

HOLD UNTIL RELEASED BY THE  
U.S. SENATE

WRITTEN STATEMENT OF

MR. RICHARD T. GINMAN  
DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

BEFORE

U.S. SENATE HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS COMMITTEE  
FINANCIAL AND CONTRACTING OVERSIGHT SUBCOMMITTEE

ON

IMPLEMENTATION OF WARTIME CONTRACTING REFORMS

July 16, 2013

HOLD UNTIL RELEASED BY THE  
U.S. SENATE

Chairwoman McCaskill, Senator Johnson, and distinguished members of the subcommittee, I welcome this opportunity to discuss the Department's "Implementation of Wartime Contracting Reforms." You asked me to specifically discuss the implementation of the wartime contracting reforms passed into law in the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2013, to include information on all steps that the Department has taken to comply with the NDAA's specific contingency contracting requirements. Each is addressed in my testimony.

I am Richard Ginman, Director, Defense Procurement and Acquisition Policy (DPAP), in the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)). In addition to other responsibilities I am responsible for Department-wide contingency contracting policy. I am a Career Civil Servant, with more than 40 years' experience in government and commercial business in the fields of contracting, acquisition, and financial management. Before returning to government service and joining DPAP in October 2006, I held several private-sector positions, including Vice President of General Dynamics Maritime Information Systems and Director of Contracts for Digital System Resources. I served in the United States Navy for 30 years, retiring as a Rear Admiral, Supply Corps. In addition to three tours afloat, I served in a variety of contracting and acquisition positions that included Commander, Navy Exchange Service Command; Deputy for Acquisition and Business Management in the office of the Assistant Secretary of the Navy, Research Development and Acquisition; and Deputy Commander for Contracts, Naval Sea Systems Command.

I'd like to acknowledge Senator McCaskill for her commitment to support of our troops. In addition to authoring the Comprehensive Contingency Contracting Reform

Act, which led to the NDAA provisions we are here to discuss today, Senator McCaskill co-sponsored the legislation that created the Commission on Wartime Contracting, whose efforts spanned from 2008 to 2011 and whose August 2011 final report recommendations were the genesis for some of the legislative provisions in the Comprehensive Contingency Contracting Reform Act.

### **Department of Defense Support of Commission on Wartime Contracting**

The Department is determined to identify, correct, and prevent contracting efforts inconsonant with U.S. objectives in Afghanistan and wasteful of U.S. tax dollars.

Senator McCaskill's similar focus led her to sponsor the establishment of the Commission on Wartime Contracting. Given that this Commission's recommendations led to several of the provisions in the NDAA, it seems fitting to mention the Department of Defense's (DoD's) support of the Commission on Wartime Contracting, during the Commission's lifetime. The Department supported fully the Commission's independent study by providing them with personnel, data, interviews, and insights. Some examples of the Department's support to the Commission include:

- The Department designated USD(AT&L) to serve as the focal point to facilitate the Commission's efforts at the Commission's outset in 2008.
- The Department detailed subject-matter experts (SMEs) to augment the Commission's 40-member staff.
- The Department participated in 18 Commission hearings.
- The Department analyzed each Commission publication, including its June 2009 first interim report, February 2011 second interim report, and August 2011 final report, as well as its various flash reports.

The Department's analysis of—and actions to address—the Commission's recommendations were subject to senior DoD leadership review and approval, first under a temporary task force then under a permanent board. The board continues to monitor DoD's action plan to institutionalize operational contract support (OCS) capabilities and capacity.

*The Task Force.* On July 26, 2009, USD(AT&L) directed the creation of a DoD Task Force on Wartime Contracting to evaluate the Commission's first interim report and report its findings to senior leadership. Using a scorecard, the Task Force found that DoD had been proactive in addressing the Commission's areas of concerns, but that Department-level attention was needed for some issues that were previously being addressed at the Component level.

*The Board.* In part to ensure Department-level attention to needed improvements, in March 2010, USD(AT&L) created a permanent board to provide strategic leadership to the multiple stakeholders working to institutionalize OCS. The board includes all relevant OCS stakeholders, including USD(AT&L) who is responsible for OCS policy; Joint Staff who is charged with joint OCS planning and formulating doctrine; and the Combatant and Service Component Commanders who have the duty of OCS planning, and selecting organizational options for theater and external contract management and OCS execution. Additionally, the board includes the Under Secretary (Personnel and Readiness [P&R]) and Under Secretary (Comptroller).

*The Action Plan.* The board measures progress against an action plan for FYs 2013 to 2016 that addresses 142 major actions to close the 10 highest-priority capability gaps, strengthen our ability to execute OCS, and support a Joint Force Commander. This

action plan also contains the Department's internal scorecard for the Commission on Wartime Contracting recommendations, as well as details on the Government Accountability Office (GAO) assessment of DoD's progress in implementing these same recommendations.<sup>1</sup>

In short, the Department interacted regularly with the Commission throughout its endeavors and continues to carry the torch to ensure improvements in the way ahead for addressing contracting challenges now, and in the future.

### **The National Defense Authorization Act for Fiscal Year 2013**

The NDAA for FY 2013 contained several wartime contracting reforms; my testimony focuses on those specific provisions highlighted as areas of interest in the subcommittee's invitation letter.

---

<sup>1</sup> GAO-12-854R (August 2012)

**Table 1. Subcommittee’s Areas of Interest from Invitation Letter.**

<b>Subject</b>	<b>NDAAs Section</b>
Review and Justification of Pass-Through Contracts	802
Responsibility within Department of Defense for Operational Contract Support	843
Data Collection on Contract Support for Future Overseas Contingency Operations Involving Combat Operations	844
Inclusion of Operational Contract Support in Certain Requirements for Department of Defense Planning, Joint Professional Military Education, and Management Structure	845
Requirements for Risk Assessments Related to Contractor Performance	846
Extension and Modification of Reports on Contracting in Iraq and Afghanistan	847
Responsibilities of Inspectors General for Overseas Contingency Operations	848
Oversight of Contracts and Contracting Activities for Overseas Contingency Operations in Responsibilities of Chief Acquisition Officers of Federal Agencies	849
Database on Price Trends of Items and Services under Federal Contracts	851
Information on Corporate Contractor Performance and Integrity through the Federal Awardee Performance and Integrity Information System	852
Inclusion of Data on Contractor Performance in Past Performance Databases for Executive Agency Source Selection Decisions	853
Requirements and Limitations for Suspension and Debarment Officials of the Department of Defense, the Department of State, and the United States Agency for International Development	861
Uniform Contract Writing System Requirements	862
Sustainability Requirements for Certain Capital Projects in Connection with Overseas Contingency Operations	1273

**Section 802, Review and Justification of Pass-Through Contracts**

*Section 802* requires the Secretary of Defense, the Secretary of State, and the Administrator of the United States Agency for International Development (USAID) to issue guidance for situations where the offeror intends to award subcontracts for more than 70 percent of the total cost of work to be performed under the contract, task order, or delivery order. The guidance is to ensure that the contracting officer for the contract is required to (1) consider the availability of alternative contract vehicles and the feasibility of contracting directly with a subcontractor or subcontractors; (2) make a written determination that the contracting approach selected is in the best interest of the government; and (3) document the basis for such determination.

*Implementation and Next Steps.* In May, the Department drafted regulatory language that will implement Section 802's requirements.<sup>2</sup> Following the standard regulatory review process, DoD anticipates publication of a final interim Federal Acquisition Regulation (FAR) rule before the end of December 2013.

**Section 843, Responsibility within Department of Defense  
for Operational Contract Support**

*Section 843* requires the Secretary of Defense to prescribe, and issue guidance establishing, the DoD chain of authority and responsibility for policy, planning, and execution of OCS. This invokes DoD-wide equities, from USD(AT&L) to USD(Policy) to the Chairman, Joint Chiefs of Staff. These senior leaders are committed to ensuring that the importance of OCS is inculcated throughout the Department.

*Implementation and Next Steps.* DoD has identified the policy and doctrine that specify the Department's chain of authority with respect to the policy, planning, and execution of OCS. Fundamentally, guidance and policy are in place to meet each of the elements required in this legislation. Specifically, DoD has published or updated: DoD Directive 3020.49, *Orchestrating, Synchronizing, and Integrating Program Management of Contingency Acquisition Planning and Its Operational Execution*; DoD Instruction 3020.41, *Operational Contract Support*; DoD Instruction 1100.22, *Policy and Procedures for Determining Workforce Mix*; and Joint Publication 4-10, *Operational Contract Support*. Further, in 2011, the Secretary of Defense signed a memorandum, *Strategic and Operational Planning for Operational Contract Support (OCS) and Workforce Mix*, which further clarifies and delineates responsibilities at the strategic and operational levels for planning, resourcing, and integrating contract support.

---

<sup>2</sup> FAR Case 2013-012

USD(AT&L) continuously conducts a review of these governance documents to assess whether there can be improvement or clarification of current assigned responsibilities.

**Section 844, Data Collection on Contract Support for Future Overseas Contingency Operations Involving Combat Operations**

*Section 844* requires that, not later than one year after the date of the NDAA's enactment on January 2, 2013, the Secretary of Defense, the Secretary of State, and the Administrator of USAID shall each issue guidance regarding data collection on contract support for future contingency operations outside the United States that involve combat operations. The Department is on track to meet this requirement.

*Implementation and Next Steps.* DoD guidance is in place regarding data collection on contract support for future contingency operations outside the United States that involve combat operations; and the Synchronized Predeployment and Operational Tracker (SPOT) (the designated common database for contract and contractor information) currently has the functionality to collect and report required data, including a linkage to the data contained in the Federal Procurement Data System – Next Generation (FPDS-NG). DoD Instruction 3020.41, *Operational Contract Support*, issued in 2011, prescribes policy regarding the collection of data related to contract support during future contingency operations. In addition, the Department has completed a draft proposed regulatory revision<sup>3</sup> for public comment, to reflect the updated policy and to clarify requirements related to maintaining accurate and up-to-date information in SPOT. The Department will continue to focus on improving compliance and updating the functionality of the common database to increase data accuracy.

---

<sup>3</sup>Draft proposed revision to the Defense Federal Acquisition Regulation Supplement, Subpart 252.225-7040, Contractor Personnel Authorized to Accompany U.S. Armed Forces Deployed Outside the United States (2013-D015).

To maintain this capability, DoD must ensure a continued funding stream for SPOT into the future, especially as current contingency operations come to an end. The funding request for SPOT through the Program Objective Memorandum (POM) 13-17 has been submitted.

**Section 845, Inclusion of Operational Contract Support in Certain Requirements for Department of Defense Planning, Joint Professional Military Education, and Management Structure**

*Section 845* requires OCS inclusion in three areas: readiness measurement and planning, joint professional military education, and management structure for procurement of contract services.

*Planning.* The Chairman of the Joint Chiefs of Staff, in coordination with a number of other individuals, is required to assess OCS capability to support current and anticipated wartime missions, and recommend resources required to improve/enhance support and planning for such OCS. For each major plan, each combatant command submits a Logistics Supportability Analysis (LSA). The LSA includes OCS and is subsequently reviewed and assessed by the Joint Staff. Additionally, each major plan undergoes an additional logistics assessment quarterly through the Global Logistics Readiness Dashboard review.

The Department's strategic planning guidance, which predates this legislation, requires planning for OCS. Thus, the Department complies with this requirement.

*Military Education.* The Department has ensured that OCS is recognized in joint professional military education (JPME). The Joint Staff and military services have produced doctrine for OCS, which is the basis for joint professional military education. That doctrine is slated for update in January 2014. The Department's philosophy on OCS

military education is that the curriculum for each phase of joint and Service-specific professional military education should include OCS content appropriate for each phase of an officer's professional development and in a manner consistent with doctrine. The Chairman of the Joint Chiefs of Staff (CJCS) derives his authority to shape joint education from Title 10 United States Code (USC) Section 153, and he acts on that authority through his Officer Professional Military Education Policy. Joint Staff Operational Contract Support and Services (OCSS) Division has developed the JMPE OCS Curriculum Development Guide and distributed it to all JMPE institutions. Section 845 has helped DoD and the Services focus on improving OCS coverage in joint professional military education.

*Management Structure for Procurement of Contract Services.* The Department understands the need to be well organized, trained, and equipped to manage any of our contracts; whether it be stateside or an overseas contingency operation (OCO)—and whether the procurement is for services or supplies. The USD(AT&L), USD(Policy), Joint Staff, USD(P&R), Defense Contract Management Agency (DCMA), Defense Contract Audit Agency (DCAA), Defense Logistics Agency (DLA), USD(Comptroller), and Major Commands—to name a few—jointly monitor planning, execution, and oversight of the funds appropriated by Congress. This is a true team effort. Each of these organizations brings its own unique subject matter expertise in oversight of contingency contracting that ties back to the resources and expertise of the acquisition system as a whole.

*Implementation and Next Steps.* The Department has made great strides in the near-term leveraging the work of various task forces and senior-level working groups to

implement new policy, guidance, training; new initiatives to improve management of contractors on the battlefield; and assisting the permanent planning function at Geographic Combatant Commander (GCC) level to ensure their contracting, logistics, and materiel readiness needs are included both now and in the future.

DoD has taken significant steps toward developing and then measuring its OCS capability through the OCS Joint Exercise, or OCSJX, which is scheduled for January 2014. The Department has also taken supporting steps by incorporating OCS throughout joint doctrine; forming new organizations (such as the permanent board mentioned in this testimony's opening); institutionalizing OCS training, guidance, and exercises; and centering material efforts on automation initiatives, such as the SPOT database, Contingency Contracting Website, Defense Contingency Contracting Officer and Contracting Officer's Representative Handbooks, OCS Automated Planning Environment (OCSAPE) effort, and Contingency Acquisition Support Model (cASM). DoD leadership and personnel efforts have also incorporated OCS objectives.

Next steps include rollout of a Joint OCS Planning and Execution Course (JOPEC), publication of annual Chairman's Joint Training Guidance, planned approval of an OCS Joint Concept to identify the essential requirements to guide OCS capability development, briefing on OCS implementation at the World Wide Training Conference, and release of additional OCS guidance.

Our key implementation concern is that, as Operation Enduring Freedom winds down, focus on and funding for OCS may wane. Funding and staffing vary yearly based on interest and sources available. Doctrine, policy, training, education, and planning

guidance have significantly matured over the last 8 years. We are laying the foundation to allow OCS to play an increased role in Title 10 exercises, which are an established means for reporting readiness.

**Section 846, Requirements for Risk Assessments  
Related to Contractor Performance**

*Section 846* requires the Secretary of Defense to require that a risk assessment on reliance on contractors be included in operational or contingency plans developed by a commander of a combatant command.

Section 846 also requires a comprehensive risk assessment and risk mitigation plan, not later than six months after the commencement or designation of a contingency operation outside the United States with combat operations. The analysis and plan must address operational and political risks associated with contractor performance of critical functions in support of the operation.

The policy coverage required by Section 846 is being addressed in two ways. First, we are including OCS in near-term guidance (via manual) as we undertake the lengthier process of inserting the language into policy (via DoD Instruction and the Code of Federal Regulations [CFR]).

*Planning Risk Assessment: Implementation and Next Steps.* The 2012 publication of Chairman Joint Chiefs of Staff Manual (CJCSM) 3130.03, *Adaptive Planning and Execution (APEX) Planning Formats and Guidance*, and CJCSM 4301, *OCS Planning* (due for publication in February 2014)—and resulting content in Annex W, OCS, to operation plans and operation orders—will inform the required risk assessment. The revised CJCSM 3130.03 established the requirement to specifically plan for OCS in operations and contingencies. It will take time to assess plans based on the new guidance

within the existing planning and review cycle. DoD will not consider this action complete until OCS planning, risk assessment, and development of risk mitigation plans become habitual to planners and other staff.

*Risk Assessments for Contractor Performance: Implementation and Next Steps.*

The Department has reviewed current policy outlining planning requirements for occasions when contractor personnel and equipment are anticipated to support military operations. Current policy (DoD Instruction 3020.41 and 32 CFR Part 158) requires military planners to develop orchestrated, synchronized, detailed, and fully developed contract support integration plans and contractor management plans as components of concept plans and operational plans, in accordance with appropriate strategic planning guidance. Policy also requires plans to address the continuation of essential contractor services.

DoD has developed additional language to add to this policy that will reflect the legislative requirement to conduct risk assessments on reliance on contractors. The Department plans to make a minor change to current policy to add the Combatant Commander responsibility to perform the comprehensive risk assessment and develop a risk mitigation plan. In addition, DoD is working with key interagency partners to develop a common risk assessment approach, when applicable.

**Section 847, Extension and Modification of Reports on Contracting in Iraq and Afghanistan**

*Section 847* provides for a two-year extension of the FY 2008 NDAA Section 863 requirement for a joint report on contracting in Iraq and Afghanistan. The new suspense date for the joint report is February 1, 2015. Section 847 also repeals the requirement for

Comptroller General review of such report and edits various elements of the report requirement.

*Implementation and Next Steps.* DoD will continue coordinating with DoS and USAID as we have over the past few years to produce the report. In April, pursuant to Section 835 of the Ike Skelton National Defense Authorization Act for FY 2011, DoD submitted the report for FY 2012 on behalf of DoS and USAID. In September, DoD will begin collecting and analyzing data and coordinating with DoS and USAID on a timeline for preparing and submitting the joint report for FY 2013. GAO is preparing to issue its review of this year's report to Congress; and DoD will review and implement GAO recommendations as appropriate.

#### **Section 848, Responsibilities of Inspectors General for Overseas Contingency Operations**

*Section 848* makes appointment of a designated lead Inspector General (IG) a requirement for any designated overseas contingency operation that exceeds 60 days. This provision falls within the purview of the office of the DoDIG.

*Implementation and Next Steps.* The development of a framework for Section 848 implementation is a complex and challenging endeavor. Challenges include establishing a process for requesting funding to support the activities of the lead IG once a contingency operation is declared; resourcing and manpower considerations, including the ability to surge when needed; maintaining a workforce that is skilled and trained to conduct IG responsibilities in a wide variety of potential contingency operations; and keeping open lines of communication so as to foster relationships between the three agencies' Inspectors General during peacetime. In addition, DoDIG needs to be included

in future DoD/Joint Staff training exercises in order to better maintain OCO oversight capabilities. For example, DoDIG will send observers to the DoD Joint Contracting & Operational Contract Support Readiness Exercise (OCSJX-14), Fort Bliss, TX, in January 2014, to maintain enduring OCS oversight capability.

DoDIG, the Joint Staff, and the geographic COCOM staffs need to establish and maintain coordination of planning. DoDIG will begin coordination office calls with Joint Staff and geographical COCOM planners, to ensure DoDIG is able to deploy within the first 180 days of any future “designated” OCO. DoDIG is coordinating a Lead IG concept plan for exercising Lead IG responsibilities in future OCOs with DoS and USAID IGs, and will execute Memorandums of Agreement (MoAs) for how the three IGs will conduct comprehensive oversight, to include joint projects. The estimated date of plan approval and execution of MOAs is March 1, 2014.

DoD will ensure it includes oversight community requirements in planning for future contingency operations, to include office space, communications, security, and housing. In regard to funding, the Department will work with the DoDIG to determine the appropriate funding for oversight of contingency operations and include those requirements in the DoD request for contingency funding. We will also include the DoDIG in future contingency operations readiness exercises to ensure we understand the level of support required to ensure appropriate oversight in future contingencies.

**Section 849, Oversight of Contracts and Contracting Activities for Overseas  
Contingency Operations in Responsibilities of  
Chief Acquisition Officers of Federal Agencies**

*Section 849* expands responsibilities of the Chief Acquisition Officers (CAOs) of Federal Agencies to include advising the executive agency on the applicability of relevant policy on the contracts of the agency for overseas contingency operations and ensuring the compliance of the contracts and contracting activities of the agency with such policy.

DoD is specifically excepted from 41 USC 1702. However, at DoD, the USD(AT&L) is the CAO, and policy related to contingency contracting is under USD(AT&L)'s purview.

*Implementation and Next Steps.* DoD is exempted from this requirement—but if it were applicable, DoD would be in compliance. The Department will continue to execute DoD CAO responsibilities for policy related to contingency contracting.

**Section 851, Database on Price Trends of Items and Services  
under Federal Contracts**

*Section 851* requires the establishment and maintenance of a database of prices charged under government contracts to be used for monitoring price developments/trends, cost/price analysis and price reasonableness determinations, addressing unjustified price escalations, and source selections. It requires use of the Director, Defense Pricing pilot project, where appropriate.

*Implementation and Next Steps.* DoD satisfies this requirement by complying with the requirements of Section 892 of the Ike Skelton NDAA for FY 2011, which calls for a report on the analyses of price trends that were conducted for categories of covered supplies and equipment. The Department submitted reports for FY 2010 and FY 2011, and the FY 2012 report is currently being staffed.

In addition, DoD has expanded the Contract Business Analysis Repository (CBAR) capabilities to assist the acquisition workforce. CBAR facilitates the sharing of information among DoD contracting officers and assists them during preparation for negotiations with contractors. The Department will continue to monitor the execution and implementation of CBAR.

The Department defers to the Office of Management and Budget to address the agency-wide aspects of this provision. The Director, Defense Pricing is undertaking a pilot, and the Department will share information with the Office of Federal Procurement Policy and other appropriate organizations on this initiative. The Director, Defense Pricing together with DCMA, is exploring tools and other resources (such as establishing Defense pricing centers of excellence) to best build and equip the DoD pricing community.

**Section 852, Information on Corporate Contractor Performance and Integrity through the Federal Awardee Performance and Integrity Information System**

*Section 852* requires the Federal Awardee Performance and Integrity Information System (FAPIIS) to include information on any parent, subsidiary, or successor entities of the corporation. This provision enables the government to have insight into the corporate “family tree” structure (e.g., the relationship between any parent, subsidiary, or successor entities).

*Implementation and Next Steps.* DoD initiated a FAR Case to implement this change and inform contracting officers of the additional information available when awarding contracts. The Department estimates publication of a final FAR rule by December 2014.

**Section 853, Inclusion of Data on Contractor Performance in Past Performance  
Databases for Executive Agency Source Selection Decisions**

*Section 853* requires the FAR Council, in consultation with USD(AT&L), to develop a strategy for ensuring that timely, accurate, and complete information on contractor performance is included in past performance databases used by executive agencies for making source selection decisions.

*Implementation and Next Steps.* The Department drafted a proposed FAR rule<sup>4</sup> to implement this requirement, allowing contractors 14 calendar days to rebut past performance evaluations and requiring that past performance evaluations be included in the database within 14 days. The Department anticipates publication of a final rule by the end of June 2014, following the standard rulemaking process.

In accordance with the new rule, the collection and retrieval systems (CPARS and Past Performance Information Retrieval System—PPIRS) will need to be changed, as the current timeframe for contractor rebuttal is at least 30 days.

**Section 861, Requirements and Limitations for Suspension and Debarment Officials  
of the Department of Defense, the Department of State, and the United States  
Agency for International Development**

*Section 861* requires at least one suspension and debarment official (SDO) for each of the armed services and DLA, Department of State (DoS), and USAID, who does not report to the Component acquisition office or IG. The SDO must have adequate staff and resources, document the basis for final decisions, and establish policies for formal referrals of suspension and debarment matters. The Service and DLA SDOs have primary cognizance over this provision.

---

<sup>4</sup>FAR Case 2012-028

In DoD, Service and DLA SDOs are independent of both acquisition and the IGs. This independence serves the Department well.

DoD Components already have very mature suspension and debarment programs, and each SDO has staff and resources for adequate discharge of his or her responsibilities. Annually the DoD SDO program leads the federal government in terms of the number of actions taken, and the DoD SDOs provide both informal and formal leadership in the various suspension and debarment-related forums, including the Interagency Suspension and Debarment Committee and the DoD Procurement Fraud Working Group, and public-private professional associations, such as the American Bar Association's Section of Public Contract Law, Debarment and Suspension Committee.

*Implementation and Next Steps.* The Department is working with the SDOs, which have individual policies for consideration of formal referrals and those not formally referred, to reach a consensus and establish a common policy. The target completion for establishing common DoD policy is August 2013.

Paragraph (b) of this requirement refers to duties of the Interagency Committee on Debarment and Suspension, in which DoD participates but is not the lead.

#### **Section 862, Uniform Contract Writing System Requirements**

*Section 862* requires DoD to establish uniform contract writing system requirements and to implement and require the use of electronic contract writing systems following these requirements.

*Implementation and Next Steps.* DoD has established standards for purchase requests, contracts, receipts and invoices. Since 2007, we have taken a system-agnostic approach emphasizing standards and internal controls, including requirements for

verification and validation of contract writing systems. These standards and controls have been institutionalized in the DoD Business Enterprise Architecture. This approach recognizes that DoD contract writing systems must operate in a variety of surrounding system and organizational environments, each of which may have its own interfacing requiring systems and financial systems. Rather than specify a system-specific solution that may not be usable in all organizational operating conditions, DoD has applied a standards- and controls-based approach as the best balance of efficiency and effectiveness for meeting its contract writing system requirements. Using this approach, the Department has mandated common output data formats and data sources.

The Defense Components are currently engaged in analysis of alternatives for the next generation of contract writing systems employing business process re-engineering strategies. The result of that analysis will be a set of strategies for migration from the current legacy systems to a newer technical backbone including an enterprise clause logic service. As the analysis is completed (anticipated in early FY 2014), we will turn to budgeting, planning, and acquiring next-generation systems during the period of FY 2014 through FY 2017.

**Section 1273, Sustainability Requirements for Certain Capital Projects in Connection with Overseas Contingency Operations**

*Section 1273* mandates that overseas capital projects for an overseas contingency operation for the benefit of a host country, funded by DoD, DoS, or USAID, cannot be obligated unless the Secretary of Defense, Secretary of State, or Administrator of USAID completes an assessment of the project's necessity and sustainability.

*Implementation and Next Steps.* The Department conducts an assessment process for covered capital projects overseas (namely, Commander's Emergency Response

Program [CERP] and Afghanistan Infrastructure Fund [AIF] projects) that require Commander CENTCOM approval. Currently, the Office of the Secretary of Defense reviews all CERP projects over \$1 million. In addition, the requirements for Secretary of Defense approval and congressional notification already exist for CERP projects over \$5 million, and for all AIF projects.

The Department chartered the Afghanistan Resources Oversight Council (AROC) in August 2011, charging it with responsibility for ensuring proper planning, execution, and oversight of the funds appropriated for various projects associated with the current overseas contingency operations. AROC was established in accordance with the Senate Committee Report 111-295 to establish a council to oversee funds appropriated to the Afghanistan Security Forces Fund (ASFF). The AROC is jointly chaired by USD(AT&L), USD(Policy) and USD(Comptroller). This council provides oversight for the ASFF, AIF, and CERP. Proper planning, execution, and oversight of the funds appropriated for these programs are essential for good stewardship of these resources. The Department continues to expand the AROC's focus to ensure the success of capital projects. Most recently, AROC has been charged with approving requirement and acquisition plans for ASFF, CERP, and AIF, within certain thresholds.

DoD is preparing thorough assessments for the capital projects that meet the criteria of this section. To date, one assessment has been completed and several more are in progress. In addition, DoD will continue to identify new projects that meet these requirements. All assessments will be completed before obligating or disbursing funds. Our first semi-annual report required by Section 1273 will be submitted by October 31, 2013.

DoD takes seriously the Committee's concern about the sustainment of capital projects, particularly in Afghanistan, and is fully implementing the new reporting requirements outlined in this section.

### **Conclusion**

In conclusion, I wish to reiterate the Department's appreciation for your continued commitment to improving contingency contracting. Like you, the Department is focused on meeting the warfighters' current and future needs while judiciously managing DoD resources and balancing risk. Much has been accomplished, but of course challenges remain. We are not complacent and acknowledge we still have more work to do. We appreciate the prior work of the Commission on Wartime Contracting and the ongoing work of this Subcommittee in maintaining a focus on this critical area. We welcome Congressional interest in this topic, as evidenced by Senator McCaskill authoring the Comprehensive Contingency Contracting Reform Act, and the passage of wartime contract reform language in the NDAA for Fiscal Year 2013. I thank you for the opportunity to provide you with the Department's progress in implementing wartime contracting reforms.