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# Operational Contract Support: Learning from the Past and Preparing for the Future

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Chairman McKeon, Ranking Member Smith, distinguished members of the Committee, thank you for the opportunity to appear before you today to discuss operational contract support. This statement focuses on

- the role of contractors in military operations,
- DOD efforts to improve the use of contractors, and
- a framework for preparing to use contractors in future military operations.

For most of the past decade, the United States has been waging wars in Iraq and Afghanistan. The military has engaged in fighting insurgencies, undertaking large-scale stabilization and reconstruction efforts, and training and mentoring local security forces, all while integrating operations with those of allied forces. Contractors have played a pivotal role in these operations, making up more than half of the Department of Defense's (DOD) workforce in Iraq and Afghanistan.

Now, with the end of combat operations in Iraq and the drawdown of forces in Afghanistan, the Department of Defense is turning increased attention to preparing for future military operations. As reflected by the recent "Pacific Pivot," the United States must prepare for a diverse range of security challenges.<sup>1</sup> Although future contingency operations will likely be different from those of the past ten years, many analysts and defense officials believe that contractors will continue to play a central role in large-scale military operations. Therefore, in order to meet the challenges of future operations, DOD must be prepared to effectively award and manage contracts at a moment's notice, anywhere in the world, in unknown environments, and on a scale that may exceed the total contracting budget of any other federal agency.

## **The Role of Contractors in Military Operations**

While DOD has long relied on contractors to support overseas military operations, post-Cold War budget reductions resulted in significant cuts to military logistic and support personnel, requiring DOD to hire contractors to "fill the gap." Recent operations in Iraq and Afghanistan, and before that Kosovo, have reflected this increased reliance on contractors supporting U.S. troops – both in terms of the number of contractors and the type of work being performed.

According to DOD data, from FY2008-FY2011, contractors in Iraq and Afghanistan represented 52% of the total force, averaging 190,000 contractors to 175,000 uniformed personnel. Over the last five fiscal years, DOD obligations for contracts performed just in the Iraq and Afghanistan areas of operation (\$132 billion) exceeded total contract obligations of any other U.S. federal agency (see **Appendix**).

According to some DOD officials and analysts, the military is unable to effectively execute large-scale operations without extensive contract support. This unprecedented level of contractor reliance has been referred to by some analysts as the new reality in military operations.

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<sup>1</sup> United States Institute of Peace, *The QDR in Perspective: Meeting America's National Security Needs in the 21st Century*, 2010, p. 50; Commission on Army Acquisition and Program Management in Expeditionary Operations, *Urgent Reform Required: Army Expeditionary Contracting*, October 31, 2007, p. 3.

Contractors can provide significant operational benefits to DOD, including freeing up uniformed personnel to conduct combat operations; providing expertise in specialized fields, such as linguistics or weapon maintenance; and providing a surge capability, quickly delivering critical support capabilities tailored to specific military needs. Because contractors can be hired when a particular need arises and let go when their services are no longer needed, in some circumstances, hiring contractors can be cheaper in the long run than maintaining a permanent in-house capability.

However, just as contractors can augment military capabilities, the ineffective use of contractors can prevent troops from receiving what they need, when they need it, and can lead to the wasteful spending of billions of dollars—dollars that could have been used to fund other operational requirements.<sup>2</sup> Contractors can also undermine the credibility and effectiveness of the U.S. military and undermine operations, as many analysts believe has happened in Iraq and Afghanistan.<sup>3</sup> Improved contract management and oversight may not eliminate all problems associated with the use of contractors, but many analysts argue that it could mitigate the risks of relying on contractors during overseas operations.<sup>4</sup>

## **DOD Was Unprepared for the Use of Contractors in Iraq and Afghanistan**

The Department of Defense was unprepared for the extent to which contractors were used in Iraq and Afghanistan.<sup>5</sup> Military commanders and service members have indicated they were not prepared for the extent of contractor support in Iraq and did not receive enough training to prepare them to manage or work with contractors.<sup>6</sup> Others have stated that they did not receive enough exposure to the role of contractors in military operations in the curriculum at professional military educational institutions.<sup>7</sup> An Army commission found that Contracting Officer

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<sup>2</sup> Department of Defense, *Quadrennial Defense Review Report*, February 2010, p. 93. U.S. See also Government Accountability Office. *Stabilizing And Rebuilding Iraq: Actions Needed to Address Inadequate Accountability over U.S. Efforts and Investments*. GAO-08-568T. March 11, 2008. p. 4,6; *Urgent Reform Required: Army Expeditionary Contracting, Op. Cit.*, p. 2-3.

<sup>3</sup> Many observers believe that the fallout from Abu Ghraib and other incidents, such as the shooting of Iraqi civilians by private security contractors hired by the United States government, have hurt the credibility of the U.S. military and undermined efforts in Iraq. See also: Department of Defense, *Quadrennial Defense Review Report*, February 2010, p. 93; Commission on Wartime Contracting In Iraq and Afghanistan, *Transforming Wartime Contracting: Controlling costs, reducing risk*, Final Report to Congress, August, 2011, p. 5; U.S. Government Accountability Office, *Operational Contract Support: Management and Oversight Improvements Needed in Afghanistan*, GAO-12-290, March 29, 2012, p. 1-2.

<sup>4</sup> For example, according to an Army investigative report, a lack of good contractor surveillance at Abu Ghraib prison contributed to fostering a permissive environment in which prisoner abuses took place. See: Department of Defense. *Investigation of Intelligence Activities At Abu Ghraib*. August 23, 2004. p. 52. The report found “Proper oversight did not occur at Abu Ghraib due to a lack of training and inadequate contract management ... [T]his lack of monitoring was a contributing factor to the problems that were experienced with the performance of the contractors at Abu Ghraib.” See also: Commission on Wartime Contracting In Iraq and Afghanistan, *Transforming Wartime Contracting: Controlling costs, reducing risk*, Final Report to Congress, August, 2011, p. 28.

<sup>5</sup> U.S. Army, *Army Operational Contract Support Audit Analysis Project*, Results Summary, April 29, 2011, p. 1.

<sup>6</sup> U.S. Government Accountability Office. *DOD Needs to Reexamine Its Extensive Reliance on Contractors and Continue to Improve Management and Oversight*. GAO-08-572T. Highlights page. March 11, 2008; Also based on discussions with military personnel deployed in Iraq.

<sup>7</sup> Based on numerous CRS discussions with uniformed personnel, from 2009-2012.

Representatives (CORs) responsible for managing contractors are generally drawn from combat units and receive little, if any, training on how to work with contractors.<sup>8</sup> And many analysts and officials believe that the military did not have enough trained oversight personnel or an adequate infrastructure to effectively execute and manage contractors in Iraq and Afghanistan.<sup>9</sup> In January 2009, Secretary of Defense Robert Gates acknowledged DOD's failure to adequately prepare for the use of contractors when he testified that the use of contractors occurred

without any supervision or without any coherent strategy on how we were going to do it and without conscious decisions about what we will allow contractors to do and what we won't allow contractors to do... We have not thought holistically or coherently about our use of contractors, particularly when it comes to combat environments or combat training.<sup>10</sup>

There was no comprehensive plan for how and to what extent to use contractors. As a result, contracting was done on an ad-hoc basis, without significant consideration of implications for foreign policy and without putting in place necessary oversight systems. Insufficient resources were dedicated to oversight, resulting in poor performance, billions of dollars of waste, and failure to achieve mission goals. As the Commission on Wartime Contracting found, "too often using contractors [was] the default mechanism, driven by considerations other than whether they provide the best solution, and without consideration for the resources needed to manage them."<sup>11</sup>

## **DOD Efforts to Improve the Use of Contractors**

In light of DOD's experiences in Afghanistan and Iraq, and in response to legislation and the findings of numerous studies—including reports by DOD, the Government Accountability Office (GAO), and various Inspectors General—DOD has taken a number of steps to try to improve how it manages contractors in Afghanistan and Iraq.

DOD senior officials have made a concerted effort to elevate the importance of contracting and to think about the role of contractors during contingency operations. Over the last two years, senior DOD officials have articulated a clearer contracting policy and have emphasized the importance of contracting to operational success. In September 2010, COMISAF (Commander, International Security Assistance Force) General David Petraeus issued contracting guidance. The guidance articulated the importance of contracting in the overall mission, stating that contracting is "commander's business." The guidance also articulated clear and specific goals for contracting, including an emphasis on improving contract oversight, pursuing an Afghan First policy, and

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<sup>8</sup> *Urgent Reform Required: Army Expeditionary Contracting*, *Op. Cit.*, p. 43.

<sup>9</sup> U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Ad Hoc Subcommittee on Contracting Oversight, *The Comprehensive Contingency Contracting Reform Act of 2012 (S.2139)*, Testimony of Richard Ginman, Director, Defense Procurement and Acquisition Policy, Department of Defense, 112th Cong., 2nd sess., April 17, 2012, p. 6; Kathryn T.H. Szymanski, Command Counsel U.S. Army Materiel Command in Atlanta on August 9, 2004. American Bar Association Section of Public Contract Law, *Contractors on the Battlefield: Exploration of Unique Liability and Human Relations Issues*, Volume II. See also CRS Report R42084, *Wartime Contracting in Afghanistan: Analysis and Issues for Congress*, by Moshe Schwartz; U.S. Government Accountability Office, *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces*, GAO-07-145, December 18, 2006.

<sup>10</sup> U.S. Congress, Senate Committee on Armed Services, *To Receive Testimony on the Challenges Facing the Department of Defense*, 110th Cong., 2nd sess., January 27, 2009.

<sup>11</sup> Commission on Wartime Contracting In Iraq and Afghanistan, *At what risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, Forward.

making contracting decisions that support overall counter-insurgency objectives.<sup>12</sup> In September 2011, within three months of assuming command of ISAF, General John Allen updated the contracting guidance, with the intent of reinforcing the message that contracting plays a critical role in the overall mission. These statements are consistent with the efforts of other senior leaders, including the Chairman of the Joint Chiefs of Staff's establishment of a task force on contractor reliance in contingency operations and Secretary Gates's testimony.<sup>13</sup>

Senior leaders have also committed resources and taken other steps to emphasize the importance of contracting. These efforts have included organizational changes such as setting up the Joint Contracting Command to provide a more centralized contracting support and management system; implementing regulatory and policy changes aimed at improving management; improving training for uniformed personnel on how to manage contractors; increasing the size of the acquisition workforce in theater; improving data upon which to make strategic decisions; and establishing Task Force 2010,<sup>14</sup> the vendor vetting cell,<sup>15</sup> and the Joint Contingency Acquisition Support Office.<sup>16</sup>

A number of analysts and government officials believe that some of these efforts have improved DOD's ability to manage and oversee contractors in Afghanistan and Iraq. Despite these and other initiatives, however, after ten years of war, DOD still faces significant challenges in effectively utilizing and managing contractors to support current overseas operations and to prepare for contractor support in future operations.<sup>17</sup> As the 2010 Quadrennial Defense Review

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<sup>12</sup> Afghan First is a policy to give preference to hiring Afghan companies and hire Afghan employees.

<sup>13</sup> CRS Report R42084, *Wartime Contracting in Afghanistan: Analysis and Issues for Congress*, by Moshe Schwartz; CRS Report R40764, *Department of Defense Contractors in Afghanistan and Iraq: Background and Analysis*, by Moshe Schwartz.

<sup>14</sup> DOD established Task Force 2010 in July 2010 to help commanders and acquisition personnel better understand with whom they are doing business, to conduct investigations to gain visibility into the flow of money at the subcontractor levels, and to promote and distribute best contracting practices. See CRS Report R42084, *Wartime Contracting in Afghanistan: Analysis and Issues for Congress*, by Moshe Schwartz.

<sup>15</sup> The Afghanistan Vendor Vetting Cell was established to ensure that government contracts are not awarded to companies with ties to insurgents, warlords, or criminal networks. The cell was set up in the fall of 2010 and is based in CENTCOM headquarters in Tampa, FL. See CRS Report R42084, *Wartime Contracting in Afghanistan: Analysis and Issues for Congress*, by Moshe Schwartz.

<sup>16</sup> DOD established the Joint Contingency Acquisition Support Office (JCASO) to provide the joint force commander with the necessary assistance to plan, support, and oversee contingency contracting activities during the initial phases of a contingency operation. According to DOD, Fourteen (14) JCASO planners are allocated among the Geographic Combatant Commands to assist the commander in identifying gaps where contractor support capability may be required. See: Department of Defense, *Contractor Support of U.S. Operations in the USCENTCOM Area of Responsibility to Include Iraq and Afghanistan*, April 2012.

Some of these changes include: Revising DoDI 3020.41, "Operational Contract Support," (formerly entitled "Contractor Personnel Authorized to Accompany the U.S. Armed Forces; issuing DoDI 3020.50, "Private Security Contractors (PSCs) Operating in Contingency Operations, Humanitarian or Peace Operations, or Other Military Operations or Exercises" on August 1, 2011; continued efforts to transition from manual accounting of contractor personnel to a web-based, database tool designed to track contractor personnel and contractor capability in theater; and the addition of Contingency Contracting as a special subject taught by the Defense Acquisition University (DAU) to key acquisition personnel.

<sup>17</sup> Commission on Wartime Contracting In Iraq and Afghanistan, *Transforming Wartime Contracting: Controlling Costs, Reducing Risk*, Final Report to Congress, August, 2011, p. 19; U.S. Government Accountability Office, *Operational Contract Support: Management and Oversight Improvements Needed in Afghanistan*, GAO-12-290, March 29, 2012, p. Highlights; U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Ad Hoc Subcommittee on Contracting Oversight, *The Comprehensive Contingency Contracting Reform Act of 2012 (S.2139)*, Statement for the Record of Katherine Schinasi, 112th Cong., 2nd sess., April 17, 2012, p. 1; Joint Chiefs of Staff, J-4 (Logistics), *Operational Contract Support Strategic Update*, June 2012.

acknowledged, the military's ability to effectively and efficiently use contractors to provide operational support, "is an enduring priority and an area where continued improvements must be made."<sup>18</sup>

## Preparing for the Future

### Cultural Change

A number of analysts have argued that one of the reasons DOD has done a poor job in planning for and managing contractors in Iraq and Afghanistan is that contracting is not valued within the culture of the military. Contracting is often an afterthought in planning and execution, frequently viewed by the operational force as someone else's problem, not as a war-fighter's task. Because contract oversight is often a lower priority, COR responsibilities are often assigned to people who do not have the necessary management skills or subject matter expertise. Many talented DOD officials do not consider acquisitions a viable career path.<sup>19</sup>

But contractors are often responsible for such critical tasks as providing base security and life support to forward deployed war fighters, maintaining and repairing weapon systems, conducting intelligence analysis, and training local security forces. Given the role of contractors, according to many DOD officials and analysts, contract management is a mission essential task and DOD must change the way it thinks about contracting, transforming contracting from an afterthought to a core competency.<sup>20</sup>

According to the Commission on Wartime Contracting, GAO, Army reports, and others, such a transformation can only occur when there is widespread acceptance of the notion that that contractors are an integral part of the total force and that operational success may hinge on the ability to define requirements, efficiently allocate limited resources, and effectively manage tens of thousands of contractors.<sup>21</sup> As the 2010 Quadrennial Defense Review states, "the Department must continue to elevate the importance of its acquisition efforts."<sup>22</sup>

Analysts suggest that changing the culture of the military is a prerequisite for creating lasting systemic change and improving operational contract support.<sup>23</sup> Three common recommendations aim to elevate the role of contracting within the culture of DOD:

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<sup>18</sup> Department of Defense, *Quadrennial Defense Review Report*, February 2010, p. 76.

<sup>19</sup> Commission on Wartime Contracting In Iraq and Afghanistan, *Transforming Wartime Contracting: Controlling costs, reducing risk*, Final Report to Congress, August, 2011, p. 117; Office of the Undersecretary of Defense (AT&L), *Improvements to Services Contracting*, Report of the Defense Science Board Task Force, March 2011, p. 23.

<sup>20</sup> Commission on Wartime Contracting In Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 2.

<sup>21</sup> See Urgent Reform Required: Army Expeditionary Contracting, p. 9, which states. "the Army apparently has not valued the skill and experience required to perform those processes.... [W]ithout significant systemic change, the Army acquisition processes [contracting process] can be expected to inevitably return to below-mediocrity." See also New American Foundation, *Changing the Culture of Pentagon Contracting*, November 5, 2008.

<sup>22</sup> Department of Defense, *Quadrennial Defense Review Report*, February 2010, p. 16.

<sup>23</sup> U.S. Government Accountability Office, *Contingency Contracting: Observations on Actions Needed to Address Systemic Change*, GAO-11-580, April 25, 2011, p. 9; Defense Business Board, *Task Group on A Culture of Savings*, Implementing Behavioral Change in DoD, January, 2011, p. 2-3.

1. Senior leadership must focus on articulating the importance of contract support in a sustained and consistent manner.
2. The Professional Military Education curriculum must incorporate courses on operational contract support throughout its various efforts.
3. Training exercises must incorporate contractors playing the role that they would play on the battlefield.

## **Articulating the Importance of Contract Support**

As GAO and others have reported, the first step in improving contracting at the strategic level is for senior leadership to articulate the importance of contracting. Some analysts argue that without active and sustained support from senior leadership, the culture of the military organization is unlikely to change. According to these analysts, when management establishes priorities, articulates a vision, and aligns incentives and organizational structures to match these priorities, the foundation will be set for real change.<sup>24</sup>

As discussed above, senior leaders have increasingly articulated the importance of contracting. According to analysts and government officials, actions such as the contracting guidance issued by Generals Petraeus and Allen have raised awareness of the importance of contracting and the impact that contracting can have, both positive and negative, on operations. A number of military personnel believe that this contracting guidance represented a philosophical shift requiring operational commanders to be more actively involved in contracting decisions and ensuring that contracting is more integrated with logistics, operations, intelligence, and strategy.<sup>25</sup>

Some analysts argue that DOD senior leadership still does not devote sufficient attention to the role of contractors generally, and the acquisition of services specifically, which constitutes a major portion of operational contract support.<sup>26</sup> These analysts argue that senior leadership must continue to articulate the importance of contracting, taking steps to ensure that cultural change is institutionalized so that it lasts beyond the current conflicts and beyond the tenure of current leadership.

## **Incorporating Contracting into Military Education**

A number of analysts have argued that one key to changing the culture and improving contracting is better education.<sup>27</sup> Increased education for non-acquisition personnel is critical to changing how the military approaches contracting, both before and during overseas operations.<sup>28</sup> As the

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<sup>24</sup> Commission on Wartime Contracting in Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 27; U.S. Government Accountability Office, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, GAO-07-20, November 9, 2006.

<sup>25</sup> Based on DOD documentation provided to CRS and discussion with DOD officials in Afghanistan, August-September 2011.

<sup>26</sup> Office of the Undersecretary of Defense (AT&L), *Improvements to Services Contracting*, Report of the Defense Science Board Task Force, March 2011, p. 19.

<sup>27</sup> Commission on Wartime Contracting in Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 3.

<sup>28</sup> U.S. Government Accountability Office, *Contingency Contracting: Observations on Actions Needed to Address Systemic Change*, GAO-11-580, April 25, 2011, p. Highlights.

Gansler report and numerous other officials and analysts have argued, DOD needs to train warfighters, including operational commanders, on the central role contracting plays in contingency operations and on their responsibilities in the process. These observers assert that courses on contractors in expeditionary operations should be included in advanced officer courses, at command schools (e.g., the War College and Sergeant Majors Academy), and in non-commissioned officer courses.<sup>29</sup> Echoing the Gansler report, an official at the U.S. Army Materiel Command wrote that “Contractor logistics support must be integrated into doctrine and taught at every level of professional schooling in each component.”<sup>30</sup>

The calls for more robust training are not new. For example, in 2003, GAO testified before the House Armed Services Committee, Subcommittee on Readiness, stating “[T]he lack of contract training for commanders, senior personnel, and some contracting officers’ representatives can adversely affect the effectiveness of the use of contractors in deployed locations. Without training, many commanders, senior military personnel, and contracting officers’ representatives are not aware of their roles and responsibilities in dealing with contractors.”<sup>31</sup>

While DOD has made significant progress in developing and implementing courses on operational contract support,<sup>32</sup> some analysts contend that courses on operational contract support have not been sufficiently expanded and incorporated into the professional military education curriculum.<sup>33</sup> A recent GAO report found that a number of commanders in Afghanistan reportedly did not always receive training on their contract management and oversight responsibilities.<sup>34</sup> In 2011, the Defense Science Board recommended that training programs for service acquisitions should be required for all combat support and combat service-support career fields. The report further recommended that all general officers receive training on service contracts, with a focus on requirements and contract management.<sup>35</sup>

## **Including Contractors in Command Post and Field Exercises**

One of the mantras of the military is to train as you fight and fight as you train. Given the extent to which contractors may be relied upon in future operations, conducting exercises without contractors could be akin to training without half of the force present. A number of analysts have

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<sup>29</sup> *Urgent Reform Required: Army Expeditionary Contracting*, Op Cit., p. 7.

<sup>30</sup> *Contractors on the Battlefield* Volume II, Op. Cit.

<sup>31</sup> U.S. Government Accountability Office, *Military Operations: Contractors Provide Vital Services to Deployed Forces but Are Not Adequately Addressed in DOD Plans*, GAO-03-695, June 2003. p. 36.

<sup>32</sup> Lieutenant Colonel Robert Gould, USA (Ret.), "Operational Contract Support: Not Just for Contingencies," *Army Sustainment*, July-August 2012, p. 24.

<sup>33</sup> Commission on Wartime Contracting in Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 25; U.S. Government Accountability Office, *Operational Contract Support: Management and Oversight Improvements Needed in Afghanistan*, GAO-12-290, March 29, 2012, p. 26; Lieutenant Colonel Robert Gould, USA (Ret.), "Operational Contract Support: Not Just for Contingencies," *Army Sustainment*, July-August 2012, p. 26.

<sup>34</sup> U.S. Government Accountability Office, *Operational Contract Support: Management and Oversight Improvements Needed in Afghanistan*, GAO-12-290, March 29, 2012, p. 17.

<sup>35</sup> Office of the Undersecretary of Defense (AT&L), *Improvements to Services Contracting*, Report of the Defense Science Board Task Force, March 2011, p. 20.

called for incorporating contractors and contractor scenarios into appropriate military exercises to better prepare military planners and operational commanders for future operations.<sup>36</sup>

Over the last few years, DOD has included contractor scenarios into a number of command exercises. For example, as far back as August 11 - 22, 2008, the U.S. Southern Command sponsored PANAMAX 2008, a military exercise focused on ensuring the defense of the Panama Canal. The exercise included a Joint Contracting Command element provided by the Army, augmented by Air Force and Navy personnel.

Despite increased inclusion of contractors in some exercises, over the last two years a number of reports have suggested that DOD has not sufficiently included contractor roles in battlefield exercises.<sup>37</sup> Including contractors in live-fire exercises could increase war-fighter awareness of the presence of contractors on the battlefield and improve military-contractor coordination in actual operations.

## **Systemic Change**

While changing the culture to embrace the importance of contracting support may be an important step in improving operational contract support, many analysts argue that it is only half the battle: effective and efficient operational contract support will not occur until an infrastructure is built to facilitate good contracting decisions. As the Senior Contracting Officer-Afghanistan stated, a key to improving contracting is to identify the most glaring weaknesses in the acquisition process and build the infrastructure and support to overcome those weaknesses.<sup>38</sup>

The fundamental systemic weaknesses of contractor support that analysts frequently cite include

- poor planning,
- lack of reliable data upon which to make strategic decisions, and
- lack of a sufficiently large and capable workforce to manage and oversee contractors and plan for their use.<sup>39</sup>

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<sup>36</sup> Harvard Kennedy School, *Transforming the National Security Culture*, April 2009, p. 33; Office of the Undersecretary of Defense (AT&L), *Improvements to Services Contracting*, Report of the Defense Science Board Task Force, March 2011, p. 30; United States Institute of Peace, *The QDR in Perspective: Meeting America's National Security Needs in the 21st Century*, 2010, p. 39; Commission on Wartime Contracting In Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 3, 25; U.S. Government Accountability Office, *Contingency Contracting: Observations on Actions Needed to Address Systemic Change*, GAO-11-580, April 25, 2011, p. Highlights; Commission on Army Acquisition and Program Management in Expeditionary Operations, *Urgent Reform Required: Army Expeditionary Contracting*, October 31, 2007, page 55. This recommendation is also posited by CNAS.

<sup>37</sup> Office of the Undersecretary of Defense (AT&L), *Improvements to Services Contracting*, Report of the Defense Science Board Task Force, March 2011, p. 30; United States Institute of Peace, *The QDR in Perspective: Meeting America's National Security Needs in the 21st Century*, 2010, p. 39; Commission on Wartime Contracting In Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 3, 25; U.S. Government Accountability Office, *Contingency Contracting: Observations on Actions Needed to Address Systemic Change*, GAO-11-580, April 25, 2011, p. Highlights.

<sup>38</sup> August 2011 in Kabul, Afghanistan.

<sup>39</sup> Professional Services Council, *S. 2139 The Comprehensive Contingency Contracting Reform Act of 2012*, Statement for the Record, April 17, 2012, p. 3.

Acknowledging that building infrastructure capable of addressing these weaknesses requires significant, systemic change in the way DOD approaches and executes operational contract support, many analysts argue that without such systemic change, acquisition processes will not meet the needs of the military.<sup>40</sup>

## **Planning**

Planning for the use of contractors in contingency operations is often viewed as a critical element in military planning efforts.<sup>41</sup> Failure to include contractors in planning and strategy puts DOD at risk of being unable to get the capabilities it needs when it needs them and at an acceptable cost. For example, had DOD understood the extent to which it would rely on private security contractors in Afghanistan and Iraq, DOD might have put in place a more robust oversight and coordination mechanism earlier. In addition, a number of military bases in Iraq were not large enough to house contractors because DOD did not originally anticipate how many contractors would be deployed with the military. As a result, DOD had to quickly find alternative housing for these contractors, which resulted in increased costs for DOD.<sup>42</sup>

Despite a DOD requirement that operational contract support be integrated into the operational plans of certain combatant commands, such integration does not always occur.<sup>43</sup> The Commission of Wartime Contracting found “DOD has not adequately planned for using contractors for contingency support.”<sup>44</sup> Some analysts have argued that a lack of planning is one of the reasons that DOD's current approach to managing service contracts tends to be reactive and not part of a well-conceived and planned strategic approach. Some DOD officials have indicated that more planners are needed to adequately include operational contract support in future plans.<sup>45</sup>

## **Improving Data**

Data reliability is a critical element in making informed policy decisions.<sup>46</sup> If data is lacking or is unreliable, there may not be an appropriate basis for measuring or assessing the effectiveness of

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<sup>40</sup> Commission on Wartime Contracting In Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. Foreword; U.S. Government Accountability Office, *Contingency Contracting: Observations on Actions Needed to Address Systemic Change*, GAO-11-580, April 25, 2011, p. Highlights; U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Ad Hoc Subcommittee on Contracting Oversight, *The Comprehensive Contingency Contracting Reform Act of 2012 (S.2139)*, Statement for the Record of Katherine Schinasi, 112th Cong., 2nd sess., April 17, 2012, p. 1.

<sup>41</sup> United States Institute of Peace, *The QDR in Perspective: Meeting America's National Security Needs in the 21st Century*, 2010, p. 39; Harvard Kennedy School, *Transforming the National Security Culture*, April 2009, p. 33.

<sup>42</sup> Based on discussions with DOD officials, July 23, 2009.

<sup>43</sup> U.S. Government Accountability Office, *Contingency Contracting: Observations on Actions Needed to Address Systemic Change*, GAO-11-580, April 25, 2011, p. 4.

<sup>44</sup> Commission on Wartime Contracting In Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 22.

<sup>45</sup> Based on discussions with DOD officials, June 2012. See also: U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Ad Hoc Subcommittee on Contracting Oversight, *The Comprehensive Contingency Contracting Reform Act of 2012 (S.2139)*, Testimony of Richard Ginman, Director, Defense Procurement and Acquisition Policy, Department of Defense, 112th Cong., 2nd sess., April 17, 2012, p. 12.

<sup>46</sup> CRS Report R41820, *Department of Defense Trends in Overseas Contract Obligations*, by Moshe Schwartz, Wendy Ginsberg, and Daniel Alexander; U.S. Government Accounting Office, *Reliability of Federal Procurement Data*, (continued...)

contracting, making policy decisions, or providing transparency into government operations. In some circumstances, a lack of reliable data could lead analysts and decision makers to draw incorrect or misleading conclusions. The result could be policies that squander resources, waste taxpayer dollars, and threaten the success of the mission.<sup>47</sup>

In Afghanistan, ISAF and the U.S. government have not accurately or sufficiently tracked data upon which to make strategic contracting decisions.<sup>48</sup> Current databases are not sufficiently customized to track important contract data. Even when information is tracked, questions remain as to the reliability of the information. Given current concerns over the reliability of contracting data, the information in the central database may not be sufficiently reliable for decision making at the strategic level. This lack of data makes it difficult to determine to what extent, if any, the billions of dollars spent on reconstruction have contributed to achieving the mission.

DOD officials have acknowledged data shortcomings and have stated that they are working to improve the reliability and appropriateness of the data gathered. In a 2011 memorandum, General David Petraeus sought to establish—and adequately support—an Acquisition Accountability Office in Afghanistan to

collect and manage data from all US contracting and development agencies... furnish COMISAF, battlefield commanders, USEMB – Kabul, and the international community with information on what is being spent, with whom and where; and... build a more complete contracting operating picture.<sup>49</sup>

Since then, DOD has made a concerted effort to identify the types of data needed to make good contract decisions, identify sources of data, and gather the identified data. Senior officials within ISAF and DOD, in coordination with USAID, the Department of State, and a number of other coalition partners have started gathering data on contracting, including data on the number and value of contracts in Afghanistan, how contracts are being written, and to what extent Afghan firms and Afghan employees are benefitting from ISAF, DOD, civilian agency, and coalition contracting.<sup>50</sup>

Looking beyond operations in Afghanistan, data analysis from recent operations could help the development of a strategic plan to define contractor involvement in future operations.<sup>51</sup> Such data

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(...continued)

GAO-04-295R, December 30, 2003, p. 1. For an additional discussion on the importance of having reliable data to develop policies affecting acquisitions, see U.S. Government Accountability Office, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, GAO-07-20, November 9, 2006.

<sup>47</sup> For a discussion on the importance of good contract data to improving government efficiency and saving taxpayer money, see U.S. Government Accounting Office, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue: Collecting improved data on interagency contracting to minimize duplication could help the government leverage its vast buying power*, GAO-11-318SP, March, 1, 2011, p. 70.

<sup>48</sup> Based on author's discussions with military officials and with contractors responsible for managing ISAF data, August-September, 2011. See also, See *Report Regarding Contract Assessment Among Donors and the Private Sector in Afghanistan*, p. 15, which states "Due to a lack of reliable information, neither the Afghan government nor the international community can determine the amount of money spent in Afghanistan over the past 10 years."

<sup>49</sup> General David H. Petraeus, Commander International Security Assistance Force/United States Forces-Afghanistan, *Request to Establish a U.S. Government Acquisition Accountability Office for Afghanistan*, United States Forces-Afghanistan, Memorandum, February 18, 2011, pp. 1-2.

<sup>50</sup> CRS Report R42084, *Wartime Contracting in Afghanistan: Analysis and Issues for Congress*, by Moshe Schwartz

<sup>51</sup> U.S. Government Accountability Office, *Iraq and Afghanistan: Availability of Forces, Equipment, and Infrastructure Should Be Considered in Developing U.S. Strategy and Plans*, GAO-09-380T, February 12, 2009.

could help to more effectively determine future contractor support requirements. And putting in place data systems that can be used in future operations can provide commanders and policy makers with timely access to critical information to help them better gauge their needs, judge performance, and adapt to rapidly changing circumstances.

### **Dedicating Sufficient Resources to Managing Contractors**

According to analysts and some government officials, there were simply not enough resources or personnel in theater to conduct adequate contractor oversight in Iraq and Afghanistan, leading to poor contract performance.<sup>52</sup> Insufficient resources or shortages in the numbers of oversight personnel increase the risk of poor contract performance, which in turn can lead to waste, fraud, and abuse. DOD has documented how a lack of oversight has resulted in contracts not being performed to required specifications and to the theft of tens of millions of dollars' worth of equipment, repair parts, and supplies.<sup>53</sup> As the Army Audit Agency reported in an audit of a particular contract,

the inadequacies in contracting practices occurred primarily because... contracting offices didn't have enough personnel to conduct the needed contracting actions to ensure the Army received quality goods and services at the best attainable value."<sup>54</sup>

DOD has recognized the need to dedicate sufficient resources to provide effective oversight. According to the Quadrennial Defense Review, "to operate effectively, the acquisition system must be supported by an appropriately sized cadre of acquisition professionals with the right skills and training to successfully perform their jobs.... We will continue to significantly enhance training and retention programs in order to bolster the capability and size of the acquisition workforce."<sup>55</sup>

If contractors continue to be a critical part of the total force, DOD must be able to effectively incorporate contractors and contract management into its operations. When the military culture appreciates the importance of contracting to operational success, and when a strong foundational infrastructure is put in place to improve contracting at the strategic level, the stage is set for improving contracting at the transactional, or project, level.<sup>56</sup>

Planning for the use of contractors, educating and training the force on how to work with contractors, dedicating necessary resources to effectively manage contractors, and providing

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<sup>52</sup> Based on author's discussions with military and civilian personnel in Kabul, Afghanistan August-September 2011, and on data indicating that in some areas, half of COR positions may be vacant. See also Commission on Wartime Contracting In Iraq and Afghanistan, *At What Risk? Correcting over-reliance on contractors in contingency operations*, Second Interim Report to Congress, February 24, 2011, p. 17; United States Institute of Peace, *The QDR in Perspective: Meeting America's National Security Needs in the 21st Century*, 2010, p. 39; U.S. Government Accountability Office, *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces*, GAO-07-145, December 18, 2006; Commission on Wartime Contracting In Iraq and Afghanistan, *Transforming Wartime Contracting: Controlling costs, reducing risk*, Final Report to Congress, August, 2011, p. 83-84..

<sup>53</sup> See

<sup>54</sup> U.S. Army Audit Agency Office, *Audit of Contracting Operations, Joint Contracting Command-Iraq/Afghanistan, Regional Contracting Center-Audit Report A-2010-0031-ALL*, Memorandum, February 16, 2010, p. 2.

<sup>55</sup> QDR, p. 77-78

<sup>56</sup> See U.S. Government Accountability Office, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, GAO-07-20, November 9, 2006, Highlights Page and p. 9.

operational commanders with more reliable data can help build the foundation for the more effective use of contractors to achieve mission success in the future.

## **Issues for Congress**

DOD's experiences relying on contractors in Iraq and Afghanistan, and the role contractors may play in future operations, raise a number of questions for Congress, including the following:

### ***To what extent will potential budget cuts or force structure changes impact DOD reliance on contractors?***

As discussed in this report, post-Cold War budget cuts resulted in an increased reliance on contractors. According to reports, budget cuts and plans to restructure the military in Britain will result in an increased reliance on contractors to provide operational contract support.<sup>57</sup> Further budget cuts to the U.S. military could have a similar result. One question for Congress is to what extent budget cuts, the imposition of personnel caps, or a restructuring of the force will lead to an increased reliance on contractors?

### ***To what extent is DOD preparing for the role of contractors in future military operations?***

Planning is critical to effective contractor management. DOD faces a number of challenges in planning for the use of contractors in future operations, including the need to identify the role contractors will play in future operations, identifying the nature of future military operations, and accounting for possible budget cuts and changes to force structure. In light of these and other challenges, questions for Congress include to what extent is DOD identifying the role of contractors in future operations? To what extent is the development of the future force structure being informed by a well-thought-out plan for how contractors will be used in future operations? To what extent is DOD integrating the use of contractors into future operational planning? How are lessons learned in contractor management and oversight being used to update doctrine and strategy?

### ***To what extent is the use of contractors being incorporated into education, training, and exercises?***

Education and training are critical element in preparing for future operations. As Mr. Richard Ginman, Director, Defense Procurement and Acquisition Policy, Department of Defense, recently testified before Congress, "the curriculum for each phase of joint and Service-specific professional military education should include [Operational Contract Support] content appropriate for each phase of an officer's professional development."<sup>58</sup> One of the challenges is

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<sup>57</sup> DefenseNews, *Experts: U.K. Logistics Shake-up Means More Work for Contractors*, June 11, 2012, p.18; DefenseNews, *British Army to Tap More Contractors With Troop Cut*, July 9, 2012, p.10.

<sup>58</sup> U.S. Congress, Senate Committee on Homeland Security and Governmental Affairs, Ad Hoc Subcommittee on Contracting Oversight, *The Comprehensive Contingency Contracting Reform Act of 2012 (S.2139)*, Testimony of Richard Ginman, Director, Defense Procurement and Acquisition Policy, Department of Defense, 112th Cong., 2nd (continued...)

determining to what extent operational contract support should be included in the curricula of military educational institutions, in post and field exercises, and in pre-deployment training. Questions for Congress include the following: To what extent is DOD adapting what is taught in military educational institutions? To what extent is DOD including contractor scenarios in post- and field-exercises? Are DOD efforts sufficient to prepare the operational force for how contractors will be used in future operations?

***What steps is DOD taking to ensure that sufficient resources will be dedicated to create and maintain the capabilities to ensure effective operational contract support in the future?***

Effective use of contractors to support military operations requires dedicating sufficient resources to plan for, manage, and oversee the use of contractors. Yet many analysts have argued that insufficient resources are dedicated to operational contract support. This raises a number of questions for Congress: Does DOD have sufficient numbers of planners to effectively prepare for the integration of contractors into future operations? Does DOD have an appropriately sized and capable acquisition workforce? What steps are being taken to ensure that the infrastructure is in place to better track contractor data and measure contractor performance to ensure that commanders and decisions makers have necessary information upon which to make more informed decisions?

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sess., April 17, 2012, p. 12-13.

## **Appendix. Comparison of DOD Contract Obligations in Iraq and Afghanistan vs. Other Agencies**

**Table A-1. Comparison of DOD Contract Obligations in Iraq and Afghanistan vs. Other Agencies Total Contract Obligations**

FY2007-FY2012

	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>Totals</b>
DEPARTMENT OF DEFENSE (Iraq and Afghan AORs)	\$21,740,975,334	\$28,703,754,730	\$26,165,861,402	\$27,481,839,908	\$28,154,792,873	\$132,247,224,247
DEPARTMENT OF ENERGY	\$23,157,132,401	\$24,768,818,050	\$31,664,208,980	\$25,691,143,398	\$25,064,910,632	\$130,346,213,462
DEPARTMENT OF HEALTH AND HUMAN SERVICES	\$14,284,093,625	\$13,902,636,899	\$20,235,361,405	\$19,112,185,388	\$19,488,400,679	\$87,022,677,996
GENERAL SERVICES ADMINISTRATION	\$13,144,929,701	\$13,369,927,514	\$15,602,222,549	\$15,602,222,549	\$12,606,959,366	\$70,326,261,680
DEPARTMENT OF VETERANS AFFAIRS	\$12,684,246,066	\$14,890,683,047	\$14,805,695,906	\$16,242,524,319	\$17,632,877,962	\$76,256,027,300
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION	\$13,127,897,278	\$15,067,086,283	\$15,299,616,912	\$16,089,328,286	\$15,400,490,866	\$74,984,419,624
DEPARTMENT OF HOMELAND SECURITY	\$12,470,642,016	\$14,031,586,352	\$14,289,230,571	\$13,581,990,656	\$14,217,244,691	\$68,590,694,286

**Source:** Federal Procurement Data System, as of June, 2012.

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