

IMPLEMENTING IMPROVEMENTS TO DEFENSE WARTIME CONTRACTING

MONDAY, APRIL 25, 2011

Commission on Wartime Contracting

Washington, D.C.

The Committee met, pursuant to notice, at 09:30 a.m., in Room 216, Hart Senate Office Building, Hon. Michael Thibault, Co-Chairman of the Commission, presiding.

Present: Commissioners Shays, Ervin, Green, Schinasi, Tiefer.

THIBAULT:

Good morning. Welcome to all.

My name's Mike Thibault, and I'm the co-chairman of the Commission on Wartime Contracting in Iraq and Afghanistan.

The other commissioners at the dais are my fellow co-chair, Christopher Shays, and Commissioners Clark Kent Ervin, Grant Green, Katherine Schinasi, and Charles Tiefer.

We have two other commissioners, Robert Henke and Dov Zakheim that are not with us today.

We have distinguished guests at this hearing. We have a former undersecretary of defense, now a public-policy professor, a senior official of the Government Accountability Office, or the GAO, the nation's premier watchdog agency, and three inspectors general. I'll introduce them all shortly.

Our conversation with these witnesses will focus on waste, change, and judgment. Like the commissioners, our eyewitnesses have spent a great deal of their professional time identifying and combating waste and its siblings, fraud and abuse.

This is really important work. Our warfighters, diplomats, development officials and taxpayers all suffer when funds designated for contingency operations are spent needlessly or ineffectively or are stolen or misdirected for personal advantage.

The commission's authorizing statute directs it to assess the extent of waste, fraud, and abuse in contingency contracts in Iraq and Afghanistan. As part of our work on that task we have asked our IG witnesses to update us on their work in the field and to give us their best current estimate of the extent of waste, fraud, and abuse in the theaters of operation.

We also solicit their evaluations of these shortcomings. For example, what are the relative contributions of poorly defined requirements, duplication of effort, poor management, lack of

coordination, and un-sustainability in producing waste? What are the most glaring opportunities for fraud? What kinds of people or positions, government and private, are most likely to engage in bribes, kickbacks, favoritism, and other abuse?

Besides combating waste, fraud, and abuse our witnesses are all working for change. They may do this through the deterrent effect of identifying wrongdoing and referring its perpetrators to administrators or prosecutors for punishment.

Or they may pursue change by offering recommendations for improvements in contracting. For example, the Office of the Inspector General in the Department of Defense produced an excellent report in May 2010, "Contingency Contracting: A Framework for Reform." And Dr. Jacques Gansler, one of our first witnesses, has led reform-writing panels for both the Army and the Defense Science Board.

The commission has also pressed for change. Our second interim report to Congress, filed in February 2011, made 32 recommendations, and our four special reports to date have made 13. The commission's final report to Congress, due in late July, will offer many more recommendations. All of us are pursuing change.

We hope to engage our witnesses today on three kinds of judgments related to change. First, we will explore their various recommendations, including the background, testimony, and data behind these recommendations.

Second, we're interested in their views on the obstacles they have encountered with regard to their own recommendations—inertia, organizational culture, fear of change, turf protection, personal vanity, or whatever—and what tactics they've used to overcome these barriers.

Third, the commissioners are keen to hear our witnesses' opinions of the recommendations we made in our second interim report. We'll be reviewing new research and events to check whether any of them need to be revised before we issue our final report.

Hearing the opinions of the experts assembled here today will be very helpful in that process. We have two panels of witnesses today. Our first panel consists of Dr. Jacques Gansler, former undersecretary of defense and chairman of the Army panel known as the Gansler Commission, now a professor at the University of Maryland's School of Public Policy; and Paul Francis, managing director, acquisition and sourcing management, with the Government Accountability Office, or the GAO.

Panel two has three members. Stuart Bowen, special inspector general for Iraq reconstruction, Daniel Blair, DoD deputy inspector general for auditing, and Herbert Richardson, acting special inspector general for Afghanistan reconstruction.

I would note that two of our witnesses are veterans of our proceedings. We consulted with Dr. Gansler early in the commission's life and welcomed him as a witness last September. Stuart Bowen, the special inspector general for Iraq reconstruction, was a witness at our very first hearing, in February 2009, and has been back since. We are very pleased to see them both again and to welcome our new witnesses.

Thanks to all of you.

We have asked our witnesses to offer five-minute summaries of their testimony. The full text of the written statements will be entered into the hearing record and posted on the commission's website. We also ask that witnesses provide within 15 days responses to any questions for the record and any additional information they may offer to provide.

Now, if our witnesses, Dr. Gansler and Mr. Francis, will please rise and raise their right hands I'll swear you in. Do you solemnly swear or affirm that the testimony you will give in this hearing is the truth, the whole truth, and nothing but the truth?

Let the record reflect that both of them answered in the affirmative.

Dr. Gansler, please begin.

GANSLER:

Thank you for this opportunity to appear before the commission and discuss implementing improvements to defense wartime contracting. As you pointed out, my testimony is based on my chairmanship of the secretary of Army's Commission on Army Acquisition and Program Management in Expeditionary Operations, and on the congressionally mandated Defense Science Board Task Force on Improvements to Services Contracting, as well as, of course, my own many years of experience in the defense industry and the government as undersecretary for acquisition, technology, and logistics from '97 to 2001.

You asked me to comment on these two independent studies that I've led, as well as your own commission's recent interim publication, and during the opening statement here I will highlight a few topics in each of these categories, and my written statement contains far more detail.

I'll start with the more recent Defense Science Board (DSB) effort on buying services, because essentially all of the approximately 270,000 contractors in Iraq and Afghanistan are performing services. The DSB task force found that overall the DoD buys more services than supplies. In 2010, for example, 57 percent of all the acquisitions in terms of dollars were services.

By their very nature, services are different from buying weapons systems. Services do not follow an incremental sequential process, are measured by a wide variety of differing standards, and may require continuous performance so that they're not subject to amenable breaks in contracts for possibly re-competition.

Historic data clearly show that government personnel should always carry out inherently governmental functions, and that non-inherently governmental functions are best competed, either among commercial providers or between government and industry.

If the DoD automatically in-sources non-inherently governmental functions, it loses both performance and cost benefits. For example, a Congressional Budget Office study determined that for equipment maintenance, wrench-turning if you will, using Army military units would cost roughly 90 percent more—90 percent more—than using contractors. And, of course, wrench-turning is not inherently governmental, it's not in the Constitution anywhere.

Writing requirements and issuing contracts, clearly these are inherently governmental functions; to acquire services is more difficult and requires high-quality, experienced government contracting and program-management personnel. Additionally, after the award, trained and ready resources must monitor and ensure that the contractor is performing and providing the desired services.

These government-workforce demands are only compounded in a contingency environment where the accelerated operations—the tempo—mandates faster response times, flexible approaches and experienced personnel.

Our DSB task force recommended that the secretary of defense make improvements in four areas: policies and processes related to services, leadership and organization related to services, people with experience in services, and contingency contracting as a special case.

The specific recommendations to improve management and oversight of contingency contracting included developing a single playbook for contingencies, modifying the federal procurement-data system to provide better visibility into contingency operations, and granting limited acquisition and contracting authority to the geographic combat command.

In addition, we recommended that all military departments and defense agencies conduct realistic exercises and training that account for services contracting and the role of contractors during contingency operations.

Now, let me shift to the Army commission, which predated the DSB effort. Our key findings here include the observation that the DoD has an extremely dedicated core of acquisition people, but they are understaffed, overworked, undertrained, under-supported, and particularly, they are undervalued. Further, the military leadership for this dwindling community had also diminished dramatically.

On the other hand, on a positive note, in the three years since our study, the department has made noteworthy progress, for example, growing the depleted acquisition workforce, funding growth of its civilian acquisition corps through the Defense Acquisition Workforce Development Fund, and Congress added billets for 10 general flag officers in acquisition positions.

And, of course, the Army established the Army Contracting Command, and now the contracting field in the Army has the benefit of four new general officers.

A key remaining area of concern is the need for contingency contract administration services. Right now, Defense Contract Management Agency (DCMA) fills this function in theater, while the Army grows its workforce. This puts a strain on DCMA's own mission.

A further concern is the need for contracting officer's representatives, the CORs, for contract oversight. We believe that the department should be examining the role the reserve components might play in providing continuity and professionalism.

The importance of contract administration cannot be overstated and we need a cadre of professionals to give it the attention it deserves.

I am pleased to see that your commission also sees the importance of this function.

Finally, I read with great interest your report and its 32 recommendations. Clearly you have taken on a very important topic that needs attention, and your focus, therefore, can be of great value.

You requested my feedback on your report, so I offer the following thoughts, starting with the report's title and the message it conveys.

The main title rightly identifies risk as a considerable issue, but the subtitle is open to very significant misinterpretation. The statement about, quote, "correcting over-reliance on contractors in contingency operations," unquote, conveys an impression that the DoD should reduce the role of contractors.

In reality, contractors play an essential role in contingency operations. The government's focus should not be on decreasing contractors, but instead on assuring that they are performing the appropriate functions and are being properly managed.

My opinion on the title reflects my general comments on your second interim report which fall in the two areas of concern regarding contractors.

First, the focus on punishments, like suspension and debarment, comes at the expense or the neglect of positive incentives. Missing is a discussion of creating incentives to reward outstanding performance, such as awarding contractors with follow-on work if they achieve higher performance at lower costs.

I strongly believe in the value of competition to get higher performance at lower costs, but if the threat or option of future competition is enough to get those desired results, then competition should not always be mandated. Rather, it should be required if the desired results are not achieved.

The greatest incentive for a contractor in achieving the desired results is the follow-on award.

Second, I grant the need for significantly more emphasis on government acquisition management of contracts and contractors. These are inherently governmental functions.

But, concomitant with this, I assert the importance of limiting organic capability to only inherently governmental functions which much be filled by government employees with relevant management experience, not providing public-sector monopolies for non-inherently governmental work that can be competitively awarded in the private sector. The over . . .

THIBAULT:

. . . Gansler, can I get you to wrap up?

GANSLER:

I am on my last paragraph.

THIBAULT:

Great. Thank you, sir.

GANSLER:

The over-reliance concern should not sweep so broadly that it pulls in efforts at best performance at lower cost by our industry partners. The government gains great value from the use of contractors for most contingency functions.

In my prepared remarks, I suggested explicit rewordings of your recommendations in this area. So in closing I encourage your commission to shift the focus in your final report toward rewards and recognition versus punishment and sub-optimization. I believe this will go a long way toward creating the systemic improvements our troops deserve.

Contractors are an important force multiplier, but we must build the government capability and infrastructure to manage this reality. Clearly there are many actions—legislative, regulatory, policy, practice, and so forth—where your commission can play a very valuable role.

In any of these actions, I see the key issues as getting the right people, government and industry, and in creating positive incentives for these individuals to get what the warfighter needs, when they're needed, with outstanding performance and at low cost.

I believe this can be done, and it must be done. The men and women serving in our nation in harm's way deserve no less.

Thank you, and I welcome your comments.

THIBAULT:

Thank you, Dr. Gansler.

I consciously allowed that because you put your suggestions to us near the end, so split the difference with you and went ahead and asked you to complete what you had. Thank you.

Mr. Francis, please proceed.

FRANCIS:

Thank you. Chairman Thibault, Chairman Shays, commissioners, good morning. And I appreciate the opportunity to engage in the discussion of operational contractor support, or OCS, today.

As we know it today, OCS has been a reactive, ad hoc phenomenon. It's been the sum of thousands of decisions; it has not been a managed outcome.

And I think the goal is not necessarily to accept this as the new normal and to codify it, but rather to practically define what should be and trying to make that happen.

I think the challenge before us is not necessarily to look at this as something broken that has to be fixed, but rather that something that has an inertia to it. It's been in place now for a number of years. I would say it's in a state of equilibrium that's going to take more energy to change.

Dr. Gansler talks about services acquisitions, and I think the distinction between services and products is very important. One very important distinction is dollars are not a good proxy for risk in gauging services acquisitions. It works for weapons, but not for services.

Moreover, decisions on services are made by numbers of organizations and people at the local level. And that, I don't think, is going to change. So I think our aim point here ought to be how to put the people at a local level in a better position to succeed.

So, turning to recommendations, I think of recommendations and actions as occurring on the strategic level and the local level.

At the strategic level, I think there's a fair consensus that we do need cultural change here. OCS does need to be integrated into plans, education, and exercises.

We do need a strategy for defining roles, functions, and responsibilities. We need to define that mixed force and plan for it. We need to incorporate lessons learned and think about how to right-size this support.

The strategic level, I do think, sets the context for those who manage at the local level. Indeed, it creates the culture for making local decisions.

At the local level, I think we have to understand that this is where requirements are set, this is where source selections are made, statements of work are written, contracts are let, and oversight takes place.

So along those lines, I think it's really essential that we have that cadre of expert, experienced, and deployable contracting officers and CORs.

Similarly, we need to train and educate and prepare our non-acquisition workforce, really the combat units, because they are the ones with the requirements. They have to work with the contracting officers in developing statements of work. And they will be ultimately responsible for monitoring execution.

So, going forward, I'd like to think in terms of enact, enable, and empower.

And in enacting, I kind of throw together laws, policies, regulations, directives. I think that's been largely done, more could always be done there, but I think Secretary Gates's January memo puts kind of a cap on that.

I think the commission put this very well that many initiatives are in policy, many are in planning, but few are in action. And the real question is: Why? There's been enough out there, but we haven't done it yet.

I think, in enabling we do have a lot of work to do yet. And there, we've talked about the need for planning at the strategic level, but I think we need a normative view, some vision of what ought to be in terms of integrating OCS into plans. We need to think about scenarios, phases, maybe some ratios; start to get some ideas out there.

We can't wait for perfect information. As an auditor, we kind of do that. We're still trying to measure the number of people who are in theater right now. But we can't wait for perfect information. It has to be good enough to act. We have to get some chalk marks on the board.

The hard part is the imperative. And I've been struggling with that. A couple of weeks ago, Admiral Mullen made a comment, in a press conference, that I think was really insightful. He said, "You have to realize that over the past decade we've doubled our budgets. And in so doing, we've lost the ability to prioritize."

And I kind of think that's what's at the heart of the problem here. We haven't prioritized. And I think the commission has recognized that we've been enabled by unconstrained resources. And I think that's something that really has to change.

So my last point is: How to enforce? And I think we have to start doing something with the budget. And we have to start getting in front of the problem. So for example, if we want this planning to be done in and OCS to be integrated, maybe we need to budget for it and hold people accountable for executing that budget.

Similarly, services acquisitions are very hard to find in the budget. There's no line items, really, for them. I think we have to change that as well, especially for contingency operations. We have to bring some budget visibility to services acquisitions and then hold people at the strategic and local level accountable for managing efficiencies. Make it an imperative.

And I'll close with this thought. We will be leaving Iraq militarily at the end of the year. We have a timetable for leaving Afghanistan. So I think the work the commission is doing will mostly likely be able to affect future military operations. But the agencies that could benefit most right now will be State and USAID. They are more dependent on contractors and have less organic capability to manage them, and they're in there for the long haul.

So with that, I'll close and entertain any questions.

THIBAULT:

Thank you, Mr. Francis.

The process we're going to use is two rounds this morning. We're going to begin with my co-chair, Commissioner Shays.

Commissioner, please?

SHAYS:

Thank you.

Mr. Francis, you talked about accountability. And that has the concept of rewarding for doing well and excluding those who aren't doing well. Would you agree with that?

FRANCIS:

Yes.

SHAYS:

So it's both sides of the equation.

Dr. Gansler, I am hard-pressed over 10 years of seeing how we've held contractors accountable, and those who oversee contractors accountable, when services are not done well. You focus 99 percent on reward. Are you pretty comfortable that we've held people accountable when they haven't done their job?

GANSLER:

Well, first of all, let me comment. I didn't feel that my percent distribution was 98 percent, I think. It was more than 50 percent on the quality and the oversight provided by the government workforce. I think that is absolutely essential and we have neglected that. We've undervalued it. And when that is there, then we will have a lot less mistakes being made.

As far as the concept of debarment, suspension from a company for something that one employee happens to do that the company may or may not even have had any visibility into, I think that may be an extreme.

SHAYS:

We would agree. I mean that . . .

GANSLER:

Well, that's not what your report says. That's why I'm objecting.

SHAYS:

No, no. With all due respect, that's I think a false interpretation.

GANSLER:

But it's easily taken.

SHAYS:

No, I don't think so. And the reason I don't think so is I can't name on my hand in 10 years, in spite of the fact that estimates are that 10 percent is wasted through waste, fraud, and abuse, I can't name five companies that have been debarred for false service. I can tell you companies where we've renewed the contract because we didn't have anyone else to take their place.

Can you give me five companies that have been debarred?

GANSLER:

I'll give you an example of what I considered to have been an abuse. A number of years ago, this was General Electric, was . . .

SHAYS:

No, I'm just talking on the . . .

GANSLER:

This is a very good example because they were accused of having overpriced light bulbs.

SHAYS:

That's not my question. My question is, can you tell me—and if you can't, you can't. I can't name five companies that have been debarred for bad service in spite of bad service, not just by one employee, but by over-billing and so on. Can you name any? I mean, if you can . . .

GANSLER:

Well, let me distinguish between fraud and waste. Waste, fraud, and abuse sometimes in the press is considered one word.

SHAYS:

That's not my question. I only have eight minutes. And you are the star of stars. And so I have nothing but respect for you and I . . .

GANSLER:

But if it's fraud, or when you say "not performing," which do you mean?

SHAYS:

Can you name me any companies, much less five, that have been debarred for bad service?

GANSLER:

No, but I can name companies that have not gotten follow-on contracts for bad service and it seems to me that's the big incentive.

SHAYS:

OK, I would agree. Name me them. Who would they be?

GANSLER:

Oh, every time there's a re-competition recently, the incumbent has been losing. The fact that the word out in industry is that it's not good to be an incumbent.

SHAYS:

Well, but it's not necessarily because they did bad service. It's because someone else has bid on price and so on.

See, one of the problems we have is you can't say 10 percent and that number, and then come to look at the facts and realize that nobody's ever paid the responsibility of being debarred. And that's . . .

GANSLER:

I think you raise a very important question, and I agree with you totally on the importance of past performance.

SHAYS:

OK, exactly. And that was their emphasis. So while you have given emphasis to one of 32 recommendations, I think your focus on it is extreme, in my judgment. We're just saying, you know, there's got to be some past performance and there needs to be the willingness on the part of the government to debar someone when the service isn't provided right. And we don't see that. That's all it was. Nothing more than that.

Can you tell me what we wrestle with. We had a hearing on the whole thing of the QDR (Quadrennial Defense Review) and we did not see hardly any focus in the QDR on the thing that you rightfully work so hard on, and that is service contracting. Can you, one, tell me: Is it there and we missed it? And if it's not there, what's your view of it?

GANSLER:

I think it's not there. And as Mr. Francis said, that is a cultural problem. People don't now recognize in many cases within the DoD the fact that 50 percent, in some cases more than 50 percent, of their total force are contractors. They aren't recognizing the value of contractors in a contingency environment. They're not training with them. They're not doing the planning for it. They're not doing the procedures and so forth.

So that's why it wasn't in the QDR.

SHAYS:

OK, so just letting you know where kind of our head is, or at least some of us on the commission, as you rightfully point out, half of our effort are contractors, and they aren't integrated in. They are not considered important.

GANSLER:

Right.

SHAYS:

And so we then began to say, we were aware you were, but we're not there, some of us, now because we said, you know, "Oh, it's an issue of managing it better, of doing . . ."

Well, if the Department of Defense doesn't get that they are hugely important and should be part of the QDR, maybe it's not just a management problem. Maybe they're incapable of coming to grips of it and therefore, maybe we are; if we can't oversee them well, maybe we have too many of them.

And we aren't overseeing them well. And that's kind of what we're wrestling with. Isn't there some reason to that concept? I mean, what is the point of hiring more contractors when we're not going to oversee them well?

GANSLER:

Well, I fully agree with you that we have to manage them. This is not so much a problem of fraud as much as it is a problem of waste.

SHAYS:

It's a huge waste.

GANSLER:

And therefore, we need to focus on the government management of the services contract.

SHAYS:

And if the government isn't even willing to recognize that they're so important to put in the QDR, why do you even think for a second that they're capable of managing half of our personnel overseas when they're not even in the QDR? What gives you . . .

GANSLER:

That has to be changed. There's no question about that. But that's not the contractor's fault. That's the government's fault.

SHAYS:

Well . . .

GANSLER:

The government has to make that change and Congress can help that.

SHAYS:

But, so, then, what we wrestle with is, if the government isn't willing to, then maybe we shouldn't be doing them as to the extent. Maybe we should—maybe—and asking you to consider this, maybe we should only hire the contractors that we can properly oversee so that we don't have this extraordinary waste. That's what we wrestle . . .

GANSLER:

And you wouldn't get the work done. I mean, what these people are doing—logistics, maintenance, food service—all of those functions have to be done. Otherwise, you don't have a viable force. Your choice isn't cutting them in half. Your choice is managing them better.

SHAYS:

And that choice isn't being made, and you rightfully agree. So what calls the question?

GANSLER:

What?

SHAYS:

What calls the question? This will continue. As important as you are, you have not, and as hard as we've worked, we are not seeing that cultural change.

So my last question to you is what gets the cultural change?

GANSLER:

Well, all the literature in culture change is very clear: You don't put out a directive, you don't write a memo. It takes time. It takes effort. And particularly what it takes in all cases of real culture change is taking leadership with a vision, a strategy, a set of actions, and a set of metrics that get measured.

We have to have that vision, that strategy—that set of actions. And I think the way to do it is not to say get rid of the contractors, but to manage the contractors and to have the government workforce recognize they have to bring people in. Maybe it's bringing in experienced services managers from industry for a while. There's ways you could short-term that and try to manage . .

SHAYS:

Well, let me just say, my time has run out, but that's what we're wrestling with and that's what we would love some guidance before we do our final report.

Thank you very much.

THIBAUT:

Thanks, Commissioner.

Commissioner Ervin, please?

ERVIN:

Thank you very much, Mr. Chairman.

Dr. Gansler, Mr. Francis, thank you both very much for being here. I very much appreciate it, as we all do.

Dr. Gansler, I thought that your statement was thoughtful and incisive. I agree with about 95, 99 percent perhaps, of it.

GANSLER:

Thank you.

ERVIN:

Even the part I didn't agree with, I thought was thoughtful and incisive.

But I did have some bones to pick with you, and that's what I intend to spend my time in this round with. And I intended to get into the issue that Mr. Shays got into with you later, but since he began with it, let me begin with it, too.

In your oral summary of your written statement you were stronger and more emphatic on the need, in your view, for positive incentives for contractors than you were in the statement. And I have to tell you, like he, I'm troubled by that for two or three reasons.

First of all, it seems to me that thousands of years of human history show, and common sense shows, that human beings need two things in order to act properly. They need carrots and sticks. That's the first thing.

And then secondly, as you well know, as you know better than we given your expertise in this area, there are incentives for good performance contractors. They're called award fees. And later in the panel we're going to get some stories about how that process has been abused over the course of our time in Iraq and Afghanistan. And, again, you're very familiar with that.

GANSLER:

Yes.

ERVIN:

And the third thing is, the way you put it, I wish I had the transcript in front of me and I don't now, of course, but the way you put it toward the end, it was almost a plea for positive incentives for contractors to do the right thing.

And it seems to me that the very fact that these contractors—and I don't mean to paint contractors with a broad brush. Many, as you say, many of them, and I'm not going to get into this, are performing critical functions. Many of them have risked their lives. Many of them have lost their lives. So I am not reflexively anti-contractor.

But for you to say in response to that, that, you know, well, there's some examples of one employee, you know, a bad apple that a contractor, that a company doesn't know about, you know that there are many, many examples of that.

Isn't incentive enough that these contractors are spending taxpayer money and that they are doing what they're doing in support of the war effort? Isn't that incentive to perform effectively and efficiently and economically, in your view?

GANSLER:

Well, they still have, you know, the stockholders incentives and the over-pressure for making a profit.

ERVIN:

Right.

GANSLER:

And the question is, how do they do that? Is it through higher performance, as Mr. Shays said, or is it simply by doing something lackadaisical and wasting? And we have to create the incentive and the management oversight that assures that they're focused on the things we want.

ERVIN:

Yeah. No one would disagree with you here about the need for management oversight, and there's no question but that the government has a huge, huge responsibility here that it's not exercised.

But there have been egregious examples repeatedly in Iraq and Afghanistan of contractor irresponsibility. And so I just don't understand your focus here.

And further, what you said just a second ago to me is a good segue into what I intended to begin with, and that's this whole notion of inherently governmental. As you say, unlike the government, contractors do have to pay attention to their stockholders, at least those that are public companies, and government doesn't.

So that leads me to the second question, again, that I intended to focus on. That is I could not agree with you more—this gets back to the 95 percent of the statement that I agree with—that OMB's attempt to define inherently governmental was inapt. It was essentially tautological. Basically, what it says is something is inherently governmental if contractors shouldn't do it.

And I also agree with you, which further proves to me that I'm not reflexively anti-contractor, that in those instances where it cannot just be asserted but can be proved that contractors can perform a given function cheaper and just as effectively or more effectively, than government, than contractors ought to perform that service.

But to me all that begs the question here and the question is: what, in your view, what functions should be inherently governmental? What functions should only government perform?

Now, we have some notions among ourselves about that, but I'd be interested in your views on it.

And I'm going to ask you the same question, Mr. Francis.

GANSLER:

I think clearly it's the management. It's the oversight. It's the decision-making. It's the budgeting. It's the contracting.

ERVIN:

Have you seen examples of all that being performed by contractors over . . .

GANSLER:

No.

ERVIN:

. . . the course of Iraq. You haven't seen a single . . .

GANSLER:

No. I've seen examples of contractors in support of those functions and that's a big difference.

ERVIN:

Right.

GANSLER:

I mean, the analysis that supports a decision, for example, could maybe in some cases be better done by a contractor with experience in that field.

ERVIN:

Right.

GANSLER:

But the decision-making should be and to my knowledge usually is. I don't have the specific cases.

There are going to be some illegal actions, no question about that. I mean, that's why we have jails. If everybody behaved we wouldn't need jails. But occasionally we are going to have some abuses.

ERVIN:

All right. Let's stipulate to that. Contractors essentially carrying out management functions: I think everybody would agree with that.

Are there any other functions that you would argue ought to be performed only by government personnel?

GANSLER:

Contracting, budgeting, decision-making of all sorts. Oh, I would argue the most important one is warfighting. That's inherently governmental.

ERVIN:

How about security then? I mean, people talk about fine lines.

GANSLER:

There are various forms of security, and that's on the gray area, I have to admit, because there are functions that, in fact, separate studies have been done on the security forces, being done in terms of economics and also functions. But I think that's one that you have to look at individually in terms of the case studies. I don't want to comment on that generically.

ERVIN:

Do you have any views about that at all? Is there any aspect of security . . .

GANSLER:

Yeah, I think there are many areas where we have security people now in fixed installations that are doing their jobs. And that seems to work effectively.

ERVIN:

Mr. Francis, how about you? You didn't raise this issue in your statement, to be fair, but I presume there's been some GAO work on this or that you have your own thoughts about it.

Are there functions, in your view, that ought to be performed only by government in addition, of course, to what everybody would agree with, namely management functions?

FRANCIS:

I would agree with many of the things that Dr. Gansler mentioned, particularly, you know, I think about budgeting and those strategic decisions about what we are going to support.

I think that in the area of personal security contractors, I think that does have to be situational. And I think what has happened and what we've reported on is sometimes volume gets away from us.

So I think OMB has made a policy statement about what functions would be inherently governmental. But there are those functions that are also closely supporting. And I think when they gain in volume then the government can lose control over that function. I think that's the hardest area to decide on.

So for PSCs, it may be you can make some good decisions in individually cases, but if it grows too much in a contracted area, one could argue maybe the government has given away too much.

ERVIN:

All right.

Dr. Gansler, you raise on page 12 of your testimony a couple of examples. You cite a Congressional Budget Office report from October 2005 in footnote 11 and a GAO report from March of 2010 for the assertion for the claim that there are at least certain functions that contractors can perform more cheaply than government.

Those are two examples. Are you suggesting that that's always the case, Dr. Gansler?

GANSLER:

Well, first of all . . .

ERVIN:

And one is six years old, of course.

GANSLER:

. . . Those were independent studies of non-inherently governmental functions. That's really the important point here, because we have even found when we have government people doing non-inherently governmental functions today, when we run A-76 competitions (in which government employees compete with the private sector), that even when the government wins—and

sometimes they often do— there's huge cost savings as a result of the presence of competition. I mean, if you believe that's the American way, you know.

And what we find on the A-76 competitions, over 30 percent cost savings and improved performance, particularly when it's monitored afterwards and followed up.

ERVIN:

All right.

Well, let me ask you a follow-up—and I'll get to you if there's time, Mr. Francis—let me just ask this final question, if I may.

That's a very good segue to another question I intended to ask. You just argued, eloquently it seems to me, for competition, for the notion of competition.

On the other hand, in your statement, you seem a little jaundiced about competition. And I want to probe that a little bit.

You say requiring competition on all awards has significantly reduced the incentive to submit new ideas as unsolicited proposals. And I didn't really understand that. It seems to me you must be saying that the reason that that would discourage people from submitting new ideas as unsolicited proposals is because you'll have to compete it and otherwise, if you don't submit it, you might get it as a sole source, it seems to me what you must be saying.

And, to me, if that is what you're saying, if you can do it better and cheaper, then you'll get the award if it's competed, and if you can't do it better and cheaper, then you shouldn't get the award. So I don't understand . . .

GANSLER:

The old idea of unsolicited proposals was for innovative new ideas that haven't been thought of by the government, that industry is suggesting.

And in the old days, they would say, "Well, we'll, give you a demonstration contract, then we'll compete it after we see whether it works or not," this new idea.

Today, they're saying, "Well, we have to worry about our score card on competition. So thanks for your great new idea. We'll put it out for competition and see if anyone else wants to bid lower on it."

Well, that's a real discouragement for giving them some new idea. And that's all I meant by that one.

THIBAULT:

Thank you. Thank you, Commissioner.

I might ask you, Dr. Gansler, or I might make the statement. I doubt if, and you talked in your own statement about critical need, that there's a lot of room for demonstration contracts in a contingency operation akin to the way we've done it in the past in OCONUS (outside the continental United States). I just share that as food for thought.

Commissioner Green, please.

GREEN:

Thank you.

And thank you both for being here.

Dr. Gansler, I concur with Commissioner Ervin. I agreed with the majority of what you laid out in your written statement.

I'd like to talk a little about something that Co-chairman Thibault mentioned in his opening statement, and that is inertia and culture.

I recently went through the Army posture statement for 2011. And I see very few or no references in there by senior leadership about services contracting. And I'd like your feeling on whether it gives sufficient attention to this, what we all believe is an important subject, and then I've got a follow-on.

GANSLER:

Well, that's what we found with the Defense Science Board study—by the way, that report should come out this week. And I have some early charts on it, but the main conclusion was that all of the rules, all the practices, all the policies, most of the legislation, et cetera, are all focused on buying things, goods. We don't do any training.

When I was undersecretary, I paid for 100 case studies to be written for the Defense Acquisition University. They all came out to be on products. No case studies on services.

Well, the people are being trained on buying products, all the rules are written around that. And certainly, as Mr. Francis mentioned, the field commanders don't have any education, training about the fact that they're going to have all these people doing services for them, of 50 percent of their work force. That has to be part of the exercises, part of the rules, part of the practices, and, as you point out properly, part of the culture.

The emphasis has to shift in their policy statements and their QDRs and elsewhere on the importance of services when more than 50 percent of what they buy today are services.

GREEN:

Thank you.

We all acknowledge the fact that there has been a lot of progress made and people are working hard. You mentioned some of them—the standing up the Army Contracting Command and Expeditionary Contracting Command, the commitment by the secretary of defense to grow the acquisition workforce by 10,000 or so, the new general flag-officer positions that have been created.

Also, some negatives. You mentioned one, the DAU (Defense Acquisition University) and the little emphasis on services in our principal and primary education facility for contracting.

In the recent DSP study that you did, that you headed, one of your findings, and I quote this, "senior leadership still pays little attention to services contracting."

I would re-enforce that with a couple quotes here from your organization, Mr. Francis, a June 2010 report said that cultural change emphasizing awareness of operational contract support throughout DoD is needed, and a more recent GAO study in April 2011, that sustained DoD leadership committed to this are needed to ensure that policies and consistency are put into practice.

I contend that without senior leadership, and I mean at the most senior level, without senior leadership paying attention to this, we will not change the culture and we will not institutionalize many of these recommendations that all of us are concerned with.

I'd like your comments.

GANSLER:

Culture change starts with the leadership. And that's what you're suggesting and that's what all the literature says. And clearly, that's the way to change an organization is through leadership.

The one observation I would make on your statement that I want to amplify, and that is when you said they are talking about hiring in-house acquisition workforce. I think they need to distinguish there between acquisition functions that are inherently governmental and those that aren't, because acquisition is encompassing in terms of even logistics. For example, truck driving is not an inherently governmental function. Maintenance is not inherently governmental.

So you want to make sure that when you're hiring the acquisition workforce, it's for those inherently governmental functions.

GREEN:

What is your confidence level, on a scale of 1 to 10, with 10 being great, that senior leadership will get it?

GANSLER:

Oh, I don't know. Maybe six and a half.

GREEN:

With the . . .

GANSLER:

It's hard to overcome cultural inertia.

GREEN:

No, I understand that.

FRANCIS:

Mr. Green, if I may, I had two thoughts on Secretary Gates's memo in January. One is, gee, it's about time that this got this kind of recognition, but, at the same time, at the same time, it's like are we coming to this point for the first time, eight years into it? So that's a concern.

I think one of the things about culture is you have forces that say the status quo is OK. And I think part of that has to be there's been money to enable people not to be too concerned about managing services.

GREEN:

I agree with you. I agree with you.

But, you know, as we look down the road, and if we look at the budgets that we're all going to be facing in the federal government, and the pressure that currently exists with groups like us and SIGIR and SIGAR and others, when that goes away, and troops come home, is anybody going to give a darn about this?

GANSLER:

I think that what you've just highlighted will be the driving function, namely, less dollars.

When the supplementals disappear, when the budget declines, clearly the people are going to have to start paying more attention to what things cost and how well they're managed. And if they accept the fact that 50 percent of it is services, they're going to have to figure out how to address the management of services.

GREEN:

But there's very little constituency for services things. I think we've got a real challenge ahead of us to not just change the culture at the senior level, but to get operational folks to pay attention to this.

Because I strongly believe this is the way we're going to war. We're going to go to war with contractors. It may not be one-to-one, as it is today, and particularly with the decrease in budgets, more and more of the old combat service-support stuff that we're used to having, that we were used to having done within the services is going away. And we either down-size the mission, which nobody wants to do—we salute and say, "Yes, sir, three bags full, we can do it."

But that may be something that we have to look at and just literally bite the bullet.

GANSLER:

In the commission that I ran, we were all very surprised at the fact that all of the training courses for the combatant commander portion of it, and as Mr. Francis mentioned, didn't even mention the role of contractors, when they are more than 50 percent of the workforce. That that has to change. They have to realize how important that is to their overall function, and that has to be part of the education process and it has to be part of the exercises. Contractors should be taking part in the field exercises.

GREEN:

Well, my time is up, but they have started, but it's maintaining that that I have concerns about.

Thank you very much.

THIBAUT:

Thank you, Commissioner Green.

Commissioner Tiefer, you're up, sir.

TIEFER:

Thank you, Mr. Chairman.

And I just want to express my gratitude to you for leading this effort. Dr. Gansler, as has been mentioned, has been before us before. I remember he was at one of the very, very first of our early briefings, and we have a panel of inspectors general on our second panel, which we also had on as our very, very first hearing.

And at the time, I had my doubts about these, and you reassured me that these would be great briefings and hearings, partly, both because they were and partly because you said, "Well, we can have them in in a while to see what's happened." So that's what today is: the fulfillment of your prophecy.

Dr. Gansler, one of your own classic issues has been the overuse of cost-type contracts in situations where we could just as well have fixed-price contracts and by doing so we would allow a broader range of companies to come in and compete for them and maybe get lower prices because we wouldn't have to depend on fancy accounting practices and contractors who can function that way. And you also mentioned today that there is a danger that if we narrow our choice of companies too much, we can end up with monopolies.

I want to ask you, if I have an example, I think I do, but it's one that's quite important to us. In LOGCAP, we have cost-type contractors at the top. In the past, it was KBR. Now, it's DynCorp and Fluor. But under them, we have fixed-price or fixed-rate subcontractors. The main example is Tamimi, which does dining facilities. And they can't do cost-type contracts. They don't have a segment that can do the accounting and so forth.

And we have speculated that it would be possible to break out some of these activities like dining facilities that could themselves be competed, and instead of having them under cost-type contracts, have them be direct fixed-price contracts.

Do you see promise in approaches like that?

GANSLER:

No. And my reason is that those subcontractors need to be managed and one of the functions that the prime contractor provides is subcontractor management of these smaller firms, in many cases even not U.S. firms.

What I do think is important about your comment, and I certainly fully agree with it, is the fact that one of the things we want to bring into the services sector are a lot of commercial firms.

TIEFER:

OK, let me . . .

GANSLER:

And those don't have the cost-accounting ability.

TIEFER:

. . . all right. I have my answer. Let me go on to Mr. Francis.

I'm drawing on your relatively current report, it's not that, it's pretty recent, "Improvements Needed in Management of Contractors Supporting Contract and Grant Administration in Iraq and Afghanistan." And if I understood the way the punctuation marks would go in there, we have a problem similar to what was mentioned in previous questions about contractors managing contractors, or contractors working closely supporting the management of contracting.

Now, you found 223 contracts worth \$900 million—is that right—for the performance of administrative functions for other contracts in Iraq and Afghanistan?

FRANCIS:

Yes, 900, or maybe it was 990. Yes.

TIEFER:

OK. And you think that amount has stayed up at that pretty high level? I mean, these are not contractors who are out there digging ditches or riding shotgun or something. They're just helping manage other contractors.

FRANCIS:

That's correct.

TIEFER:

Wow. And I see that you looked at what is a favorite example for this commission, the Aegis Company was manning the ACOD, the Armed Contractor Oversight Division, which supervises in Afghanistan all the personal security contracts and they were also going to compete for some of those personal security contracts. And I remember when Commissioner Thibault came back rather excited from Afghanistan, one of his early trips, he dug this up. It's like he'd brought home an animal he'd shot, and he said, "I'm not sure what species this is, but it's nothing you see in the United States."

(LAUGHTER)

I think I'm making trouble for myself here.

But to go on, what was your view at GAO of the ACOD contractor who was doing this, they had an organizational conflict of interest?

FRANCIS:

Yes. I think, as we reported, that would have clearly been an organizational conflict of interest because they were both going to oversee and possibly bid on that contract. Now, it was caught eventually and they did not get the oversight contract I think because they were making plenty of money providing the service itself.

But I think what's illustrative here is these situations, I think, are going to occur and it's incumbent on the government, which I think is what Dr. Gansler had mentioned, to be able to provide oversight and do those kind of checks so the government can protect its own interests. And I think this situation is illustrative of a situation where contracting officers have so much to do and such high volume, these are the types of things that get missed in those situations.

TIEFER:

And am I right, it was preached to us that mitigation plans and other prophylactic steps can solve these problems. Was it the sense that the ACOD problem of Aegis could be solved by mitigation plans?

FRANCIS:

In many cases, they can, but I think this was a situation where I don't see how a mitigation plan could have alleviated the risk of somebody overseeing a contract and then also being part of that contract.

TIEFER:

I'm praying for extra time on the second panel, so I'll yield back now.

THIBAUT:

Thank you, Commissioner, I appreciate it.

Commissioner Schinasi, please.

SCHINASI:

Thank you.

And good morning and thanks for being here and thanks for your service, both of you. I know you've been at this quite a while.

I think I would agree with the concerns that you both raised about focusing on hardware instead of services in terms of the way we look at buying it. But I think you probably even understate the problem. One of the examples that has been brought to our attention recently is trying to get radios in a contingency. And because there was not enough procurement money to buy radios, we're now paying a contractor for communications services and we're leasing those radios, so we're paying for them over and over and over. So I think it's even worse than you've pointed out.

I don't share your confidence, I don't think, in getting change here. You've both said it can be done. Yes, it can be done. Will it be done? I think we need to talk more radically maybe about how change occurs. We talked about taking the money away. We saw the peace dividend. Have we seen any change in the way the military develops weapons and buys weapons? I don't think so. If anything, it's gotten worse.

We have had in the last administration a focus on the business side of government agencies with the president's management agenda. This administration—the president came in calling out particularly government contracting as something that we need to pay attention to; all the work that you all have done. You know, I'm just not sure what it's going to take.

But I would like to think about it not so much as diminishing waste, but maybe diminishing expense. And you both have raised the issue of local requirement-setting processes and the need to get people more attuned to the fact that if they spend money in one place, it's not available someplace else.

Let me ask you about incentives. How do you incentivize the commanders in the field to understand that they can't have everything that they think they want? I'll start with you, Mr. Francis.

FRANCIS:

Sure. I think today the situation is obviously, the commanders have warfighting on their mind and that's their primary obligation. They don't necessarily have a good feel for what the contracting process is and what it takes to set requirements and translate them into a statement of work.

Nor is there, I think, a good enough relationship between the commander and the contracting officer because the contracting officer does know how to do that. Our work in the past has found that once a contract is let and once something is in motion, then a preference, if you will, for incumbency can take place. In this case the commander is happy with the service and not so concerned with the cost, because that's not what he or she has to worry about.

So I really do think that can bring pressure on the contracting officer just to get it done, and I think the default position is to get it done the way it's been done.

SCHINASI:

So you require a budget? You require the commander to stick to a budget?

FRANCIS:

I would say so. At least at some level there has to be a reason to manage differently. And I think that's kind of what we've been talking about with the policies. As long as there's no downside consequence, as long as we can pay our way out of it, I don't see the imperative to do something different.

SCHINASI:

Dr. Gansler?

GANSLER:

Well, I think, as Mr. Francis pointed out, the main thing that the combatant commander is interested in is urgent needs for military operations. And he has to work very closely with the contracting officers on the local services that he asked for.

If the combatant commander said, "I want three meals a day," the contractor officer knows enough to ask him, "Sir, do you mean steak and lobsters or meals ready to eat?" you know. And there's a big difference here in terms of what he gets. And that's the requirements process, if you will.

I do think it would help a great deal for a closer linkage there, and I think it would help a good deal if you had the contracts capability and the funding for it, for these local needs and services for the combatant commanders.

In other words, if he had some authority, as Special Forces does, for example. Special Forces has both the contracting and the funding to do this. The former Joint Forces Command also had that authority. But the other combatant commanders don't have that authority and should have some, I think, additional authority. And that forcing function of resource constraints would then decide what you really need versus what you'd like to have.

SCHINASI:

But the contracting authority is not going to be a forcing function because putting the contracting authority in the hands of the commander, there's no reason to say he won't say steak . . .

GANSLER:

No, one of the requirements has to be cost or price, you know. If in the future we're going to be writing our requirements, I think, because I agree with the statements that were made by other members of the commission, that we're going to be resource constrained, which we haven't been for the last decade—and that's the loudest, to not worry about how much something costs, but what do I like to have.

In the future we will have cost as a requirement. We've done that before in the past. The JDAM missile, for example, you know, it had only three requirements. It should hit the target. It should work. It should cost \$40,000 each. Now it hits the target, it works, and costs \$17,000 'cause cost was a requirement.

Well, we can put that on services.

SCHINASI:

If you could give me more examples of a JDAM I would feel more confident, but I take your point.

GANSLER:

I would, too. And we've tried doing that with things like the Joint Strike Fighter, but in the last decade we've lost sight of it. We tried doing Global Hawk and lost sight of it.

SCHINASI:

Right.

GANSLER:

I can give you lots of examples where in the rich man's world of the last decade we haven't paid attention to cost.

SCHINASI:

Right.

GANSLER:

We now have to start doing it.

SCHINASI:

Is there something in . . .

THIBAUT:

Commissioner, can I please?

You know, the only comment I'd make in this, just for my reference, is you're providing all these examples, Dr. Gansler, and they're all platforms. And yet you're the one in your testimony that says this is about services in terms of the dollar and the volume of the contractor support and all that. So I'd just share that and . . .

GANSLER:

You're absolutely right. We haven't done it for services, and I would argue we should.

SCHINASI:

I was just gonna ask, is that kind of change, does that require a change in the Goldwater-Nichols legislation, what you're talking about, giving contracting authority to the commanders? Have you looked at that?

GANSLER:

No, I don't believe so, because the fact is that two of them have it. And therefore, if that's the case, why couldn't all of them have it?

GANSLER:

I don't think it requires a change in law.

SCHINASI:

OK.

GANSLER:

But I do think we have to say what is an affordable price and a reasonable price, not simply put price as the only consideration.

One of the things that scares me now that's happening is a lot of the contracting is shifting to low bid, technically acceptable, you know. I'm sure none of you drive a Yugo. You know, that's low bid, technically-acceptable car.

We don't do business that way ourselves. We don't certainly buy our heart surgeon's services on the basis of low bid. We look for quality and low bid . . .

SCHINASI:

We're on the record supporting that as well. So thank you. Thanks.

THIBAUT:

Thank you, Commissioner. You actually segued into my third item, but I'm going save LPTA, low price, technically acceptable, till then.

In your testimony and in your 2007 report, Dr. Gansler, you mentioned, you know, in the importance of following up on them, 90 cases of fraud.

GANSLER:

Yes.

THIBAUT:

And you do it in the testimony. We've got a witness, and that was through 2007. We've got a witness coming up, 2003 to 2007. That was your time frame.

GANSLER:

Yes, but those 90 were under investigation.

THIBAUT:

No, I understand they weren't convictions.

GANSLER:

Right.

THIBAULT:

All right. Now, we got a witness coming up here from the deputy inspector general for auditing from the DoD IG, you know, that fields those just for defense through his area. And his testimony says the time frame, 2003 to 2010, the number is 398.

Now, I accept both your numbers. But are you concerned that the first five years it was 90 and the last three years it's added 308 through the simple math of both your—that seems like a pretty significant increase. Observation?

GANSLER:

I don't have any insight into what has caused that. I know the 90 was the number that the secretary of the Army gave me when I did the commission.

THIBAULT:

Right.

GANSLER:

And what has happened since then, I don't know. If we had more people checking on it we might find more possible cases . . .

THIBAULT:

Well, I think I'll explore that, but the point I wanted to make is, that wouldn't fit your reward and recognition but it certainly would fit your point about you have to have oversight and enforcement, kind of Commissioner Ervin...

GANSLER:

My reward and recognition would be the ones that weren't on that list.

THIBAULT:

Well, I understand that. But if you're got 300, and it's interesting, and another point I wanted to make quickly. All the examples that come forward, it seems there's a disproportionate number, and I guess its appeal in the country, maybe people think it's the reader, on military cases, you know, Major So and So, Captain So and So?

Well, I want to share with you that in that data there were 11 Article 32s under investigation out of the 398. I think it's real important to say that because it's more in the two-point-something percent that are Article 32s, meaning the military. And so the vast majority, the 97-plus-point percent, you know, there may be a few government employees in there, but that's why there's a need for oversight, and I'll make that observation.

Dr. Gansler, you talked about the importance of senior leadership, which I couldn't agree with more. In my way of thinking, based on experience and talking to an awful lot of individuals such as yourself, I think of the Pentagon senior leadership as—personally, and I'm going to ask whether you two agree—as general officers, Senior Executive Service individuals, and political appointees. When we get into theater the political appointees work from back here and so there are general officers and there are SES, Senior Executive Service. Does that fit your definition of senior leadership?

GANSLER:

Well, clearly—by the way, those SESes are all volunteers and . . .

THIBAULT:

Well, I understand all that.

GANSLER:

. . . and they aren't being recognized . . .

THIBAULT:

And, again, my question is, does that kind of fit your definition?

GANSLER:

Well, certainly. And that's the reason that the . . .

THIBAULT:

OK.

GANSLER:

The Washington people set the policies. The people over there I think . . .

THIBAULT:

We all know that.

GANSLER:

. . . should be in uniform.

THIBAULT:

We all know that. I just wanted to define it because I got a point to make in a second.

GANSLER:

OK.

THIBAULT:

Do you see that any different, Mr. Francis?

FRANCIS;

No, I agree with that definition.

THIBAULT:

OK. My point I want to make, though, then, Dr. Gansler is in your testimony, which I kind of share with you, and it builds on Commissioner Green's comment that for senior leadership there's

a problem. And that's a lack of training, your words, lack of experience, your words, and a lack of management strategy. And therefore they reward compliance over performance and they stifle creativity and effectiveness.

Are we talking about this—you know, I got to be right to the point—are we talking about the lack of training, experience, and management strategy—senior leadership, General Petraeus, General Caldwell, who runs the training mission—is it ultimately their responsibility to turn this around?

GANSLER:

I certainly think they would be major players in it.

THIBAUT:

So you . . .

GANSLER:

But not exclusively. I think the secretary can do it. I think the undersecretaries can do it.

THIBAUT:

But in theater, you know, and I bring that up . . .

GANSLER:

In theater it requires the military officers.

THIBAUT:

. . . because I couldn't agree with you more, but to me it's alarming, and I'm really glad you said it, they lack training, experience, and management strategy. Because I couldn't agree with you more, and that supports . . .

GANSLER:

In my commission I was shocked to find that the five general officers the Army had had in 1990 with contracting background. They had zero.

THIBAUT:

OK. Fair enough.

You talked about my third item, LPTA, lowest price, technically acceptable. You try somehow to figure out what works, you know, can they do the job, and then you rip the envelopes open and you give it to the low price.

Are both of you familiar with Afghan First?

GANSLER:

Somewhat.

THIBAUT:

Afghan First is driving very substantial billions and billions of dollars, and because they don't, these are Afghanistan firms, have the kind of accounting system someone talked about, they rip the envelope open—they have to decide can they do security on bases, for example, and they rip it open.

You said sort of. Do you have a view . . .

GANSLER:

Well, yes, my view is that . . .

THIBAUT:

Is it working? That's my question.

GANSLER:

The concept makes sense from the viewpoint of getting them off the streets and getting them from being insurgents. But if you want them to do a good job, you've got to be able to have some quality, not just low bids.

THIBAUT:

Here's where I'm going to ultimately be talking about the importance of contractors, but also the importance of best value. Do you have a particular view on how Afghan First is working or not working?

FRANCIS:

No, I'm familiar with the program, but we have not done any work on how well it's working.

THIBAULT:

Let me give you all an example of something that we ran into last month in a trip. We've taken a lot of trips, and we make a point of going out to forward bases. And we were briefed at the organization that owned several forward bases.

One forward base—and at the end, I'm going to ask you, you know, what's your view—but one forward base had a situation, they call them health-and-welfare inspections, but the idea is to make sure these Afghanistan employees on the base, security guards, they're guarding the perimeter, they're saving American lives, supposedly, if there's an attack on the perimeter.

And there's 400 forward bases, and about 200 have Afghan guards. That's the general math that's accurate.

And they found within the living confines in one that they briefed us on—these are the military security officers on that FOB, along with the base commander—that they briefed us on that they found pressure plates, electronic wire-ways, batteries and other devices that would make IEDs.

They found a full-blown Marine Corps colonel officer uniform pressed, and they found an Afghani equivalent officer uniform pressed. Meaning you could kind of go around and get access on that base.

They were on the base. They were approved. Supposedly they were technically acceptable.

Their solution was three individuals, they said, the company said, left real quick, and they were sure all the other 160-some guards were loyal. It was a Taliban hotbed. They hired local.

Now, those are facts.

They went to another base, the base we were actually on, and they did a health-and-welfare. And they found four kilos of drugs, which, again, I'm supposed to be knowledgeable, but, you know, I said, "What's a kilo?"

And they said, "Well, it's kind of like a brick."

And I said, "OK, four kilos."

And they found about half of the employees with some form of recreational drugs with them.

And that company, I said, "So you got rid of them right away?"

And they said, "No, their contractor expires in the end of May. We've talked to the CENTCOM Contracting Command people, and we'll take that into consideration then."

You know, we're talking about lowest-priced technically acceptable for American military troop lives, perimeter guards.

I know you have some concern about LPTA. Is that a triple-A example of what's wrong with LPTAs, Dr. Gansler?

GANSLER:

I think that's what's wrong with not doing security on those people. The lowest-price technically acceptable is probably the wrong thing to be using, period. But I think you also need to do security on these foreign hires as well.

But clearly you don't want that to make that on the basis of no information on past performance of the company, of their record, of their employees, of the security that we would do on a U.S. company. Why would we do it on a U.S. company and not on a foreign company?

THIBAUT:

Well, you know, again, Mr. Francis, are you . . .

FRANCIS:

Yes. We've actually done some work in that area. And one of the things that we've found out is screening contractors, particularly in Afghanistan, has not really been guided by policy. It really goes by what the local commander does. So the policies have not been consistent.

We've currently gotten work under way looking at the vetting of PSCs. But I think one of the issues that comes up here with the Afghan First is what's in the government's best interest?

And there's a policy dimension to, obviously, that program, which I think we understand. But you're hitting an issue where there's got to be a line between policy and then the safety and security of the unit.

THIBAUT:

Right, right. Go ahead, whoever is doing my time. I'm going to lead into the second round and take my time there, so put about four minutes on that clock. And we'll expire downhill from there.

I would propose to you that in a war where in Iraq we didn't have Iraqis guarding the perimeter. We used third-country nationals.

I would propose to you that in a war where they try to hire local, if you're anywhere, in a lot of the countries, a hotbed, if you're hiring people that are in a hot-bed area, locals, and everybody certifies they're anti-Taliban, good luck.

And I would propose to you that it would probably cost about three times as much to do best-value, third-country national, which is a proven concept 'cause they've got no loyalty at all to the Taliban, you know, and your risk is reduced.

But when we were over there, we were told, "Well, no, we have to use Afghan First, because that's the big program and we're counting numbers of people."

And I'd just propose to you there have been too many examples of soldiers already—we read the papers, four, five, six examples where they've been shot by either military or guards, and I share that with you.

Dr. Gansler, should contractors—quality assurance, big complex system—should contractors inspect other contractors where they're both large firms and they're competitors between each other?

GANSLER:

The point that was raised earlier about avoiding conflict of interest is a very important one.

THIBAULT:

But my question is, does that make sense?

GANSLER:

If they're independent contractors who don't compete with their people they're investigating, then it does make sense. If they're not independent and they have conflicts of that sort, where . . .

THIBAULT:

No, they compete with each other. They put in . . .

GANSLER:

Well, no, you hypothesized a case, and I agree with you with for hypothesis, it doesn't make any
...

THIBAULT:

All right, let me be specific.

GANSLER:

Other contractors could do it.

THIBAULT:

We've been briefed by the J-6 folks, the ITT world, multiple location. ITT does an exceptional job. They say they are a force enabler and they couldn't get it done without it, because they don't have the capability to build these complex communication systems.

So they get good grades, but the good grades they get are from a firm called GDIT, General Dynamics Information Technology, that is very active and a bidder also.

And I share that with you, because you give specifics of hiring generals and things like that, and I couldn't agree with you more. But I think we have to stop and say, if we're doing an \$800 million cost-type contract, and, oh, by the way, the inspection's a cost-type contract, you know, is that in the best interest?

I'll also ask because this is near and dear to me, for obvious reasons. My history is as an auditor. I share data that I obtained last Friday, you know, this is about properly staffing resources. And the Defense Contract Audit Agency is a third.

There's a procurement organization, there's DCMA, which you've rightfully mentioned, and there's DCAA that do the audits.

Their end strength had, the good news was that it had been sitting at about 100 increase for a couple of years, and the good news was from 2009 to 2010, they added an end-strength of 4,328 to 4,725, or 397 auditors.

It takes an auditor two, three, four years to get effective. You know that, Doctor.

The interesting news is this year, because of funding limitations and other justifications, they're targeting 21. So this year they're going to have a net plus-up of 21.

Now, I share that because the next slide that they presented is their backlog now is over \$400 billion that's unaudited. And that's because they haven't been doing incurred-cost audits.

Now, contractors are faced with a five- and six-year backlog that increased their risk, because if you find something in 2007 or '06, the first thing a good auditor says is how long has this been going on?

And the word that I heard in a briefing was that if the auditor strength doesn't come up, the workload's going to explode, get out of control.

First Mr. Francis, observation?

FRANCIS:

Sure. We're actually looking at the close-out of contracts in Iraq now. And, obviously, the backlog is huge. And part of the issue is when the auditors go in, they find a lot of the things that should have been done for contract oversight when the contract was let wasn't done, so they have to go back and reconstruct the case, if you will.

I also think that numbers are a bit of a problem for us, because it's something we gravitate to, insourcing, outsourcing, we kind of start with a solution and then work inward.

But I think the example you gave earlier in the ITT world is really illustrative because I think at the heart of the problem was the government did not have the expertise to oversight the prime contractor.

THIBAULT:

Exactly, exactly.

FRANCIS:

So then, it has to act in its own interest and buy that expertise. Well, now you're off to the races. Now, you're getting yourself into a risky situation.

So I think all of that creates additional workload for the audit community, but I think it goes back to how we set up and administer the contracts because that's where we're creating the risks.

THIBAULT:

Total agreement. And the secretary rightfully has a plan to increase 10,000 people. I don't have time to go into the letter, the March letter that's pretty nebulous about all the approval levels if you go over ceiling.

My time is up. And I do want to say, both Dr. Gansler and Mr. Francis, that Dr. Gansler don't—sorry, Mr. Francis . . .

FRANCIS:

I'm not offended.

THIBAULT:

. . . For me personally, this was the best statement that's been brought up here. And you know, simply because you engender discussion, and for that I thank you for your service. I thank you for your service.

Now, I'm turning this over to Commissioner Shays because in the spirit of limping out of here into the sunlight, I'm getting an operation on my toe, and my toe right now is pretty important to me. So I thank you all for your service.

And Commissioner Shays, I'm confident he's right here, thank you, sir.

SHAYS:

Thank you. I'm tempted to say something funny, but I won't.

We'll go with Mr. Ervin.

ERVIN:

Thank you, Mr. Shays.

Dr. Gansler, you made a comment at the conclusion of the last round that you and I had together that I wanted to focus on, and you said this in passing. You said that kind of the scuttlebutt in industry circles now is that it's bad to be an incumbent because the likelihood is that an incumbent will lose when a contract is re-competed.

And I want to ask you about that because you said that as if that were ipso facto a bad thing. If an incumbent loses competition by virtue of having been bested by somebody who can provide it at a better price, a cheaper price, and, of course, equal or better quality, isn't that a good thing?

GANSLER:

Surely. The reason that I made the observation is exactly the point that Mr. Thibault was pointing out, which is too frequently now what we're doing is giving it away to a low bidder, you know, somebody who simply is knowing how much it has cost in the past is simply low-balling it in order to get the contract; not worrying about the quality.

And what I would argue is that when you're an incumbent, and this is a point that Mr. Shays raised earlier, that if you're an incumbent and not doing a good job, you don't deserve to follow on. But if you're an incumbent who's doing a really outstanding job and improving performance and getting lower cost, I would say that they deserve the follow-on on a sole-source basis under that condition.

But it's performance and cost that we should be evaluating, and too often we've been moving to this low-bid, technically acceptable, and not using prior performance at all.

ERVIN:

OK. I don't want to get too detailed about these different contract types, but I just feel obliged to talk about it a little bit. You wouldn't argue that there isn't a role at all for a low-bid, technically acceptable? Because there are, it seems to be, certain things that . . .

GANSLER:

For buying towels and bread and things . . .

. . . Yes, not for engineers; I mean, the idea that you buy an engineer who has a degree because he got it off the back of a match box and his temperature is 98.6, that's all that matters, and take the low hourly rate for an engineer?

ERVIN:

Completely agree. Secondly, one of the issues that you raised in your statement is, in your view, the need to incentivize DoD civilian people to participate in the war zone. And that troubles me a little bit. You know, we're in two wars now, and if you include Libya, we're in three.

GANSLER:

Right.

ERVIN:

And it seems to me that we shouldn't have to incentivize people who are paid by DoD to go to the war zone.

GANSLER:

People don't like to be shot at. And you know, the military do get hazardous-duty pay. The contractors do get extra pay. What we found in the commission was that the civilian volunteers were not getting major medical, long-term medical costs. They were not getting their life insurance adjusted for acts of war, which most life insurance doesn't cover. You know, things of this sort. And special compensation for going, for example, tax waivers, which others get, but they weren't getting.

So we proposed a set of things to encourage people, the top people, to take these jobs. They also were being discouraged by their own bosses to go because they felt they were too important to leave. But on the other hand, I was surprised to find that when this was proposed through OMB, they didn't want to do it because it would raise costs.

ERVIN:

Right. Given the exigencies of war, and that's only going to increase as time goes by because we apparently are not ratcheting down our commitments overseas and at the same time concomitantly our budget's going down, shouldn't we think about making some time in the war zone for civilians in DoD a condition of employment in the same way that spending time overseas is a condition of employment for diplomats?

GANSLER:

I think we can do it through volunteer, but plan for it. I mean, the thing that we weren't doing was planning for it. And there are now efforts underway to try to have a contingency group. And certainly the concept of using the reserves for that function might be another way of doing it.

ERVIN:

Let me just ask a couple other questions, since Mr. Thibault exceeded his time.

One of the things you raised, Dr. Gansler, on page 6, page 13, actually, of your testimony, you called for recognizing a beneficial segment of a contractor market, namely non-traditional government contractors. What did you mean by that term "non-traditional"?

GANSLER:

Commercial, the ones who were, I mean, part of the problem here is that services are often listed in the Yellow Pages, you know, the kinds of service, truck driving or, you know, things of that sort, or even maintenance-type of things for commercial aircraft or military aircraft. There's a lot of services functions, food service, as an example.

And these are people who are not traditionally defense suppliers because of things like cost-accounting standards, intellectual property rights, export controls—all of the barriers to

commercial firms doing defense business. If those were removed, we could get some of the companies who have the experience and low cost as a result of commercial competitions.

ERVIN:

Thank you. And my final question goes to both you, Dr. Gansler, and to you, Mr. Francis. It's really kind of an uber question. On page 16 of your testimony, Dr. Gansler, you lay out three of what I think are just no-brainer common-sense recommendations: establishing a single playbook for contingency service contracting; requesting a modification to the federal procurement data system to create a separate tracking element for each contingency operation; granting limited acquisition-contracting authority to the geographic combatant commander.

It's so commonsensical, and then later in your testimony you explain, you know, where DoD is with each of these and the short-hand way of summing it up is, you know, some progress, but not enough, even though it's commonsensical.

And then you raised at the end of one of your rounds, Mr. Francis, kind of the question that's hanging over everything, it seems to me, that we're exploring here today, and that is: Why?

You know, you mentioned in passing that here we are eight years in Iraq, 10 years going in Afghanistan, and we still are trying to measure the number of contractors in theater in both places. So why are we where we are with regard to these issues, both of you?

FRANCIS:

Well, I think one thing is services themselves are not well understood. You can't label them. You know, a JSF (Joint Strike Fighter) you can see. A JDAM (Joint Direct Attack Munition) you can see. But services are just that multitude of things that people don't want to know. They're the housekeeping chores. And obviously that's not an accurate representation, but it's not something that people worry about.

If you look at the budgets for services, they're in O&M accounts. You're very hard-pressed from an auditor's standpoint to find where the money is and to hold people accountable. And I think we've been able to kind of buy our way out of it. We haven't had to worry about it because if we didn't do something right, there's money to do it over again.

I do worry about the point Mr. Green brought up, is that when these operations do scale down and things return to some kind of normal, I think the imperative, if there's any right now, is going to go away and we're going to go back to situation normal, which is if you go back in time and look at how we've budgeted for these activities in peacetime, the same problems have existed in peacetime. They've gotten worse in wartime. I think we'll just go back to the old way of doing business.

ERVIN:

Thank you. That's very helpful.

And if you could just give me a short answer, Dr. Gansler.

GANSLER:

Same answer. People object to change and when they have a lot of money, they don't have to change. I think they will recognize that they need to change. I mean, keeping track of how many people we have and what they're doing and the categories, I mean, it's silly. LOGCAP, for example, is in one category, you know, and yet we do thousands of different things under that category. Some people drive trucks. Some people do maintenance, et cetera, et cetera.

We need to be able to know what they're doing and be able to track it. And that's a change.

ERVIN:

Thank you both.

SHAYS:

Thank you.

I'd just remind the commission members, we had said that this was such an important panel that we would allow the members to go eight minutes instead of five, so if the clock would just give Mr. Green eight minutes, if he doesn't want to use it, he does not have to. He has the floor.

GREEN:

Thank you.

Dr. Gansler, you indicated a degree of satisfaction with the fact that the Defense Department has added 10 general flag officers to the force. But you also indicated disappointment that, at least in the case of the Army, that those were acquisition general officers as opposed to contracting general officers. And you made some reference to that in one of your responses to another question.

The Army has created an Acquisition Corps, and we have heard from a number of people who have an interest in this area that that's not enough and that maybe we ought to look at a contracting branch, whether it's within that Acquisition Corps or a separate branch.

I'd like your comments on that?

GANSLER:

In our commission we recommended that there be more professionalization of that, which is consistent with what you're suggesting.

It is clear that the general category of acquisition is so broad that you can put somebody who's been a logistician all his life, for example, and give him that charge of contracting. You have a learning process that has to go on. It would be much better if you had someone who had that particular background.

I think the professionalization of the acquisition senior people is something that, in fact, starts with the Packard Commission. When we were on the Packard Commission we found that the Army, for example, in that case had had four people in charge, four-star generals in charge of our Army Materiel Command who had never been in acquisition before. I mean that just is inexcusable.

So we wrote rules that you have to have some background in order to get into those positions, like program management and so forth. I think we have the same requirements for these new general officers, but it's going to take time. And it's important that we start promoting people. I mean, if you're a young major trying to go into a field for the Army and you want to say, "How do I get promoted?" and if there's no general officers with a contracting background, you're not going to pick contracting.

So we need to have that potential for them to get promoted into those positions and we need people with experience in those positions.

GREEN:

Would you advocate a separate branch for contracting?

GANSLER:

I think there's some distinct advantages to doing that. And we certainly recommended that for promotion reviews and so forth, promotion boards.

GREEN:

OK. Fine. Thank you.

GANSLER:

I might point out, by the way, that even the Goldwater-Nichols bill is being violated every day in terms of the ratio of promotions. I used to have to send, when I was undersecretary, send letters

to the service secretary saying, "You're violating the law." But that didn't do much good. They said thank you for my interest in national security.

(LAUGHTER)

GREEN:

Yeah. Well, that's the way a lot of those letters get answered.

You've been a participant, as we all know, and in many cases the chair of numerous studies and boards and commissions, and we certainly respect your service and what you have to say, not only today but in the past.

As I recall in the Gansler report, somebody said that, what, 21 of 22 of the recommendations had been, and correct me if I'm wrong, had been adopted or addressed, I'm sure, you know, different degrees of success.

What process do you use, or have you used in ensuring that progress continues to be made? And I ask that because we as a commission are going to face exactly that same problem, and I'm going to ask this same question to the next panel.

We've got a challenge with following up on whatever findings and recommendations that we have. And so I would welcome any thoughts that either one of you have on the best way or a way for us to do that, so that we do as much as we can to ensure that our final report and previous reports don't, like so many, end up on the shelf gathering dust.

GANSLER:

This is a lesson I learned from Dave Packard and the Packard Commission. Dave said make sure that the law says we'll come back in a year and find out if they got implemented.

And, fortunately, when I mentioned that to Secretary Geren with the commission, he said, "I'll do it." And we did have, and that's where your numbers come from, that at least they took some action, sometimes not full action, and sometimes even disagreeing action, but at least they did address each of them when we came back a year later to review it.

And I think that you're going to have to do something of that sort. There has to be some way of following up.

GREEN:

Oh, I agree.

I'm done.

SHAYS:

I thank the gentleman.

Mr. Tiefer?

TIEFER:

Thank you, Mr. Chairman.

Mr. Francis, going back to the report we talked about earlier, which are the conflict-of-interest protections in situations where you have contractors overseeing or managing other contractors. We talked about organizational conflicts of interest. I want to talk a little about personal conflicts of interest.

We have focused in on this, but we did not make a recommendation yet. So we still have to decide whether to. And if you can't answer some of this question, just take it for the record.

I think the goal has been that if the contractor is, in effect, sitting next to a federal employee in managing a contract that the same ethical requirements that you apply to the federal employee should apply to the contractor. Is that a generalization that we look for?

FRANCIS:

I think that would be generally correct.

TIEFER:

OK. But with respect to financial disclosure forms, my understanding is that there's this sharp difference between a senior federal contract-management employee, who has the same constraints on him that I do as a senior federal employee or that all the members of Congress in the buildings that we hold this hearing in have on them that's different.

Went I do a financial disclosure form, I sign it under express warning that the penalties of 18 USC 1001 apply, which is effectively as if it were signed under penalty of perjury. I don't believe contractor employees are put under that penalty, are they?

FRANCIS:

That I'd have to take for the record Mr. Tiefer. There is a distinction between a personal services contractor, obviously, where the rules are somewhat different and the legal authorities are. So there may be a distinction between that and a regular contractor.

TIEFER:

OK. I think the next one, though, the other thing is that even if they do, even if this contractor employee sitting next to me does a financial disclosure form, it isn't made public the way mine is, the way every member of Congress is. It's just circulated internally. Isn't that right?

FRANCIS:

I'm not sure.

TIEFER:

Have you ever seen a public one?

FRANCIS:

Well, I haven't.

TIEFER:

Have you ever heard of a public?

FRANCIS:

Well I haven't.

TIEFER:

Ever seen one?

FRANCIS:

For the contractors themselves . . .

TIEFER:

Yeah.

FRANCIS:

. . . I have not.

TIEFER:

No, no. And so I just make this observation that the way in which conflicts of interest are policed at my level in the Executive Service or among members of Congress, is that the press looks at them and checks up and says, "Well, wait a second, you owned a piece of land? Well, that particular piece of land turned out to be a pretty good deal, didn't it?" They catch you. They're not going to catch this among contractor managers.

Suppose it turns out that, as you and I suspect, these aren't public contractor-employee financial disclosure forms. Aren't we missing a safeguard on them that we have for government employee disclosure forms?

FRANCIS:

I'm not so sure that they would have to be public to get that kind of scrutiny. Again, I would put the burden on the government. It's the government's responsibility to look for those conflicts and be aware of that, again, coming back to managing risk.

So I don't think we should rely on the media, for example, to perform that function for us.

TIEFER:

OK. Would it be a supplement, though, if we're going to say that if we're going to put the same restrictions on the employee sitting next to the federal employee, the contractor sitting next to the federal employee, if we're going to put the same restrictions on then they would have to be the same restrictions, including how a disclosure form is looked at?

FRANCIS:

I guess we'd have to look at what the other consequences are of that. If we had that kind of restriction, if you will, or possibility for publication, then I don't know what that would do to the pool of contractors we'd have available to us. So, again, we have to look at what's in the broader government interest.

So I don't have an easy answer for you there. I think it's a complicated question.

TIEFER:

I'll take the rest of it for the record. And I'll yield the balance of my time.

SHAYS:

I thank the gentleman.

Ms. Schinasi?

SCHINASI:

Thank you.

Dr. Gansler, you made reference earlier to the Congress and the Congress having a role in some of this. I was reminded of a former chairman of the House Armed Services Committee who said, you know, we would not have an army of shoppers larger than the Marine Corps.

You could agree with that statement but, unfortunately, it was interpreted to mean the acquisition workforce in the department, not everyone, and that's what led to, as you know, the dramatic cutbacks that we saw in the acquisition workforce.

GANSLER:

Twenty-five percent cut, that's by law by Congress.

SCHINASI:

With a lot of the problems I think today resulting from some of that.

But could you care to comment on how Congress is complicit in the problems that we're seeing today?

You know, we talked about services. They've had laws about better management of services on the books for several years now. Doesn't seem to have had the intended effect.

Are there other things that come to mind as to how we can make them part of the solution or . . .

GANSLER:

Well, Mr. Ervin raised the very important point in terms of bringing in other contractors, the commercial world, who have the experience and the low cost, but are, in a sense, presented with barriers to entry by legislation that exists currently, the things such as the cost-accounting standards, the export-control laws, things of that sort. And so that's an area that warrants looking at.

We give speeches about the desirability of bringing commercial firms in, and then we pass laws that would prohibit them in effect. They're barriers. Other . . .

SCHINASI:

We did have the Federal Acquisition Streamlining Act, which . . .

GANSLER:

Right.

SCHINASI:

. . . addressed a lot of those problems.

GANSLER:

That was the extent.

SCHINASI:

But that was about 20 years ago.

GANSLER:

No, and each of the areas there are examples where Congress can help. Unfortunately, sometimes we get unintended consequences, and that's the fear.

You know, that's the reason I made the comment about the title of the report, you know, you don't want to scare away contractors from doing defense work, especially the ones with high quality, low cost.

SCHINASI:

Since you brought up that title again, I'll just want to go on the record to say that there are too many contractors in a number of areas.

One, the Army came before us and said, yes, it had identified several-thousand positions that were inherently governmental positions that were being filled by contractors.

So maybe they'd get around to bringing those in-house, but maybe they wouldn't be able to do that because of funding constraints, and it looks like they're moving even further away. So they're there.

The other is too many because we're not managing properly and, you know, we've got too many people doing too much that we don't actually need being done. So, just to . . .

GANSLER:

I agree with both those.

SCHINASI:

. . . clarify your understanding on the over-reliance, that was how we defined it.

Let me ask you both about training. One of the things that we've read, reported, both in the GAO reports and, Dr. Gansler, in your statement, too, was the lack of training for acquisition reasons—I won't just say the workforce but I will say acquisition reasons.

You know, the thing that strikes me is that we really do have a different set of incentives when we bring the private sector into a business deal. And those are more business-based incentives.

So did you come across any training? You said you didn't see a lot of it, but did you see training that really would talk about a new business model, that would talk about making sure that when you're sitting on the other side of a negotiating table, you understand what is driving that contractor's behavior and what is driving not just DCAA coming in and doing pre-award audit, but really an understanding of the business arrangements that these commands . . .

GANSLER:

I think that there are two types of training in that regard. The one that you're talking about is where the people who are negotiating the contracts, are writing the requirements, are managing the programs really need to understand how industry works and what are their incentives . . .

SCHINASI:

Exactly.

GANSLER:

. . . so they can apply them.

Then there's the problem of the other side, which is the combatant commanders who get oversight and requirements in the field, who need to also understand a little bit. And we found that wasn't even being introduced to their courses at all.

But both of those areas of training I think are very important when you recognize we have a mixed force.

SCHINASI:

Right.

Mr. Francis?

FRANCIS:

Yes, a couple of points. One is the NAVAIR's (Naval Air Systems Command) cost department has, I think, excellent insights about what industry's interests are versus the government, and they're not.

So I think training on that kind of awareness is very important for people at the negotiating table.

The other thing is, we did work years ago looking at best practices for training.

One of the differences we found in commercial industry versus government was if one, they identified what was important. You can't have 100 training initiatives. You might have 10.

And the important ones, you take to the factory floor, or, in the case here, to the front. You don't put them in the schoolhouse and make people access websites. So you take the training to where it needs to be done.

And the other thing, I was thinking about the comment Mr. Green made, there's an appeal to having a separate organization for contracting, but that then makes it something separate, something that you don't bring into the negotiation.

And I can speak from experience in our own organization. We've had people work acquisitions and people work contracting. And we have found that it's very hard to separate the two. And if you do, you lose some synergy there.

GANSLER:

In fact, you want the cross-training for that reason.

FRANCIS:

Yes.

GANSLER:

You want the contracting people to understand program management, the program management people to understand contracting.

SCHINASI:

Um-hum. And I'm particularly interested in the requirement setters, because they're the ones . . .

GANSLER:

Absolutely.

SCHINASI:

. . . that drive the cost and everything that . . .

GANSLER:

They're the ones that have any exposure . . .

SCHINASI:

Yeah.

GANSLER:

. . . because they're, quote, "warfighters," they don't have to worry about it.

SCHINASI:

Right. And I would just note that the training question also falls on what Mr. Tiefer was just talking about, the conflict of interest.

I mean, there are areas where you have a different set of incentives than the person sitting across the table from you, and you better understand what those are in order to try and . . .

GANSLER:

One lesson I might point out, that I got from a senator, actually, Senator Proxmire once told me, he said, "Don't tell me theory; give me a case study. Give me an example."

Well if we wrote case studies on buying services that covered both sides of the story, that would be a good training tool.

SCHINASI:

Thank you.

SHAYS:

Mr. Green?

GREEN:

Yeah, let me just follow up to Mr. Francis, your comment on the question that I posed earlier on a separate contracting branch or something.

I don't know what the formula is, but what we need to get to, and I understand the synergy, but what we need to get to is a way that we incentivize these contracting people that they see ahead of them career opportunities, promotion opportunities.

And whether that is a subset of the acquisition corps, or whether it's something that's separate, you know, we've got to figure out a way. Because you know, that's a part of this whole equation, is not making it so attractive that an acquisition person always migrates to program management 'cause that's the sexy stuff, and they don't pay attention to the contracting.

SHAYS:

Thanks gentleman.

Dr. Gansler, I kind of feel in a way, and I want to say this, you're at the top of the pyramid, and we're eating the crumbs off of your table.

But, as a result, I tend to judge you a little harder than I would judge others, because if you don't get what we're saying, then we're in deep trouble.

And when you said that the title of this report—"Correcting over-reliance on contracting in contingency operations"—that we don't want to scare away contractors, I just had to laugh.

I mean, the likelihood of our scaring away contractors is like one out of a billion. You know, you can scare them away if you have absurd regulations and requirements. Those things, you can.

But to state that maybe we're over-relying on it, and it's the view of the commission in our report that contractors become the default option. And it's triggered in this way.

This is your quote: "When they have a lot of money, they don't have to change," referring to DoD.

And we want them to change. And we are concerned that, well, heck, we'll just hire a contractor because it comes out of the supplemental. The supplemental's free.

And, by the way, I'm going to say it, because it's true, if a few contractors get killed, nobody seems to care. Because it's not on that list that the press puts out about how many soldiers we lost. So they're expendable.

That's a gross thing to say, because they aren't, but that's the way it's viewed.

And so it's a view I hold, and I won't attribute it to any other member in the commission, that we have over-relied on contractors because they're, like, free.

They're in the supplemental, it's not in the military budget. They get killed, nobody writes about it.

And your comment, though, "when we have a lot of money, they don't have to change," do you pretty much feel comfortable with that statement you made?

GANSLER:

No, I think that the leadership must make the changes, even with money, that that's a requirement that they have.

SHAYS:

Yeah, but what gets into . . .

GANSLER:

Well . . .

SHAYS:

And I'm just making this point: We would like DoD not to think there is a bottomless pit of contractors, that if you can't manage them well, then maybe you shouldn't be hiring them.

Now, then you come back and say, "Well, you know, they're the cheapest and all that, and they perform essential functions."

They do. But with all due respect, we're getting into the nation-building side where we hire contractors to do nation building and there is a view: Is that essential for the military to accomplish their task? Just to give you a sense of what we're wrestling with.

GANSLER:

I think the terminology matters, what you say, and if you say, "Contractors are only a default option" or "We have over-reliance on contractors," and if that isn't balanced by the essential nature of the work that they do and the importance of it to the mission and other things.

And I would agree with you, by the way, last week, by coincidence, I talked to the Department of Defense person who publishes the weekly listing of people killed that week. And I insisted that they also list the contractors, because there have been more of them many times than there have been people in uniform.

I think we under-value, and we have to be very careful about how we word the report, to not under-value that half of the total force that are the contractors, and yet we still need to manage them better . . .

SHAYS:

Well, we don't under-value them. What we do believe, though, it's an outrage if the government is going to hire contractors and not oversee them, given that they're 50 percent.

GANSLER:

That's the government's fault, not the contractor's fault.

SHAYS:

Fine. That's true. DoD is not auditable, and there's a reason why, because they don't have to be because we're not going to shut them down. So that if they were in the private sector, they would

all go to jail because if you're not auditable, you're breaking the law. But DoD doesn't have to. No, a private sector, if their company is not auditable, something's wrong. Well, DoD is not auditable. What gets them to be auditable? Nothing: because we're not going to shut them down.

We want to eliminate waste, fraud, and abuse. So the challenge is: What do we do to get this cultural change? And one of them may be to say that contractors aren't just this unlimited list that you can hire, especially when it's in the nation-building side.

Let me ask you, you basically picked three out of 31 that you had some concern with. It's coincidentally the same concern DoD has. Past performance; I mean, I've had conversations with folks in DoD that say past performance in the end isn't going to decide who we get. And then it's the whole issue of debarment—suspension, debarment. And so you focused on that. They generally say they agree with all the other recommendations in varying degrees, which, you know, is helpful, but it's not helpful.

Let me ask you specifically about one, and that is recommendation eight. And in recommendation eight, we want to establish a contingency-contracting directorate in the Office of the Joint Chiefs of Staff. Right now, you have service contracting in J4, logistics. Can you see value—and I'll ask you this, Mr. Francis, as well—can you see value in getting the military to recognize that if half their effort in terms of personnel are contractors, that they should have a separate joint category, and that would be a J10?

Mr. Francis?

FRANCIS:

I do agree that we have to give visibility to that, particularly in the military. This is one way of doing it. My concern in general about organizational solutions is when we set something up separate, does it then in effect become separate? So would that become a separate activity which we then have to integrate into planning?

So I think if we go back to what we talked about in the beginning, we didn't really plan this on an integrated basis. And so the test I would hold for this solution is: Will this get us there? And I'm not sure yet that a separate organization would do it.

GANSLER:

I think it gets to the question of how it gets defined and what the role is. And if it's just, quote, "contracting," as contrasted to concern about the mixed force and how it gets utilized and the benefits of it, and trying to plan for the exercises, for example, which would be very valuable, I think. So I can see some significantly positive benefits that could come from this as to how it gets defined.

If it ends up being the job of that person to be responsible for policy in contracting, no.

SHAYS:

Well, right now, contracting is handled in the J-4 by a colonel; 50 percent of our manpower.

Let me just quickly ask you this question. You used "inherently government" a lot. We're not finding it a helpful term because it can mean what anyone wants it to mean. And so my question is, there are some of us who think that we need to say what is appropriate for government to do and what isn't appropriate for government to do. Because "inherently governmental," you can legally do anything you want.

Would you agree with that comment or not Mr. Francis?

FRANCIS:

I don't know if I'd go as far as to say legally you can do what you want, but I do agree that the definition we're using isn't always helpful because you have to act in the government's best interests. So for example, we're talking about contractors overseeing contractors. You might say oversight is inherently governmental, but if you're doing construction in Afghanistan and you need oversight there, and putting somebody from the U.S. there puts them at risk, you may have to use somebody else.

So I do think we have to think about what's in the government's best interest, but I do think what does hurt us is we don't gauge those risks. We don't gauge the things that put the government in a disadvantaged position in the long term. And so it gets away from us, in my view.

SHAYS:

Thank you.

Dr. Gansler, and then we're going to close here.

GANSLER:

No, I agree with that statement. I think we do need to focus more on a definition that at least gives some guidance to which functions do and do not fit as inherently governmental. I think the general statement like "all acquisition is inherently governmental" just is wrong. But on the other hand, trying to then sit down and define it or saying "everything that's important" or "everything that's critical" or "everything that's in support of the government" is inherently governmental, again that's wrong.

But now we have to be more specific in order to be able to define it. And I think most of the functions that I understand are being done, the vast majority—there are some functions that are—where contractors are filling in and doing things they shouldn't be doing. And that's what you're trying to address. But the vast majority of what those 200,000 people over there are doing things that should be done by contractors.

SHAYS:

Let me just have you both end by making any comment you want before we get to our next panel. Is there any comment that you'd like to make before we close?

FRANCIS:

Well, I think I'll come back to the issue of cultural change. And I don't think we get there by setting targets like in-sourcing, out-sourcing, and numbers. And that's what I get concerned with the administration. I've seen those numbers put out there and then energy is lost.

For cultural change, you really need to sustain energy and I think we have to get at: What are the skill sets? What are the roles? How do we need to perform this function if we want to call it services acquisition in peacetime and in the future? And how do you sustain and hold people accountable in the long term? Short term doesn't work.

SHAYS:

Thank you.

Dr. Gansler?

GANSLER:

I've made the same note. I was going to say numbers isn't the right answer. It worries me that we're going to have a bunch of people with no experience simply filling in the categories because we hired 10,000 of them. And I even was scared by the fact that the Air Force thought they were making a 40 percent cost savings by bringing in people to do wrench-turning. And I made the observation to someone at the Pentagon that maybe they're going to have to sit out on the grass because there's no overhead associated with that assumption. That's just direct labor versus loaded overhead in the industry side.

You know, we need to do honest comparisons of what things can best be done by the contractors; what things can best be done by the government. There's no question about the oversight and the management and the decision-making and the budgeting and all of those things that have to be done by experienced, skilled government people, well-trained. And we've got to focus on that. And we have to focus on the difference between services and buying products, which we clearly have a cultural problem with.

And my summary statement is that I think you people have the opportunity to have a very significant impact on that culture. And I, you know, I encourage you to do that in a very positive way, rather than simply as a threat that they might be subpoenaed and debarred.

SHAYS:

Thank you, Dr. Gansler and Mr. Francis. I know on behalf of all the commissioners, we really value your work and we appreciated your testimony today. Thank you very much.

And we're going to get right to the next panel.

FRANCIS:

Thank you.

SHAYS:

You know what? We're going to have a five-minute break, which could be a 10-minute break, but we'll try to make it as close to five as possible.

(RECESS)

SHAYS:

Calling this hearing to order, we have the Honorable Stuart Bowen, Office of the Special Inspector General for Iraq Reconstruction. We have the Honorable Daniel R. Blair, deputy inspector general for auditing, Department of Defense, Office of the Inspector General, and the Honorable Herbert Richardson, Acting Special Inspector General, Office of the Special Inspector General for Afghan Reconstruction.

And we welcome all three of you. You're sitting down, and I should have warned you, we need to have you stand to swear you in.

Raising your right hand, do you solemnly swear or affirm, that the testimony you will give before this commission is the truth, the whole truth and nothing but the truth.

Note for the record, our witnesses have responded in the affirmative.

And we'll start with you, Mr. Bowen, and then Mr. Blair and then Mr. Richardson.

And we welcome you and thank you for your patience in waiting to testify.

BOWEN:

Thank you, Chairman Shays, members of the commission for inviting me this morning to testify on a matter that I think is central to the very purpose for which this commission was established—implementing improvements to defense wartime contracting.

That, if achieved through the course of the life of this commission and the implementation of its recommendations, will be an enormous boon to how the United States carries out stabilization and reconstruction operations in the future.

The fact that those elements of contracting necessary to successful contingency operations were not in place in 2003 led to significant waste, as my statement points out.

We estimate that waste to be upwards of \$5 billion, \$5 billion to \$6 billion, calculated out over the life of the program, \$1.7 million per day, just to jar your senses about what happened to taxpayer dollars in Iraq.

Why did that happen?

Because, as we've identified, there was not a risk-based approach to analyzing and undertaking the enormous reconstruction operation in Iraq.

This is the largest overseas rebuilding program in U.S. history. And there was, because of the amount of money poured into a system that wasn't ready to execute it, a rush to spend that led to the kind of waste that we've identified in over 350 audits and inspections.

The missing piece at the outset, of course, and was discussed by Dr. Gansler and has been addressed repeatedly by this commission—the lack of personnel, contracting personnel, capable of carrying out the rapid and significant work necessary to executing the stabilization and reconstruction operation in Iraq.

What are those pieces, though, that have to be corrected for the implementation of contracting reform?

I describe them as five. One: requirements. You have to adequately nail down what the contract needs, what is required on the ground, in-country, so that you can frame a specific outline for executing the project, that is, developing a good statement of work.

That requires consulting with the host country. That was not done well in Iraq.

Two, you need the right vehicle. We used cost-plus contracts at the outset, and those were, as I've described, open-shut books, and generated significant waste until they were terminated in 2005 and 2006 and removed to a more fixed-price approach.

Three, the award process: too much use of no-bid or limited competition, certainly in IRRF-1 (Iraq Relief and Reconstruction Fund), and it continued thereafter, more than we'd like. The focus on open competition is essential to protect taxpayers' interest.

Contract management: you need the people to do it; we didn't have it.

And oversight: you need a quality-assurance program and a quality-control program. Quality assurance executed by the government that's visiting sites, ensuring that a contractor has a quality-control program that is overseeing their subcontractors.

Subcontractor issue, a big matter addressed by this commission and, as yet, inadequately covered by current law.

The fact is, subcontractors repeatedly failed in Iraq, and taxpayer dollars were wasted.

We have suggested in our lessons-learned contracting report and *Hard Lessons* and other reports several improvements that are echoed commonly in the commission's report, "At what risk."

Our overarching one is that that the Departments of Defense and State should develop a set of contracting rules for use in contingency operations that all entities would use. Not as the situation we currently have, where each department implements its own amended version of the FAR (Federal Acquisition Regulation), difficult for contractors to understand, difficult for contracting officers to manage, difficult for overseers to assess.

Second, strengthen the capacity of contractors to carry out reconstruction work, echoing the organic-capacity recommendation of the commission, commission recommendation one, there needs to be more talented individuals doing contracting in the stabilization and reconstruction arena, and that requires growing the capacity within the agencies.

Include contracting personnel in exercises, commission recommendation six, we agree with. Avoid using sole-source and limited competition, commission recommendations 15 and 19, agree with those as well. Develop deployable systems that are usable in stabilization operations. Commission recommendation two addresses that. And, finally, create an integrated structure that's capable of managing this kind of operation. We don't have that today. The commission wisely recommends in recommendation 19 that a special office be created to provide oversight. We concur with that.

And with that I will conclude my statement and look forward to your questions. Thank you.

SHAYS:

Thank you, Mr. Bowen. Mr. Blair?

BLAIR:

Good morning, Chairman Shays, and distinguished members of the commission. Thank you for this opportunity to discuss our work on contingency contracting and DoD's challenges in this area.

Effective contracting for goods and services, as you've noted, is a key element to our success in Southwest Asia, and many in the department have been working long and hard to improve contingency contracting. However, we continue to find the same problems.

Simply stated, DoD needs to get it right in the beginning and then have effective oversight to ensure that it gets what it pays for. In order to get it right in the beginning, DoD needs to do four things correctly, consistently.

First, ensure that contract requirements are fully defined and that they meet a mission need. Second, select the appropriate type of contract. Third, properly compete these contracts. And, fourth, determine fair and reasonable prices. However, too often we find that these key steps are not consistently performed.

DoD also needs to have effective oversight of all of these contracts to verify that the goods and services are actually delivered according to the contract terms. A detailed quality-assurance plan in the hands of a well-qualified contracting officer representative is a powerful oversight tool.

However, we find too often that the department continues to struggle in this area. These recurring problems are why we developed this report, "Contingency Contracting: A Framework for Reform."

This report highlights some of the challenges that DoD must overcome and ways to improve contingency contracting. We're pleased to report that commanders and contracting officers in the field have started using it on a daily basis. Since our last testimony before the commission in May 2010, we've issued 42 audit and inspection reports related to contingency operations.

In Iraq we are reviewing asset accountability, base closures, and contractor demobilization. In Afghanistan we focus on a wide variety of issues, including safety and protection of forces, training and equipping the Afghan National Army and police, and the department's execution of over \$14 billion designated for Afghan security forces over the past two years.

Our recent audit of the prime vendor-subsistence contract shows what can happen when DoD does not get it right in the beginning. The contract grew significantly through verbal change orders, and the department has paid over \$3 billion without establishing all the contract requirements.

DoD recently extended this contract for an additional two years without competition. We found that the department overpaid potentially \$124 million for transportation and Tri-Wall costs and paid about \$455 million to airlift fruit and vegetables into Afghanistan without incorporating these airlift requirements into the terms of the contract.

Another audit, the Defense Reutilization Marketing Office in Kuwait, highlighted what can happen when there's inadequate contract oversight. Contractors allowed large quantities of potentially reusable equipment to be exposed to the elements and destroyed.

I'd like to direct your attention to the two large photographs that I have here. The first one here to my right shows the large number of boxes. As you can see, these boxes over here are uncovered, and some of them have collapsed. What has happened is the contents of the boxes were exposed to the elements in Kuwait.

The second picture over here shows what happens after this long-term exposure. This box contained unused boots that were designed to protect our warfighters from contamination, and as

you can see, the boots are no longer usable. We examined one box and found that the acquisition value of its content was about \$39,000.

Our investigators have over 230 ongoing investigations related to contingency operations. These investigations have resulted in 12 indictments, 19 criminal informations, 34 convictions, monetary recoveries of over \$42 million, and restitution totaling more than \$90 million.

In addition, those convicted were collectively sentenced to more than 50 years in prison, and there were 21 debarments from future contracting activities.

One of the most significant challenges that the department must address in contingency contracting is to ensure that our recommendations are more broadly implemented to proactively assess and determine what improvements need to be made to properly establish the requirements, compete the contracts, determine a fair and reasonable price, and properly oversee the contracts would be transformational.

Oversight of U.S. contingency operations in Southwest Asia continues to be a top priority of the DoD Office of the Inspector General. We will continue to identify and deter fraud, waste, and abuse and make recommendations to help ensure that the men and women serving in theater are well-equipped and well-supported.

The department and taxpayers cannot afford inefficient and costly contracting practices. I thank you for the opportunity to testify this morning and look forward to answering your questions.

SHAYS:

Thank you, Mr. Blair.

Mr. Richardson?

RICHARDSON:

Chairman Shays and members of the commission, thank you for inviting me to discuss implementing improvements to defense wartime contracting.

Let me begin by noting that, under its mandate, SIGAR has limited oversight of Department of Defense contingency contracts. This oversight represents 13 percent of the \$154 billion obligated from fiscal years 2002 to 2010.

Almost all can be found in three specific areas, first, the Afghan Security Forces Fund; second, the Commanders' Emergency Response Fund and, thirdly, the Defense Department Drug Interdiction and Counterdrug Program.

SIGAR's work has largely focused on construction projects paid for by the Afghan Security Forces Fund and the Commanders' Emergency Response Fund.

We have issued 11 audit reports which examine 15 construction contracts paid through the Security Forces Fund totaling \$363.9 million and 70 contracts paid through the Commanders' Emergency Response Fund totaling \$54.7 million.

In addition, we have looked at \$11.4 billion planned expenditure of the combined security-transition command build of 884 facilities for the Afghan national security forces, which we discussed in our last hearing with you.

Since SIGAR's last testimony before this commission, we've issued two additional reports on activities funded by the Afghan Security Forces Fund.

One audit questions the capability of Afghan Ministry of Interior to account for and pay the Afghan national police. As you know, this is a key issue as we approach transition to full Afghan control.

The other is an audit of infrastructure contracts that discusses weaknesses in contract oversight, which is a key issue to preventing cost overruns and costly contract delays.

In addition, SIGAR has two ongoing audits of large infrastructure projects funded through the Afghan Security Forces Fund and being implemented by the United States Air Force Engineering Center.

We are also planning, in coordination with the Department of Defense inspector general to conduct an audit of two U.S. Army Corps of Engineers contracts with ITT Corporation. These contracts provide operations and maintenance for Afghan national security force facilities.

As our work has shown, our audits continue to identify challenges that place U.S. funds at risk, primarily in three areas, inadequate oversight, lack of sustainability and insufficient planning.

To address these and other weaknesses, we have made specific recommendations to the effective agencies, and we closely monitor their implementation.

In doing so, we ask for specific details about follow-up actions as well as confirmation that these actions have been successfully completed. To this end, SIGAR has made 35 recommendations to the Department of Defense during years 2009 and 2010. The Defense Department has concurred with 28 of these recommendations and partially concurred with the remaining seven.

We have identified corrective actions taken by the Defense Department in about 75 percent of these recommendations. We've also made 14 recommendations to the Defense Department during the current fiscal year and are now awaiting their response.

Let me add that a critical step in our audit process is to ensure we coordinate SIGAR's work with other IGs. As a courtesy, SIGAR will vet all notification letters with other IGs to ensure that we are not duplicating their efforts.

And, as appropriate, we will also discuss potential outcomes with the commanders in theater to ensure corrective cost-saving measures are taken as soon as possible.

In conclusion, let me assure you that SIGAR is moving forward with a robust audit plan to examine Department of Defense, Department of State, and USAID grants, contracts, and cooperative agreements.

Examining billions of dollars of taxpayers' money being spent on foreign soil is a complex and difficult assignment. SIGAR recognizes the critical nature of this mission and is deploying the skills and the resources necessary to follow the money, generate a greater return for our taxpayers, building critical investigative cases assigned, resulting in fines, recoveries, and prosecutions, and ensure U.S. objectives are being met.

Again, thank you for this opportunity to testify before you today, and I am prepared to answer any questions you may have.

SHAYS:

Thank you, Mr. Richardson.

I'm swapping my time with Ms. Schinasi, and so she's going first. I will go last. So the order is Commissioner Schinasi, Ervin, Green, Tiefer, and then myself.

And we'll start with you.

SCHINASI:

Thank you, Chairman Shays.

Thank you, gentlemen, for being here this morning, and thanks for all the good work that you and your staffs have done in pursuit of learning and better expenditure, more effective expenditure of taxpayer dollars.

I'd like to start a little bit, maybe, with a question that you're not given very often, and that is what's going right. I think many of us would agree that in a contingency, by the very nature of it, you can expect waste when you go into a contingency. We don't know a lot about what we're going to face, we're not really good at setting requirements, we don't have all the people there at the beginning to help.

But my question goes a little bit to the cultural issue that we were dealing with the last panel, and have you seen any recognition on the part of the departments that you work with, and let's start with the Department of Defense, that we really need to change the way we do business, not just with respect to waste, but with respect to cost more generally. Are we getting better at being more effective in the way we spend taxpayer dollars?

I'll just start with you, Mr. Bowen. And if there are specific examples you have, I would appreciate that.

BOWEN:

Yes, we do have a specific example in an audit that we are releasing this week concerning the U.S. Army Corps of Engineers.

Eighteen months ago we issued a review of the asset-transfer process, and we found that hundreds of projects were being unilaterally transferred and, thus not being adequately sustained.

As the commission has addressed, as we've repeatedly said, significant waste can occur if projects that we properly build are not effectively sustained by the Iraqis.

The audit that we will issue finds that the Corps has dramatically improved its asset-transfer process and has a system now functioning in Iraq that will ensure that the remainder of its projects will be effectively transferred to Iraqi control. There is the continuing challenge, though, regarding whether the Iraqis will sustain.

SCHINASI:

Mr. Blair?

BLAIR:

One of the things that we noted in some of the work that we did in Iraq was related to the area of asset accountability. And I know that's not really the cost issue that you're asking about, but with the asset accountability we found that there was a good handle on some of the equipment.

But one of the things that comes to mind in the whole idea of a transforming of culture in DoD and as was discussed a lot at the last panel, once a culture is in place, it's very difficult to change.

We are seeing some discussion now, more than before, of cost. No longer are we seeing first and foremost, "I've got the money, I want it on contract, I want it now."

But I was at a program-management review a couple weeks ago with CSTC-A(Combined Security Transition Command-Afghanistan) and there was some discussion, not just about getting the items on contract immediately, but also some discussion about the idea that the funds that we once had are going to be more limited in the future than they were before.

So that's encouraging. It's encouraging to hear that discussion takes place. I'm not ready to say that I've seen positive change yet. I think that's going to take several years to put in place.

SCHINASI:

How do you make sure that that discussion you heard actually is carried through and spreads?

BLAIR:

We do discuss this in our audits. We bring it up, "How are you particularly going to focus on costs?" When we do our audit work, we do focus on whether the contract is the appropriate type and whether they're using a contracting vehicle that puts the appropriate amount of risk on the contractor and the government so that there is a preference to the cost—or not the cost, a preference to not time-and-materials and not cost, but a firm fixed price.

SCHINASI:

But besides contract type, I know in many cases the auditors are discouraged from asking about whether a need is really a need or a want. Do you question whether or not a need is a need or a want?

BLAIR:

When we look at the contracts in the requirements determination, we want to see that link between the requirements and the mission requirements, the contract requirements and the mission requirements. We haven't got into the detailed question that you're talking about, that's something that I think we could include in some of our work going forward, to the commanders, "How do you distinguish some of the prioritization, how do you distinguish what you need now versus what you want for later?"

SCHINASI:

It seems to me if we do pursue what particularly Dr. Gansler was talking about and what we've advocated about commanders having more responsibility for the money they spend, the audit community could be a really important supportive mechanism in that case as well.

Mr. Richardson, I guess my question to you would be lessons learned from Iraq transferring to Afghanistan. Are there things that you have seen or that you have discussed with your colleagues about cultural change that's being incorporated by the military units themselves?

RICHARDSON:

The major lesson learned from Iraq is the sustainment issue. In Afghanistan the issue is whether or not the facilities being built, the roads being built, the systems being put in place, the money being spent on the Afghan national police and the Afghan national army are going to be worth it from the standpoint of the ability of the Afghan government to sustain these operations.

And what we are finding from a cultural standpoint is that while this is a very complex issue, things are being put in place based on a number of recommendations that we have made over time, the last couple of years, to try to shore up these avenues.

SCHINASI:

I think, if my colleagues don't pursue that sustainment question with you, I will come back to it in my second round, but I would say that's probably one of the lessons that has not been learned from Iraq to Afghanistan, given the waste we'd seen in sustainment there.

But let me turn to another question both for you, Mr. Bowen, and you, Mr. Richardson, with respect to the State Department. We haven't talked a lot about State yet. But you both make reference either in your statements or in reports about the difficulty in getting information out of the State Department with respect to their programs.

I guess, Mr. Richardson, you talk about a review you're doing of the State's transaction data related to Afghan reconstruction, that you've made a request in August last year for some information that you haven't gotten yet.

And, Mr. Bowen, you make reference to a similar request for information about embassy numbers that you haven't been able to get.

Is the State Department a harder agency to deal with, is this acceptable that we don't know what's going on with respect to the State Department's operations?

BOWEN:

No, it's not acceptable that we don't know, because it's essential that we get the information necessary to do our mission so the Congress is informed about how the taxpayers' money is being used.

It's a development that's evolved over the last nine months. We've written about it in our quarterly reports. And it concerns a reinterpretation at the State Department about who's actually involved in reconstruction activity.

And they said two quarters ago that only 10 individuals were involved at the embassy in reconstruction, which is not plausible. And we pressed back to get more information about funding used to support the PRTs, for example, 14 still operating in the fields, and we're somewhat stymied.

This was addressed at a hearing before in-house in March, and we did not see an appreciable improvement this quarter regarding that matter.

SCHINASI:

Is that because your portfolio is limited to reconstruction? Is that why who is involved in the reconstruction . . .

BOWEN:

Actually, our portfolio covers all funding for Iraq. It's very broadly defined, not just hard reconstruction, but it's the Iraq Security Forces Fund, it's the Economic Support Fund, it's the Iraq Relief and Reconstruction Fund, it's the Commander's Emergency Response Program, and it's the INL (Bureau of International Narcotics and Law Enforcement Affairs) fund.

SCHINASI:

OK.

BOWEN:

And that's what we're not getting enough on.

SCHINASI:

Mr. Richardson, do you care to comment on that?

RICHARDSON:

Yes.

We are at the present time coordinating conversations with the State Department. We are having the same levels of difficulty with respect to getting the information, but we are making progress.

And let me back up one thing on the sustainment issue. My understanding of your question was whether or not what we at SIGAR have learned from SIGIR, OK?

SCHINASI:

Oh, OK. Yes.

RICHARDSON:

And based on that is what my response was.

SCHINASI:

That helps. Thank you.

SHAYS:

Thank you, Commissioner Schinasi.

Commissioner Ervin?

ERVIN:

Thank you, Mr. Chairman.

I want to likewise thank three of you for being here today. Thank you for your service and that of your staffs.

To varying degrees, I found each of your statements really to be profoundly disturbing. That's not a criticism of you or your staffs. You all accurately laid out the state of affairs in Iraq, in Afghanistan, all these many years after we entered these conflicts.

And perhaps I think you put it best, Mr. Blair, in your statement when you said that "We continue to find the same contracting problems occurring. The department continues"—you're talking about DoD, but it's true of State, it's true of AID—"the department continues to struggle to get it right in the beginning and ensure it actually gets what it pays for."

And you had a number, I think, of very helpful examples. You gave an example of a cost-plus percentage-of-cost contract. You know, and the reaction to that is, of course, that's a bad deal for the taxpayer so that ought to be banned. Well, it is banned. It is prohibited, and notwithstanding, you give an example of such contracts continually being used or at least continuing to be used.

You talk about the need for full and open competition, and yet you gave an example where it was insisted upon that there be a sole-source contract awarded. And we know there are lots of examples of that.

And then I found particularly interesting your example of this chain that you trace back to Kabul airport, I think it was, of a price survey. You traced it back five or six times and there actually wasn't a survey of cost-reasonableness at the beginning, so it was a house of sand really that was built on here.

And so, you know, it leads to the question of why? And to me, the real problem here is lack of accountability, lack of accountability on the part of contractors and lack of accountability on the part of the government to oversee the contractors.

And that's why I spent so much time, and the rest of us did to varying degrees, talking to Dr. Gansler about at least one accountability mechanism, namely suspension and debarment. It seems to me there are plenty of incentives for contractors to get it right. The vast amount of money available is incentive enough for the contractors, it seems to me, to perform. Where we seem to be lacking is on the accountability side.

Now, you mentioned the investigative work that you do, but that deals only with fraud. Can you talk a little bit about the need for accountability with regard to waste, both on the contractor side and on the government side?

I'll start with you, Mr. Blair, and just quick comments, if I could, from Mr. Bowen and Mr. Richardson also?

BLAIR:

Well, Commissioner Ervin, your report talks about the idea of incentives, as well as the idea of the carrot and the stick that was mentioned before. And I think that is something that we need to have a balance in. There has to be more accountability in the government to ensure that we do all of the steps correctly. There has to be more accountability for the contractors through suspensions, debarments. And these actions have to happen rapidly so that as soon as we become aware of the issues, that we can step in and shut them down as quickly as possible, and avoid doing more work with those firms or those individuals in the future.

ERVIN:

Before I get a comment from Mr. Bowen or Mr. Richardson, let me just follow up and just ask another question. In this last example that I mentioned, the one of the price-reasonableness survey, the level that you dealt with, apparently, is the executive director of the Army Contracting Command. And the action that was taken was that ACC agreed that they were going to do a program-management review. And they're going to pursue some administrative action against the contracting officers, if that's appropriate. To me, that seems like a very weak rag.

So please, I'm going to ask a quick follow-up question, then, as I say, I'll get to you two.

What level do you generally deal with at DoD? Do you deal directly with the secretary of defense, the under secretary, the deputy secretary of defense, under secretaries, assistant secretaries? Or is it generally at this level that you and your staff are dealing?

BLAIR:

We generally deal at the level that you described there. We do brief the deputy secretary. I've briefed him on several occasions on the results of some of our work. But generally, we try to address our recommendations to the lowest appropriate level, to give that person the opportunity to effect the change in their organization.

ERVIN:

But that appears from your own testimony that really leads to my question, not to be that effective. I'm trying to gauge from you to what extent the issues that we're here today to talk

about and the issues that the commission was created to address receive top level attention at the Department of Defense.

I had carte blanche. You know, I was the inspector general at the State Department at the beginning of the Bush administration. I had carte blanche to access to the secretary of state, the deputy secretary of state, the under secretary for management, who is sitting here on this commission. Does DoD IG have that kind of access?

BLAIR:

We do have that type of access. On our day-to-day audit work, though, we tend to work at the lower levels.

ERVIN:

Right, but as I say, the working on the day-to-day level at these levels suggests that you're not getting the kind of action that's needed here. I'll just leave it at that.

Mr. Bowen, Mr. Richardson, do you have comments about this?

BOWEN:

Yes. To reduce waste in contingencies, you have to have systems and a plan in place before the contingency begins, specifically, well-identified, agreed-to contracting regulations; well-trained personnel; and a recognition that you're not going to pursue large-scale rebuilding when in an insecure environment. All of these elements, these principles were violated in Iraq.

But the waste that occurred throughout, in periods of insecurity, periods of greater security, stemmed chiefly from the lack of good quality-assurance program implementation. That is individuals that get out and visit sites and ensure that contractors and subcontractors are doing what they're supposed to be doing.

ERVIN:

Right. We agree with all that. But the question is: Why haven't people been held accountable for not having done that all these many years in Iraq?

BOWEN:

Well, we have held many accountable. We have 110 debarments that we list in our quarterly report and we have 50 convictions of individuals that did violate the standards that were required.

But ultimately implementing lessons learned is the most crucial long-term form of accountability. We've got to achieve greater transparency and greater accountability in how the United States executes and uses taxpayer dollars in contingency operations. We don't have that now because the overall system has not been sufficiently amended to ensure reasonable insurance that the taxpayer dollars will be well spent.

ERVIN:

Mr. Richardson?

RICHARDSON:

Let me first speak to your issue of accountability.

It is a problem in Afghanistan. The issue at hand, obviously, is that we are in a war zone infested by insurgents, so security plays a very large part. Getting people out to those sites to provide the necessary oversight becomes critical. Having a number of qualified people on board to do the oversight is critical. The fact that we've moved toward hiring Afghan nationals to provide oversight of their own work is an issue and we're looking at that.

The fact that we have individuals who have the title, but not the skills to provide the correct oversight is an issue and we're looking at that. We are encouraged by the idea that organizations currently on the ground, the Corps of Engineers, are taking a very aggressive approach to accountability and have laid out plans to try to increase the level of oversight, and have taken the position that they will no longer leave a construction project ongoing at a high-risk area. Where they can't get oversight out there, they will shut it down and move to a different location or provide the security to do it.

We're encouraged by General Petraeus's statement that he's increased the number of debarment actions that's he's moving forward with. We ourselves have recently proposed 26 debarments on individuals and five different companies. So from the accountability standpoint, we're moving forward.

ERVIN:

Thank you very much.

Could I just ask one other quick question, and I'll close on this.

Mr. Richardson, I wanted to ask about your view of the recommendation in our report, you mentioned it in your prepared statement, about having a special inspector general for

contingency operations. Mr. Bowen is on the record as supporting that notion, as I understand it. And I'll ask you this, Mr. Blair, if there's time. If not, I'll do it in a second round.

But you, Mr. Richardson, objected to that notion. You said you generally object to adding extra layers of oversight and duplication, and you think that there are mechanisms in place that could already handle this, namely the Council of Inspectors General on Integrity and Efficiency—kind of the consortium of inspectors general.

The reason we made that recommendation is that, as I'm sure you know, the statutory inspectors general for DoD and for State and AID have jurisdiction only with regard to their agencies. They're not cross-jurisdictional like SIGIR is like you are with regard to those two contingencies.

Which leads to the second point, you two are just related to those contingencies, and chances are we'll be involved in future contingencies. In fact, we're already in one right now.

So I don't . . .

SHAYS:

So why don't we do this: why don't we have this be part of that second round because this is going to be a long answer and I don't want to rush the answer.

ERVIN:

OK.

SHAY:

Mr. Green?

GREEN:

Thank you.

Mr. Blair, what, if anything, happened to the responsible commander in these two cases?

BLAIR:

The commander on the ground?

GREEN:

Yeah. Because whoever the hell was responsible for this?

BLAIR:

I honestly don't know the answer to that question. I'd have to take that one for the record to get back with you specifically . . .

GREEN:

Would you? Would you?

BLAIR:

Yes.

GREEN:

Because I'd have relieved their butts. I mean, this is inexcusable, even if it's only \$39,000, which in the grand scheme of things ain't a lot of money.

But that is a commander's responsibility, whether it's in Kuwait, Afghanistan, or Iraq. And, obviously, you felt it was important enough that you had these big fancy charts made to bring in here.

Which leads me to my concern. And I mentioned it with the last panel, and I said that I would ask you guys the same question: What mechanisms and process do you use to follow up?

And to quote some of your testimony, Mr. Blair, which has already been acknowledged by Commissioner Ervin, you acknowledged the difficulty in ensuring corrective action, recurring problems.

So what do you do? Well, they didn't fix it, we'll go back in next year, we'll inspect 'em again, and we'll give 'em probably the same report.

Mr. Richardson, in the previous testimony by your predecessor, General Fields, he expressed considerable concern, and you've addressed it today to some degree, about the \$11.4 billion planned construction for Afghan national security forces, which may go up to 400,000 if you believe all these numbers.

You made some recommendations to CSTC-A to develop a long-range maintenance plan for these facilities. And, essentially, their response was, "Well, we don't have any plans on the number and the size and location of these places. Gee, long-term construction is hard."

They agreed on the need for a long-term operation-and-maintenance plan. And their solution was to ask for more resources. Which is fine, but they probably won't get 'em.

Again, what do you guys do? Because, listen, we're going to go away. The two gentlemen on the end at some point will go away or go to a different job. What do we do to follow up?

RICHARDSON:

You hold hearings, sir.

GREEN:

We won't be here.

RICHARDSON:

You give the hammer back to the people who hold the hammer. That would be this commission, it would be Congress.

We follow up, yes, we do. Do we go back in? Yes, we will. Do we make additional recommendations? Yes, we do.

But if nothing happens, do we go to the Hill, do we discuss it, do we try to encourage hearings in order to make changes? That's a part of our mission to do that.

But do we have the hammer?

No, sir, you have the hammer. The . . .

GREEN:

No. We're not going to be here, I said.

RICHARDSON:

Well, whoever your predecessor is. Or your . . .

GREEN:

You know, to me, and, Mr. Blair, you alluded to it, to me it just shows a lack of focus and a lack of interest from senior leadership.

BLAIR:

Commissioner Green, one of the things that we find consistently is that if we identify a specific problem, the department will go and they'll correct that one specific problem.

And one of the things that we see that they don't do very well is generalize the problem to the entire population. And they don't try to get proactive and to broaden that.

And one of the things that we're going to start doing more of, you talked about—you know, we can go back, and we can re-audit and all of that stuff. But what we're trying to do now is to increase our level of outreach at the higher levels in DoD.

I'm going to hold a round-table discussion with senior leaders in the procurement area, Shay Assad, for example, to talk with him about our recurring problems.

Because one of the things that I want them to do is to start generalizing and to start looking at the the broad universe of contracts that they have and to stop fixing the onesies and twosies.

And, as Mr. Richardson noted, we do not have the hammer. We have the recommendation. We can reach out to the department. We can tell them these are the things that we think . . .

GREEN:

The senior people have the hammer.

BLAIR:

Yes, sir.

GREEN:

If they care, they have the hammer.

Mr. Bowen, comments?

BOWEN:

Yes. We are carrying out three audits on exactly this issue, looking at recommendations and follow-up. One will be issued this week, in the next couple of days, finding that USAID has implemented almost all of our recommendations, so that's a good audit.

Our audits on the Defense Department and the State Department will not be as positive. I expect one out in July and the other out before October.

We also have an ongoing recommendation-monitoring process that looks at this every quarter as well and pushes for follow-up.

So we've seen some response out of one of our oversight agencies, and that's good.

But to correct the institutional shortfalls that are there, I think, ultimately will require congressional action.

GREEN:

Thank you. I'm . . .

SHAYS:

Thank you gentlemen.

Mr. Tiefer?

TIEFER:

Thank you.

Mr. Bowen, your testimony was to me a very striking statement, the written testimony.

Waste in Iraq reconstruction amounted to about 10 percent of total spending or between \$5 billion and \$6 billion.

Now, it struck me particularly because we're in the midst of discussions as to whether we can find a total figure that would include both what you did for Iraq and Afghanistan.

I wanted to know can we build on that figure? Do you think it's a figure we can build at as we look at the waste in both theaters?

And does it cover not just buildings, but does it cover stuff like the Iraqi police, the soft stuff, because I'm going to be asking some questions about the Afghan police to your co-panel members.

But tell us about the scale of waste.

BOWEN:

Well, as I point out in the statement, it's difficult or virtually impossible to accurately nail down a total waste figure, just because by definition it's beyond view. It's in the shadows. And also it's subject to different interpretations.

The fact is, in the Iraq program, there were multiple course changes. As I said in my statement, it really is tantamount to eight one-year programs, rather than an eight-year program, with the constant personnel and policy changes.

But through 350 audits, we've been able to identify significant waste, specific examples of it. And my auditors have estimated from that a waste figure of about 10 percent, which is between \$5 billion and \$6 billion. How that translates to Afghanistan, I can't comment on.

But, as I also said in my statement, the real waste figure is probably higher, because of the sustainment issue that the commission's talked about that I mentioned in my statement.

The reality is that a number of significant projects, expensive projects that we've transferred to the Iraqis have not been well maintained.

We issued an evaluation last fall of the Nasiriyah water treatment system, the single most expensive project that the United States executed in Iraq, \$400 million, being used at less than 15 percent. That is waste, frankly. It's not working.

And can you yellow-book that out to an exact number? No. But I think it supports my observation that the factual waste is something significantly higher than the \$5 billion to \$6 billion I'm willing to estimate today.

TIEFER:

OK. Let me go on.

Mr. Blair, I thank you. You, personally, with your team on this subject, the team had Colonel Emil Kabban brief me and others at the commission about the study that you just finished last month of the Afghan National Police and the continuing observations you're doing on both the police and the Afghan national army.

Before I get into the details of that report, the most stunning sum-up comment I heard from Colonel Kabban, and I just want to check this with you, did he say that it would be eight to 10 years before we can turn over to the Afghan security forces the accountability for their own logistics? Do I understand that?

BLAIR:

Commissioner Tiefer, what he was relaying to you was a discussion that he had had with members who were in theater at the time, and he was relaying their comment to you. So that's not our observation, it's not our estimate.

TIEFER:

I understand.

BLAIR:

That was a comment that was made from a colonel in the theater.

TIEFER:

But this is the most sophisticated and elaborate analysts there are on this subject.

What is the problem? The logistical system for the Afghan police—which I won't go into at this point—but we built the physical facilities for them.

It's not that we don't have the buildings. What is the reason that it's projected that it could take many years before they can stand up their own logistical system?

BLAIR:

In talking with the people who focused on that report, one of the things that they relayed to me was that a big challenge was to get the logistics operations up and running, and it hasn't been a primary emphasis in Afghanistan until recently.

And so the development of a logistics system lagged behind the need to have warfighters in the theater and to execute combat operations. And so that was part of the problem is it started later.

TIEFER:

Well, isn't the problem that, and by logistics, we're talking about things including munitions, small arms, light machine guns, I think I heard him say rocket-propelled grenades. This is not your average small-town police force in the United States giving out parking tickets.

If I understand what your report on this subject said, without such a system, first of all, we're going to face, am I correct, waste, fraud, and abuse because of what flows through the system happens to be valuable?

BLAIR:

Yes.

TIEFER:

OK. But, secondly, will we be able to have operational forces, remembering that this is how the police are half of the security forces? In the clear, hold, and build effort we're making, they're the ones who are supposed to hold the areas. We're going to send them into these Taliban areas as soon as we clear the Taliban out, and they're supposed to hold them.

How long will the ANSF last without an operational logistics system of this kind? I think Colonel Kabban had a rather dramatic statement, but you tell me.

BLAIR:

I don't recall what his statement was.

TIEFER:

OK. This isn't a closed-book test. He said it would be about three days if they didn't have logistics going. I'll leave it at that. But my point is, it's both waste, fraud, and abuse and that they need the support to operate in the field? Am I right there, they need . . .

BLAIR:

Yes, that is correct. They need that operational support.

TIEFER:

OK. Another aspect of it, a March 2010 *Newsweek* story, which did a thorough survey of the police, said, quote, "Crooked Afghan cops supply much of the ammunition used by the Taliban," according to Saleh Mohammed, an insurgent commander in Helmand province. "The bullets and rocket-propelled grenades sold by the cops are cheaper and of better quality than the ammo at local markets," he says.

Is there a danger that we will continue supplying the enemy if we don't have a functioning logistics system to do oversight?

BLAIR:

Commissioner Tiefer, I'm not aware of us directly supplying the enemy at this point. I know that there is a need to put a logistics force in place, and processes in place, as soon as possible, and a sustainable logistics process at that.

TIEFER:

OK. One quick question to SIGAR: You have an Afghan national police study, which, I believe, becomes final almost this very minute. Will we be able to discuss that in the next round?

RICHARDSON:

Certainly.

TIEFER:

Thank you.

SHAYS:

Thank you, Mr. Tiefer.

I'll yield myself my eight minutes and yield for the follow-up to Mr. Ervin's question. Do you want to just, basically, repeat and I'll look for brief answers since it's my time.

ERVIN:

Sure. You know, my question to you, Mr. Richardson, was you seem not to support the notion of a special inspector general for future contingency operations a permanent one, and you said the reason was that you didn't want to add an extra layer when, in fact, you're going to be going away at some point; Mr. Bowen is going to be going away at some point; and you didn't want to add a duplicative layer, whereas this PCIA really is not relevant here. So I didn't understand your opposition to the notion.

RICHARDSON:

My position is based on my understanding of the role of that position. My understanding of that position is that it would provide the continuity between existing Iraq, Afghan and whatever other war zones come online, where everyone would essentially report to that particular component. And that component will provide some level of continuity between the multiple war zones.

In order to do that, that component will have to be stood up, staffed, and funded. I see that as another layer and another cost to the taxpayers when the issue isn't so much continuity but collaboration.

And I felt that collaboration could be achieved in the existing framework of the Council of Inspector Generals for Efficiency and Effectiveness, the way it was done when the request went

in for them to look at the issue in Katrina, the way it was done when the request went in to say, let's look at the . . .

ERVIN:

And, Mr. Bowen, you support the notion, and can you explain why?

BOWEN:

Yes. I think you articulated it well. A special inspector general's office would have cross-jurisdictional capacity. Second, we don't know when these contingencies happen, and so they occur suddenly. One may be unfolding now in North Africa. And are the resources already in place for execution of rapid oversight of whatever substantial aid we might provide there? And no they're not. It would have to come out of hide.

The lesson learned from Iraq and, sadly, not quite from Afghanistan, since the oversight didn't start until a couple of years ago, is that you have to have that oversight there from the beginning to ensure compliance with the regulatory requirements. More importantly, it promotes more efficient execution of the program and improves the likelihood of success and protection of national security interests.

ERVIN:

Thank you. Can I just get Mr. Blair's view on that since he's the statutory inspector general?

BLAIR:

I tend to agree with Mr. Richardson's observations that the implementation of another layer of bureaucracy or oversight rather than maximizing the cooperation between the existing inspector generals. I'm not convinced that we needed to go to that step yet.

SHAYS:

OK, let me reclaim my time.

We set up a special prosecutor because the inspector generals were not doing their job. I was on the government oversight committee and we did it.

And, frankly, Mr. Bowen, you did your job brilliantly, maybe too brilliantly because you became too much of a force and too much of a contrast for the other inspector generals. And, frankly,

you became a target. I don't understand for the life of me why Congress didn't give Mr. Richardson's SIGAR element the same powers that you had. You had broader reach, correct?

BOWEN:

I think he did get the same powers. He didn't get the same funding at the outset. That was the challenge.

SHAYS:

And the challenge is that it took you a little bit to get set up because you started, and we, kind of, judged Mr. Fields on instant replay. There was a sense that somehow how come he wasn't producing what SIGIR was right away. But it did take you a little bit of time to get started, correct?

BOWEN:

Well, we were told to shut down three months after opening, and so we were shutting down. And then we were told to start up again. And so that first year was a challenge.

SHAYS:

Well, my work on government oversight committee, where we had jurisdiction over Defense and State Department, the synergies, and USAID, were fabulous. And, Mr. Blair, you're only DoD, and you're only a certain part. You can't look at USAID, State, and DoD in the same way, correct? You didn't, I mean, you can . . .

RICHARDSON:

Our mandate does give us authority . . .

SHAYS:

Right. I'm sorry. I said it incorrectly. You do have the ability, but the DoD folks and the USAID, they're just the tunnel. And there's sometimes the need to go in two different directions.

And, frankly, my own view is a little competition doesn't hurt, you know? What was so interesting when Mr. Bowen went into this effort was we then said, how come DoD and State and other inspector generals didn't do what he was doing? And then they started to.

So there's two sides to this equation here. You've been a long time with the inspector generals' offices?

RICHARDSON:

Sixteen years with the Department of Energy, sir.

SHAYS:

OK. And thank you for that service.

The question I would like to ask you, Mr. Bowen—I may be just incorrect, and we may need to redo this. I need you to define to me the whole concept of debarments.

You're basically saying, if you were in the chair when I had asked Mr. Gansler, give me five cases of debarments, he should have, you know I didn't want to trick him, but you, obviously, have a long list.

Are these recommended debarments or actual debarments and were they small companies or big companies?

BOWEN:

Actual debarments. Some were operating on large contracts in Iraq. Global Business Services, Philip Bloom's company, had many, many contracts when we caught him in massive fraud, and he did four years . . .

SHAYS:

And so the company was shut down or he . . .

BOWEN:

Yes. It was debarred, and then the company went bankrupt.

SHAYS:

OK.

BOWEN:

Lee Dynamics, another one doing massive logistics work with PWC; Allied Armor, another one that ultimately was shut down because of the debarment. Custer Battles was debarred, shut down because of their manifestly flagrantly violent conduct.

SHAYS:

So you would take issues with our concept on debarments?

BOWEN:

Well, no, I think your February 28th hearing was extremely telling and maybe the most compelling argument for reform regarding the imposition of a better suspension-and-debarment program.

The colloquies that occurred during that few hours exposed significant weaknesses that have to be repaired. The interagency piece isn't working. No reporting was happening.

The Army has done a decent job, but has State and AID? No. AID wasn't doing anything until 2007 until the IG got on them for it. Has State been able to strengthen that? The answers you got didn't provide much confidence about that. But . . .

SHAYS:

So let me just, so I can ask Mr. Blair and Mr. Richardson, you would take issue with my describing there haven't been many. Your issue would be there have been, but there are still weaknesses in the system. And that would be a better line for me to look at than saying it's just not happening enough.

BOWEN:

Yes, exactly right. Yes, sir.

SHAYS:

Thank you.

Mr. Blair?

BLAIR:

I would agree with what Mr. Bowen just said, that there have been some debarments. But I think the departments needs to increase the attention in that area.

SHAYS:

Mr. Richardson?

RICHARDSON:

Well, I can only speak for Afghanistan.

SHAYS:

Right.

RICHARDSON:

In Afghanistan, I think that we've only recently started down that road. Probably should have started two years ago. But since we started down that road, as I indicated, we have debarred 26 individuals and five companies. I know that the military has also. . . .

SHAYS:

Let me just clarify. Is that a recommendation or actually they've been debarred? Do you have the authority to debar them . . .

RICHARDSON:

No.

SHAYS:

. . . without DoD accepting it?

RICHARDSON:

No. We proposed it to DoD. DoD has the final authority.

SHAYS:

Have they accepted it?

RICHARDSON:

I'm not sure.

SHAYS:

Yeah. See, I don't want to mix these, your recommendations versus what happened.

RICHARDSON:

Right.

SHAYS:

OK.

So my time has expired. And I'll get the second round.

And we'll go back to you . . .

RICHARDSON:

We have four out of five have been accepted.

SHAYS:

OK. Thank you for that.

Ms. Schinasi?

SCHINASI:

Thank you, Chairman Shays.

Mr. Blair, I'd like to turn to a couple of reports that your office issued on, and these are time-and-materials contracts in Southwest Asia, one you did for the Army and one you did for the Air Force.

A couple of findings in there caught my attention—happy that you're looking at T&M contracts. Those are obviously the worst ones to be using.

But in your findings for the Air Force you talked about faulty construction work and other serious engineering and construction issues that resulted in fires in barracks, for example, pretty serious. You also talked about \$24.3 million in costs that we had to pay for that we didn't agree to. You know, I would put that in the category of waste.

For the Army side you talked about similar wasted money. But I think the issue that struck me is in the response from the agencies to your findings, and it sounds like they don't think there's a problem here.

Two questions that come to mind: One, are these areas where we shouldn't have contractors if the agencies themselves don't think it's important to manage them and get fair value for what we spend? And number two, am I reading this correctly, that they really aren't interested in recovering the money, they don't believe that the government should do that?

BLAIR:

Well, to answer your first question, time-and-materials contracts are the riskiest ones, and we should be using those types of contracts only when the department is going to put the appropriate level of oversight in place. And the work showed that that oversight was not in place.

So to say that we shouldn't be using contractors at all I think is a bit extreme, but to say that the department needs to step up the level of oversight for those contracts is definitely the case, and that oversight has to be appropriate. You can't have the people in the United States providing oversight for T&M contracts that are in Southwest Asia. That's just not effective.

SCHINASI:

And the \$30 million or so that we saw in overcharges, that's not worth going after?

BLAIR:

That seems to be their position. We would disagree. \$30 million is a lot of money.

SCHINASI:

I would agree with that, too, and I think most people, certainly outside of this room, would as well.

In another report that you did on training and equipping, well, let me follow up. So what are you going to do about that?

BLAIR:

We're in the process right now of planning our next year's work and identifying those reports that we want to follow up on. We want to get a mixture of reports that we will do the follow-up that have ongoing activity going forward so that we can see that not only did we collect from the sins of the past, but that we can correct things going forward.

So we're trying to get a mixture of the two and we're in the process of identifying, now, which ones of those contracts we're going to follow up on.

SCHINASI:

But can you go after a budget that somebody has, the Air Force or the Army, and take that \$30 million out of what they're going to have to spend in the future.

BLAIR:

No, we do not have that authority.

SCHINASI:

Would you like to have that authority? Would you like to have that authority?

BLAIR:

I'll have to take that one for the record.

(LAUGHTER)

SCHINASI:

You also had a report in March of this year on the Afghan national police, and in there you talk about, again, the need for more people to oversee this contract, that this is arguably the most

important contract we have in Afghanistan and the department has not been willing to put people in place.

I think in that report you say you did get a better response from the vice chairman, I guess, who has said, "Yes, we need to do it." But we've seen this in the past. Requests have gone forward for more personnel and they're not forthcoming. And I think, as you've maybe heard some of us say a couple of times this morning, it's only going to get harder to get these kind of people in times of budgetary decreases.

What are you going to do about that?

BLAIR:

One of the things that I want to make sure, we don't just focus on numbers. It's not just that there aren't enough people. It's even to the point where the people that are there aren't being used as effectively as they should.

When they don't have a detailed quality-assurance plan that they can use to really do a detailed evaluation of the contract's performance; and when we award award fees or incentive fees without doing the appropriate oversight to determine that the contractor actually earned those fees for performing above the minimum, those are the types of examples that give me the idea that it's not just a numbers game.

It's the utilization of the contractors and the contract oversight in theater that has to be both together.

SCHINASI:

Do you ever get the feeling you're writing the same report over and over and over?

BLAIR:

Yes, ma'am, we do.

SCHINASI:

I sympathize with that.

Mr. Richardson, I want to take on one of your reports, looking at the Commanders' Emergency Response Program, for some of the same issues. You talked about the fact that in this case the U.S. Forces-Afghanistan accepted your recommendations, but they said, "We can accept what you're recommending for us," but really the intended recipients don't have the dollars to maintain these facilities or don't have the skills to operate 'em.

Is this a case where we shouldn't be spending that money in the first place?

RICHARDSON:

Well, it can be looked at two ways, either we shouldn't be spending the money or increased appropriations should be considered in order to address it. And that becomes problematic because we continue to pour more money behind bad money.

SCHINASI:

So it sounds like we shouldn't be doing it in the first place?

RICHARDSON:

That's a political decision.

SCHINASI:

It sounds like we shouldn't be doing it in the first place, how's that, then?

That's my time, thank you.

SHAYS:

Thank you.

Mr. Ervin?

ERVIN:

Thank you, Mr. Chairman. I'll be very brief this round.

I'll start with you, Mr. Bowen. As usual, I thought your statement was terrific.

BOWEN:

Thank you.

ERVIN:

I agreed with 99 percent of it. And I thought a number of comments that you made were especially well said, like the comment that there really wasn't one eight-year program in Iraq but eight one-year programs. I think that's quite accurate and very telling.

But there was one thing in your statement that did surprise me. You said on page 2 of your statement that outsourcing management to contractors should be limited because it complicates lines of authority in contingency reconstruction operations.

I would have thought your position, like mine, would be that outsourcing management to contractors should never occur. I can't conceive of any circumstances under which that's appropriate. Could you just explain what you meant there?

BOWEN:

Yeah, perhaps, Commissioner Ervin, you've got a more exact analysis, and I think we are in general agreement on this point. There may be particular narrow circumstances where outsourcing may be appropriate.

However, our work supports the general principle and your position in your reporting that the management of contractors needs to be done by government officials.

For example, you know, during the CPA (Coalition Provisional Authority) the government hired AECOM to oversee the 12 design-build contractors. AECOM was also bidding on other contracts in Iraq. That problem was alluded to in the previous panel. It was present, you know, front and center . . .

ERVIN:

So we generally agree.

BOWEN:

Yeah, I do. I think the principle articulated is exactly right, that contractors should not be overseeing contractors in a larger management sense. We have it already and it's a problem with primes and subs, and the law needs to address that.

ERVIN:

OK. And, just quickly, Mr. Richardson, Mr. Bowen gave us an estimate of waste, \$5 billion to \$6 billion. And I think he quite rightly said, you know, necessarily, you can't have an exact figure.

And I think he's also quite right to say that whatever the figure is, it's going to be higher because of this whole sustainment issue.

But I don't see a SIGAR effort to ascertain a degree of waste to this point. Have you done any work in this regard? Do you have anything to say about that at this point?

RICHARDSON:

We have a number of individual audits that have reflected waste that over the entire scheme of the total budget process isn't great. It shows, you know, \$5 million, \$20 million, \$50 million.

The problem is not so much whether or not we did cost overruns of \$10 million on this project or couldn't buy a generator for that power plant that cost us another \$10 million.

The problem is the sustainment. OK? And if we do not meet the requirements that are necessary to sustain this operation, then we're talking billions of dollars at waste.

ERVIN:

Right.

RICHARDSON:

And when we get to the point where Mr. Bowen is, eight years, seven years, six years into the process, then I'll be able to come here and I'll be able to give you a figure.

ERVIN:

Finally, Mr. Bowen, back to you, I was particularly struck in your statement by your pointing out that there's no United States government program now to review the fate of projects after we turn them over to Iraq when we leave at the end of this year.

BOWEN:

Right. That's right.

ERVIN:

I was really struck by that. And could you elaborate on that? I presume that you at least tried to bring that fact to the attention of senior leadership at DoD and State and AID.

BOWEN:

Yes, in our asset-transfer and sustainment audits, we have urged that a coordinated effort for improved asset transfer and can Iraqi buy-in, I'll call it, on sustainment be implemented.

The next level, though that I'm alluding to there is that beyond just ensuring their buy-in and the proper transfer of asset is what we did in our evaluation last fall: Go back two years later and find out what's going on with that huge project?

And when you looked at the Erbil water treatment plant, we looked at the Nasiriyah plant, number one and number four in total cost in projects, and it, itself is an interesting case study.

ERVIN:

So have these three agencies agreed to do that?

BOWEN:

Oh, no. No. I think there's just a missing element within the oversight community or within the agency community to do evaluations of work, and the entire evaluations area should be expanded.

SHAYS:

Would the gentleman yield, just quickly?

ERVIN:

I'm done, actually. Thank you.

SHAYS:

With the Erbil project, that's a Kurdish project.

BOWEN:

Right, and it's good.

SHAYS:

Yeah. I remember seeing it. I would be surprised if you wouldn't find it being run pretty well.

BOWEN:

Right. Operating at 95 percent. The Kurds love it. They're adding to it. Everyone's using it. It's a study itself in the nature of the Iraq reconstruction program. There was one up in Kurdistan and there was one in the south. And the Kurdish projects usually turned out well.

SHAYS:

Got you. OK, thank you.

So I think it's Mr. Green.

GREEN:

Thank you.

If I heard you correctly, Mr. Blair, Mr. Richardson, to go back to this contingency special IG, I think you both may have characterized it as extra layers, detrimental, et cetera.

I can understand, Mr. Blair, where you may be coming from, because, you know, these guys may get into your rice bowl every once in a while, and you may feel, hey, I'm doing that, you know, go away.

But, Mr. Richardson, to you, do you feel that SIGAR operations today are a layer and detrimental to the operation? Because if you do, I don't know why you're in business.

RICHARDSON:

Mr. Green, Commissioner Green, I'm not saying that SIGAR is a layer. I'm saying if you put a layer above SIGAR for contingency planning then that creates a drain of additional resources.

GREEN:

Yeah. I don't think that's what we're thinking about. What we're thinking about, when and if you two guys go out of business, we need to have a plan when the next balloon goes up.

That's all I'm saying. I'm not saying put somebody in over you guys and I don't think anybody on the commission is headed in that direction. And if that was implied in any way, that is not the case.

RICHARDSON:

OK. Well, let me take that into consideration, and say that . . .

GREEN:

You now support it?

RICHARDSON:

No, no, no.

(LAUGHTER)

It makes more sense. OK?

GREEN:

OK.

RICHARDSON:

But, at the same time, I would say that are we sending a signal that we intend from here on out . . .

GREEN:

I've heard that argument or, excuse me, but that's the same as saying, let's not plan for any contingencies. DoD, let's not have any contingency plans on the shelf. So I don't buy that argument.

RICHARDSON:

Well, that argument only does not count if you did not have a Council for Inspector Generals currently in place that can fulfill the role. And that's all I'm saying . . .

GREEN:

OK, let me . . .

RICHARDSON:

. . . turn to the group that you have in place.

GREEN:

OK, let me quickly go, Mr. Blair: Commissioner Ervin's comment about when he was IG at State, and I was there at the same time, he did have access to the secretary, the deputy. If he failed there, I would carry his water to them.

What if you had a dedicated time, 30 minutes a month, with the deputy, where you could raise the two or three most important issues confronting you? Would that be useful?

BLAIR:

Commissioner Green, I don't mean to imply that we don't have access to the senior leadership in the department. I just wanted to clarify that. Most of our day-to-day work is done at lower levels.

GREEN:

But I want . . .

BLAIR:

Would a 30-minute dedicated time? I would enjoy that. I think that would be a good use of my time, a good use of their time. I oftentimes go with the inspector general to brief the deputy secretary and participate as part of his recurring meetings.

GREEN:

Well, 30 minutes of time ain't a lot, even for the deputy.

Last question, pretty simple: You know, we've talked throughout this hearing and in the panel before about follow-through. And we all acknowledge, recognize we're going away at some point.

How do we as a commission, you heard from Jacques Gansler, how do we as a commission maximize follow-through on whatever recommendations, whatever findings that we may ultimately feel are worth pursuing?

Stuart?

BOWEN:

Commissioner Green, I think, first of all, Dr. Gansler's recommendation to get buy-in from the Congress to implement in law recommendations that are targeted toward statutory change.

So when you draft your report, I might include as appendices certain statutory amendments or laws that would implement specific recommendations.

So help them do their job. Give them a road map to statutory change, rather than just a principle to implement.

Second, I would take those proposed pieces of legislation, and perhaps before you even publish, and vet them with the departments. You know, sit down with leadership that are familiar with the kinds of changes you're proposing, and see if they can incrementally improve it through advice and interest.

GREEN:

Thank you.

Mr. Blair?

BLAIR:

I actually tend to agree with what Mr. Bowen just said that the idea of establishing some follow-on recommendations with responsibility for somebody to actually assess the level of implementation of those recommendations is a very good way to make sure that there is some change.

GREEN:

Well, as Jacques Gansler said, he came back a year later and said, Army, you're succeeding or you're failing in these particular areas.

Mr. Richardson?

RICHARDSON:

You do what you've been telling us to do. You call the heads of the agencies here. You put them at this table. And you put out your recommendations, and you make them respond to them. And get your 30 minutes right here at the table and make them take action for implementation on those recommendations. Either that, or develop a contingency plan so you have somebody over you.

GREEN:

OK, thank you.

SHAYS:

I'm just going to say, Mr. Richardson, we're going to come back. I'm going to give you a little warning because you talked on both sides of the answer. So you think of a better answer . . .

RICHARDSON:

OK.

SHAYS:

. . . when it's my turn.

Mr. Tiefer?

Mr. Tiefer is getting eight minutes. He yielded back a lot on this first round. I mean on the first panel.

TIEFER:

Mr. Richardson, today, my understanding is we've just been discussing for some time, you are releasing a new, and I might say path-breaking and much-awaited report on the Afghan National Police payroll and workforce system.

I understand that'll be posted on your website today.

RICHARDSON:

That's correct.

TIEFER:

Let me ask you, your written testimony today says that "its personnel," I'm quoting, "Its personnel system provides little assurance that only ANP personnel who work are paid. The Afghan government has taken many steps to address ANP accountability but significant risks of fraud, waste, and abuse of donors' funds will continue."

Now, can you tell me what are those significant risks of fraud, waste, and abuse? And do they include things that have been commented upon in the past to the ANP like AWOL police, absentee police, ghost employees, things like that? What's the beef?

RICHARDSON:

The risk of that we are finding, first of all, is that there is no centralized automated system put in place by the ministry of interior to identify the Afghan national police who are actually on the rolls and who are being paid. Without that type of system in place, they cannot specifically and they have not specifically been able to tell us where the money is actually going.

What does that mean? That means you can have ghost employees. It means you can have AWOL employees. It means you can have individuals who are under multiple names collecting paychecks. And there's no way to account for it.

So therein lies a very significant problem now and down the road, and we need to get our hands around it.

TIEFER:

Good. I mean, that's a good start for discussion. Let me take you a step further. Your statement said, and I heard you say, that this was one of the, this was a, quote, "key issue as we approach the hand-over," unquote.

And I think by that, you're referring to the fact that in 2014, we hope to be able to hand over security throughout Afghanistan to their security forces so that in 2015, we can substantially bring home our people.

The figures—I was in Afghanistan with Chairman Thibault last month, and the figures we heard were that the previous goal of 134,000 police by October was now being likely supplanted by a new goal of 170,000 police by 2012. Why is the problem that we don't know who's working among the police, among those who are paid, a key issue as we approach the hand-over?

RICHARDSON:

Well, it's somewhat obvious. If you don't know who you're paying and you don't know who's there, then how can the numbers actually be accurate? Simple mathematics.

The other question arises is if we're paying ghost employees, or are we paying employees who go AWOL with equipment, weapons, materiel, and then come back with nothing and have to be re-stocked, what happened to that materiel and supplies that they took with them? Are they supplying insurgents?

The question is evolving. So for them to say that we will have X number of thousands of personnel on the ground at a certain date, until we can specifically identify that these individuals are actually there on the payroll and being paid, and doing what we have tasked them to do, then those numbers for all practical purposes become somewhat fictitious.

TIEFER:

Wow. Let me come back to you. After the observation that there's an overlap between what the DoD IG, Mr. Blair, said earlier about the weak logistical system for the police, and what you're saying about the weak personnel system. As you said, when they go AWOL, they can take their materiel with them, their weapons with them, things like that. That's where the leakage is in the logistical system, at the district level.

They know what's coming in at the top, but they don't know what's walking away at the bottom, and that's what you're pointing out.

Let me ask about this. I mentioned this. A year ago when *Newsweek* did its report about the Afghan police, they said, "The fact is that no one is quite sure how many Afghan police there really are. The Americans are only now in the process of trying to create a database that will positively identify and track recruits. Without such data, it's more than difficult to catch ghost troops who exist only as names on the payroll, not to mention possible Taliban infiltrators."

Now, that database was held out to us a year ago as the thing that was going to be a panacea, cure the problems. Are there still problems with the database? Why don't we have a working database there? Why isn't it good enough?

RICHARDSON:

I'm not in a position to answer that. I don't think we've done any work to examine or follow up on what was reported in *Newsweek*.

TIEFER:

Fair enough. They need to do a new story on this. I quite agree. But I look forward to reading the copy. You people have really guarded this. I was not allowed to see a copy of this report and I'm eager to do so.

Mr. Bowen, we've been somewhat beaten around the head and shoulders about our recommendation that suspension-debarment be taken seriously. Now, the leading case we looked at for where it's not being used was one that you're very familiar with. It was the Louis Berger conviction of two top people, which your office worked hard on, its CEO, its CFO. It's a billion-dollar company. AID fought us and said, "No, they were right; there didn't need to be one day of suspension or debarment." They insisted to us that was unnecessary.

Are we off-base on this? Or was there some reason that suspension-debarment should be strengthened a little?

BOWEN:

No, you're not off base. As I said, your February 28th hearing fully substantiates that you're right on base, Commissioner Tiefer, and that this is a critical area that needs to be strengthened across agencies. The reality is, as that hearing exposed, AID has not done a good job with its own suspension-and-debarment process. As a matter of fact, it's done a miserable job.

And part of the problem, I think, that allowed Berger to engage in these criminal practices, that's what they were, false billings, for so long, was because of weak oversight in Afghanistan. It's not for lack of people raising red flags. Senator Coburn repeatedly issued statements about his concerns regarding Louis Berger's conduct or lack of work or effective work.

Let me cut to the chase, though. When a company is convicted, they should be debarred. I'm not aware of another circumstance in our experience where a convicted company was not debarred. It certainly serves as a basis for debarment. I don't know other than to speculate that it was part of the Department of Justice plea agreements with the company to avoid debarment. And I think it underscores an interesting fact that companies fear debarment more than conviction.

TIEFER:

Thank you.

SHAYS:

I thank the gentleman.

Mr. Richardson, I don't want to spend a lot of time on this, but based on your opposition to a special inspector general for contingencies, and given that SIGAR is a special inspector general for a contingency, Afghanistan, should we get rid of SIGAR?

RICHARDSON:

No sir.

SHAYS:

OK. Let me ask you, Mr. Bowen, well, let me ask all of you.

Do you have any closing comments that you'd like to make?

BOWEN:

Yes. First, thank you for having me to testify. And as I said in my statement, I think the commission's report is full of crucial recommendations that should be implemented at law. I think our previous colloquy on that would be useful.

Change will come. Lessons will be applied. Lessons learned will be lessons applied when the law changes. The department's just getting followed-up with a year later—that might not be enough. Changing the law changes behavior.

And I think that from a larger perspective, as you know, we still don't know who's really in charge of contingency relief and reconstruction operations. Who plans them? Who executes them? Who's accountable? That's part of the continuing problem over these many years regarding Iraq and Afghanistan. And we proposed in our statement a solution.

And there's something new that we proposed in it is identifying that those elements that would fall under the U.S. Office of Contingency Operations themselves were all reactions to stabilization and reconstruction operations over the last 20 years.

OTI, Office of Transition Initiatives, at AID, was created in 1994. And in Commissioner Zakheim's colloquy with Administration Shah on April 1st, he pointed out that there are only six government employees there. I think you have a delegation problem there regarding SROs that needs to be fixed.

SHAYS:

Thank you.

Mr. Blair?

BLAIR:

Chairman Shays, the only thing I wanted to do in closing was to thank my panel members. Thank you for this oversight hearing. I think it's this type of rich discussion exploring the concepts in depth, getting different views. Those types of conversations will result in better solutions than just a one-sided view.

I think the department has a long way to go in order to get it right and in order to put the effective oversight that it needs in place in order to determine that they're actually getting what they pay for.

We're in it for the long haul. We will be here doing the same type of work year after year. I would, you know, welcome the opportunity to engage at the most senior levels, and I do. And we will continue to make those recommendations because contracting is an integral part to our operations in Southwest Asia. Thank you.

SHAYS:

Thank you.

Mr. Richardson?

RICHARDSON:

I just want to take an opportunity to thank the commission for the opportunity to be here. I want to re-emphasize the three key areas that I'm find is a problem in Afghanistan, which is planning, oversight, and sustainment. Planning will cost the taxpayers money if it's not done correctly. Oversight will cost more money if it's not done correctly. But if we blow sustainment, then we've lost everything.

So I just want to put special emphasis on the fact that we need to focus in those areas and put additional emphasis on the area of sustainment.

SHAYS:

Thank you.

And let me just close by saying, Mr. Bowen, you have been in business for a long time now and you have done, I think, a superb job.

Mr. Blair, I know you have been working real hard. I'm not as familiar with your work as I am with Mr. Bowen's, and I do know, though, that you're, you know, finding things that need to be found and making a difference.

And, Mr. Richardson, I think SIGAR has made its biggest contribution in the whole issue of sustainability because I think you all are rightfully pointing out there are just too many projects that, even if they're done well, they just aren't going to be sustainable. And I hope you really, you know, continue to speak loudly about this because, whatever the sustainability problem is in Iraq, I think it's many fold more in Afghanistan.

So we thank all three of you very much. And with that, we'll close this hearing.

