced.

Army Materiel Command has also identified the need to establish a Contracting Warrant Officer Corps. The Department is currently assessing this requirement. The technical expertise of Warrant Officers, coupled with contracting training and experience, would make them exceptionally qualified to fulfill the contract management and oversight role. If approved, this Warrant Officer Corps will consist of approximately 150 deployable military personnel with contracting expertise.

When deployed, Contracting Support Brigades, Battalions, and Teams will coordinate and integrate their plans with our seven Army Field Support Brigades, located in Afghanistan, Iraq, Korea, Hawaii, Germany, Fort Bragg, North Carolina, and Fort Hood, Texas, which provide logistical

equipment support to deployed commanders – Army Materiel Command’s face-to-the-field. These two brigade designs support the Army modular force in the execution of acquisition support, logistics, and technology activities needed to support and enable the full spectrum of operations.

In terms of career development, plans are also underway to move the accession point for contracting military officers two to three years earlier immediately following their Branch qualification at the captain level. This allows professional development and experience to begin earlier. For contracting non-commissioned officers, the accession point will occur upon achieving the rank of sergeant. We must also ensure the requisite training is accomplished prior to deploying on an expeditionary contracting mission, and it is our intent to defer deployment of military members during their first year in contracting.

In keeping with the Gansler Commission’s second recommendation - - to restructure Army contracting organizations and restore responsibility to better facilitate contracting and contract management in expeditionary and U.S. based operations - - the Army Materiel Command, based upon direction from Secretary Geren on January 30, 2008, took action to establish a 2-star Army Contracting Command. At the same time, the Secretary directed the realignment of the Army Contracting Agency from the Assistant Secretary of the Army for Acquisition, Logistics, and Technology to the Army Materiel Command to become part of the Army Contracting Command. This new command is a major subordinate command to the Army Materiel Command. On March 13, 2008, the Army Contracting Command was activated in a provisional status, and on July 15, 2008 the Department of the Army approved the concept plan for the new command. When fully resourced, this plan will increase our civilian personnel by more than 900 and our military personnel by more than 500.

We anticipate initial operational capability on October 1, 2008 with a goal of full operational capability on October 1, 2009.

Our challenge will be to quickly resource and fill these new positions. This will take time. We are actively recruiting civilians and increasing accessions of military officers and non-commissioned officers into the Army Acquisition Corps. To enhance our hiring ability of civilian contracting personnel, we are pursuing direct hire authority from the Office of Personnel Management.

The Army Contracting Command includes two subordinate commands - - a deployable 1-star level Expeditionary Contracting Command focused on support to forward deployed forces (including providing contracting personnel support for the Joint Contracting Command – Iraq and Afghanistan) and OCONUS installations; and a 1-star level Installation Contracting Command focused on support for CONUS installations and other mission support. The Expeditionary Contracting Command will include our Contracting Support Brigades, Contingency Contracting Battalions, Senior Contingency Contracting Teams, and Contingency Contracting Teams. Our five major acquisition contracting centers will be realigned under the Army Contracting Command to facilitate appropriate training, manning and work force development.

Additionally, the Army Materiel Command will realign the LOGCAP Program Office from the Army Sustainment Command to the Army Contracting Command as a direct report to the Executive Director. This realignment will place emphasis on a single advocate with the accountability and responsibility for contracting in addition to expanding our surge and contingency capability to resource staffing requirements

with trained, skilled, designated and responsive expeditionary contracting capability.

The Army is moving out quickly to implement the third Gansler Commission recommendation - - to provide training and tools. The Army is assessing opportunities to improve contingency contracting training at our Combined Training Centers. In April 2008, one of our Contingency Contracting Battalions participated in a situational training exercise held at the Battle Command Training Center on Fort Lewis, WA. This exercise focused on preparing military contingency contracting officers for rotation and integration into the Joint Contracting Command-Iraq/Afghanistan's current battle rhythm and contracting methodology. Training included tasks such as preparing a contracting support plan, coordinating with supported units, and the award, administration and close-out of service contracts. Through this exercise, participants gained "cradle to grave" knowledge of the contracting process in theater. Detailed after action reports are conducted after each training exercise and a survey is conducted 3-4 months after deployment to capture lessons learned. Our intent is to institutionalize such training in our Combined Training Centers and Battle Command Training Programs.

Several training and doctrine initiatives are underway and have continued to be a major focus for the Army. A final draft of the Joint Publication 4-10, *Operational Contract Support* was completed. The completion date for Field Manual Interim 4-93.42, *Contract Support Brigade*, was accelerated. The Army also worked with the Department of Defense to distribute the recently released "*Joint Contingency Contracting Handbook*." Leader education related to contracting and contractor management was accelerated. Development of FM 4-10, *Commander's Guide to Contracting and Contractor Management* was also accelerated.

The Army is continuing to modify and expand its leadership education curriculum related to the planning and management of Operational Contract Support with an enhanced focus on expeditionary operations. We have modified or added sixteen officer and non-commissioned officer professional military education courses to improve knowledge and skills in Operational Contract Support. The Army is also developing a 2-week resident course to train selected staff members (Brigade through Army Service Component Command levels) on how to plan for and manage Operational Contract Support and how to develop requirements packages.

To reduce knowledge gaps in training venues, the U.S. Army Training and Doctrine Command has developed a concept plan to add acquisition personnel to the Battle Command Training Program to support the Combat Training Centers. This new collective training capability will stimulate commanders and their staffs to solve expeditionary related tactical problems, will apply emerging doctrine to these tactical situations, and will promote a better appreciation of the challenge of integrating contractor support into military operations for both the Contingency Contracting Officer and the unit requiring the contract support.

At present the Army has put into place an intensive training and management program for our Contracting Officer Representatives which requires all Army Contracting Officer Representatives to complete the Defense Acquisition University's on-line continuous learning module, "*COR with a Mission Focus*," prior to appointment. Army Materiel Command is working with the Department of the Army to ensure enforcement of this training.

In addition, Army Materiel Command has implemented a three-day Contracting Officer Representative training course for deployed forces in

Kuwait. This training course requires nominated personnel to complete the Defense Acquisition University on-line training prior to attending onsite training. A performance assessment is conducted three to four weeks after a Contracting Officer Representative's (COR) appointment to evaluate how well he/she comprehends his/her roles and responsibilities in contract performance oversight. Since October 1, 2007, 485 CORs have been trained in Kuwait and as of June 1, 2008, 100% of service contracts in Kuwait have trained and appointed CORs providing contractor oversight.

To improve our contingency contracting training and doctrine, the Army is formally interviewing units as they return from theater to capture "expeditionary contracting" lessons learned and incorporate the findings into doctrine, training guides, and user handbooks. We are accelerating efforts to enhance leader education in contracting and contractor management and re-examining the training curriculum and timing for all newly accessed acquisition officers and civilians.

AMC is developing and fielding a Virtual Contracting Enterprise to provide electronic, web-based tools to enable visibility and analysis of our worldwide contracting mission.

In response to the fourth Gansler Commission recommendation regarding legislative proposals, the Army worked with the staff of the Office of the Secretary of Defense to develop legislative proposals to improve contracting effectiveness in expeditionary operations, including the Army's legislative proposal to establish five new general officer positions. Army Materiel Command requested three of those general officer positions for the Army Contracting Command; one, a seasoned contracting expert, would serve as a Major General Commander. This proposal will be presented to Congress during this session.

The work of the Army's Contracting Task Force has culminated in the implementation of significant reforms and corrective actions to eliminate deficiencies. These reforms and corrective actions resulted in significant improvements in the Kuwait contracting operations. Several new leaders are now in place; staffing was increased from 27 to 55 personnel through temporary duty assignment (TDY) augmentation and volunteers, including dedicated lawyers; ten additional military officers were sent to Kuwait for 90 days to review prior contracts; and new internal control processes for effective checks and balances were developed.

We also established a U.S. based office at the Army Materiel Command's Army Sustainment Command, located in Rock Island, Illinois to provide contracting support to Kuwait operations in the management and execution of \$800M in active contracts. Army Sustainment Command established a dedicated 15-member team, supported by legal professionals, charged to assist in resolving a number of claims, definitizing un-priced actions, and negotiating new contracts for requirements in ways that will result in significant cost avoidance or savings. The establishment of this capability leverages Army Materiel Command leadership and expertise. Our work continues with the orderly transfer of additional existing and future major contract actions from Kuwait to the Army Sustainment Command and eventually to the Army Contracting Command.

Finally, prior to the efforts of the Gansler Commission and the Army Contracting Task Force, Army Materiel Command recognized the need to make improvements in its contracting support to Operation Iraqi Freedom and Operation Enduring Freedom. We have learned many lessons from our early experiences with LOGCAP and are taking necessary steps to improve the execution and management of LOGCAP.

In 2004, Army Materiel Command took aggressive action to increase the number of personnel in the LOGCAP program office to better manage and execute the program. This allowed us to eliminate billions in un-priced task orders and reduce the cost risk to the Government.

In early 2005, the Army established a Senior Executive Service position to serve as the contracting and program director and provide overarching leadership / AMC established program offices in Iraq, Kuwait, and Afghanistan that are managed by Deputy Program Directors, who are all acquisition logistics professionals. In April 2007, the Army established a second Senior Executive Service position to separate contracting support from program management. This further enhanced our ability to provide oversight.

Additionally, we worked with the Defense Contract Management Agency to increase its support in theater. Today, there are 97 Defense Contract Management Agency personnel deployed in Southwest Asia augmenting our LOGCAP program offices with contract management personnel. In addition to conducting reviews of the contractor's purchasing, billing, estimating, procurement and property systems, field personnel augment the program management teams with administrative contracting officers, quality assurance representatives, and property administrators whose responsibility it is to ensure contract compliance with contract terms and conditions. We also took action to deploy in excess of 50 U.S. Army Reserve Logistics Support Officers who augment the program office by assisting supported command units in developing their requirements. Furthermore, there are over 500 Contracting Officer Representatives, provided by the supported command units, who provide daily oversight of contractor performance.

Award fee boards are conducted every six months evaluating the contractor's performance, identifying areas for improvement, and assessing overall performance as it is measured against the award fee criteria. Board Membership consists of representatives from the supported commands, the LOGCAP Deputy Program Directors and the Defense Contract Management Agency. It is chaired by LOGCAP Program Director. Besides the Award Fee Evaluation Boards conducted every six months, there are monthly performance evaluation boards chaired by the supported unit. The Department of the Army also established a Contractor Acquired Property Review Board that ensures excess contract property is distributed to needed locations.

Based on lessons learned under the LOGCAP III contract, the Army developed a new acquisition strategy for LOGCAP IV that will utilize the services of three performance contractors to execute LOGCAP requirements and one contractor to support the LOGCAP Program Director in the management of the program and to conduct worldwide planning. LOGCAP IV contracts were awarded and task orders will be competed among the three performance contractors to ensure competitive pricing for required services. The award to three performance contractors provides the Army with increased capacity to respond to other contingencies foreign or domestic. The additional performance contractors minimize risk and ensure combat support/combat service support capability is responsive to worldwide contingencies.

In conclusion, while I primarily address the initiatives and resources AMC is pursuing to improve our Expeditionary Contracting capability, the success of future operations is a joint responsibility and will require DoD solutions and resourcing. To this end, we continue to work with our sister Services, the Joint Staff and other defense agencies.

Expeditionary military operations in Iraq and Afghanistan have placed extraordinary demands on our contracting system and the people who make it work. The vast majority of our military and civilian contracting personnel perform well in tough, austere conditions. We know that the success of our warfighters and those who lead them is linked directly to the success of our contracting workforce, and we are working hard to ensure that contracting is a core competency within the Army. The Army's focus on contracting is not just for contracting professionals. Warfighters set requirements and help manage contract execution – their involvement in the contracting process is critical.

My number one priority is support to our Soldiers, Sailors, Airmen and Marines. Our contracting professionals are focused on supporting these warfighters and inspiring the confidence and trust of the American people. We must never lose sight of the outstanding work to support the war in Iraq and Afghanistan that our contracting and contractor personnel are doing 24/7. This support at times results in the potential for and reality of loss of life and injury.

Our challenge is to ensure we have adequate structure, policy, and personnel who are trained to do the job in the right place at the right time – continually performing at an ethical standard that upholds Army values. This will not be easy. It will take time, but getting it done is essential. We cannot and will not fail – our warfighters and our taxpayers deserve no less.

Thank you for providing us with this opportunity to address the Army's oversight of contracting to support expeditionary operations. I look forward to answering your questions.