

STATEMENT BY

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AND

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BEFORE THE

COMMISSION ON WARTIME CONTRACTING IN IRAQ AND AFGHANISTAN

**URGENT REFORM REQUIRED: ARMY EXPEDITIONARY CONTRACTING
THE REPORT OF THE COMMISSION ON
ARMY ACQUISITION AND PROGRAM MANAGEMENT
IN EXPEDITIONARY OPERATIONS**

SEPTEMBER 16, 2010

**NOT FOR PUBLICATION
UNTIL RELEASED
BY THE COMMISSION**

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In 2007, the Secretary of the Army established an independent “Commission on Army Acquisition and Program Management in Expeditionary Operations” to review the lessons learned in recent operations; and to provide forward-looking recommendations to ensure that future military operations achieve greater effectiveness, efficiency, and transparency. I was honored to chair the Commission and be joined by five distinguished Commissioners with expertise and insight into government acquisition, including program management and contracting. The Commissioners included General (Ret.) David Maddox, who represented the Army’s operational community; General (Ret.) Leon Salomon, who represented the Army’s acquisition community; Rear Admiral (Ret.) David Oliver, who provided alternate Service representation and recent experience in Iraq, through his service with the Coalition Provisional Authority, and then two very senior, experienced Department of Defense civilians in David Berteau and George Singley.

At the Secretary’s direction, we conducted our efforts within a compressed 45-day timeframe, indicative of immediate challenges facing the Army. Our focus was on how to prevent any shortcomings in Army acquisition and program management in expeditionary operations for the next time. Our charter was forward-looking: we were tasked to ensure that, institutionally, the Army is best positioned for future operations—which will be expeditionary, joint, and likely to be multi-agency political/military events. Although the Secretary tasked our Commission to look at acquisition and program management, we were necessarily drawn to the contracting problems plaguing Operation Iraqi Freedom and Operation Enduring Freedom.

During the 122 interviews we conducted, we received almost universal agreement on what the issues are; what changes are required; and the absolute need for change. As a result, the Commission crafted a broad-based strategy for addressing shortcomings; which we published in

an independent report dated October 31, 2007; and titled *Urgent Reform Required: Army Expeditionary Contracting*. The Secretary of Defense, Secretary of the Army, and Congress favorably received the report. Subsequently, Congress enacted Section 849 of the National Defense Authorization Act (NDAA) for Fiscal Year 2009, which required the Department to analyze our Commission's recommendations for the Army, determine their applicability to the other Services, and report back. DoD delivered the report to Congress required by Section 849 in June 2008. During 2008, the Department periodically updated our Commission on its efforts, culminating with an October 31, 2008 close-out meeting. At that juncture, the Department provided a scorecard for both the Office of the Secretary of Defense (OSD) and the Army. A key accomplishment reflected on that scorecard was the Army's establishment of the Army Contracting Command (ACC) as a major subordinate command of the U.S. Army Materiel Command on October 1, 2008.

I appreciate this Commission's invitation to comment on the progress the Department has made in addressing some key findings and recommendations from our report. Our key findings include the observation that the Army—and, more broadly, DoD—faces a systemic challenge in executing expeditionary operations, both from an operational and an institutional vantage point. Contracting should be a core capability of the Army, but it currently is treated as an operational and institutional side issue. We found that the DoD has an extremely dedicated corps of contracting people. The problem is they are understaffed, overworked, under-trained, under-supported, and, I would argue, most importantly, under-valued.

A combination of acquisition workforce reductions and spending increases has taken its toll. The DoD Authorization Act for Fiscal Year 1996 required DoD to reduce its acquisition workforce by 25 percent by the end of Fiscal Year 2000. After those reductions, the Department

has not increased the acquisition workforce, even though the budget has gone up dramatically since 9/11/01. In fact, despite about a seven-fold workload increase, and the greater complexity of contracting in this intense environment, the civilian and military contracting workforce has been declining. Further, the leaders for this dwindling community had also diminished: In the 1990s there were five Army slots and four joint slots available for General Officers in key contracting and contract management positions, but at the time of our Commission's study, there were no Army slots and only one Joint slot (the Commander of the Joint Contracting Command—Iraq/Afghanistan, now known as the CENTCOM Contracting Command or C3). The Defense Contract Management Agency had eliminated three Joint General/Flag Officer positions and shifted its leadership position from a Joint two-Star billet to a civilian executive; in total, losing four Joint officer billets.

Our Commission identified specific improvements required in four areas: contracting personnel, organization and responsibility, training and tools, and legislation, regulation, and policy. Today I would like to focus on select topics within those areas, highlighting both positive accomplishments and areas of concern. Our overarching concern is that the Army has not yet positioned itself for success. The Army cannot achieve the needed culture change—into an entity that recognizes and values contracting as a core capability—without General Officers from the contracting field able to stand ground with operational leaders. Lacking this military leadership, it is not surprising that the Army staff has not been able to clear plans for sufficient contingency contracting personnel. While it was not our charter to examine stateside, peacetime Army contracting, we note that there is an enduring need for more well-trained, motivated, and experienced contracting personnel. Without those baseline resources, the Army cannot meet the

wartime need. To put this in perspective, at the time of our Commission's analysis, there were about 270,000 contractors in the Iraq and Afghanistan theater.

I. General Officers and Flag Officers

First, we recommended that Congress authorize General Officer/Flag Officer (GO/FO) billets for Army contracting and Joint contracting. I am pleased to report this occurred in Section 503 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, which added five Joint billets and five Army billets. But one word of caution: our Commission desired these billets be permanently assigned to contracting; however, Congress tagged them for acquisition, so there is a future danger they might be diverted outside of contracting, to another discipline under the acquisition umbrella. Currently, four out of five Joint GO/FO billets are filled, and two of the Army's five new General Officer billets are filled. The two filled Army General Officer billets are one-Star positions within the Army Contracting Command (ACC), which is a two-Star organization established within the Army Materiel Command as a result of our Commission's recommendations. We need to see the movement within the Army staff to similarly fill the new General Officer billet within the office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology (ASA(ALT)). The individual placed in the new billet will have the benefit of Lieutenant General Bill Phillips' leadership. Our Commission was pleased that the Army placed an individual like General Phillips, who has a strong background and accomplishments in acquisition as well as contracting, to serve as the Military Deputy to ASA(ALT). The importance of having General Officers in place cannot be emphasized enough—they are essential in leading an Army transformation to make contracting an Army core competence. In a military environment (especially in an expeditionary environment), the number and level of the Generals associated with a discipline reflects its importance. These General

Officers are needed to initiate and sustain improvement to Army acquisition, grow future leaders, and support leadership efforts.

Although our Commission's report was focused on the Army, we also made note of the importance of GO/FOs for contracting positions in the Air Force and Navy and remain disappointed in the cursory response provided by these Services in the section 849 report to Congress. Our sense is that the importance of career contracting personnel has waned even in the Air Force, which has traditionally been the premier promoter of this career field for military personnel. Actions speak volumes, such as the removal of funding for the "Silver Flag" exercise, which provided combat support training on how to build and maintain bare-base operations at forward-deployed locations. Our Commission's report cited the "Silver Flag" program positively for being a forum to train the colonel who is the mission support group commander. This type of endeavor is key to indoctrinating military leaders that contractors are an integral part of the mission at home or deployed. Commanders need to understand their responsibilities and authorities for the contractors supporting their mission at home so that leading contractors is second nature when deployed to expeditionary operations. Our Commission believes that "contract planning" (requirements definition) positions on the operations and training (G3 or S3) staff should be established to assist with planning for exercises at the corps, division, and brigade combat team level.

II. Contracting Personnel

Second, in 2007, our Commission recommended an increase in Army contracting personnel authorizations, both military and civilian. We recommended an increase of just under 2,000 people, which is a 38 percent increase, relative to the total people currently in the Army contracting career field, but only 70 percent of the 1990 levels, despite the increased workload

that today's professionals face. (In 1990, the Army had approximately 10,000 people in contracting. The Army lowered this level to 5,500 following the Congressional mandate to reduce the acquisition workforce, and has remained relatively constant since then. Yet, both the number of contract actions (workload) and the dollar value of procurements (an indicator of complexity) have dramatically increased in the past decade.) Three years later, in April 2010, the Army testified to the Wartime Commission that it has a five-year plan to grow Army contracting by 1,650 positions. Our Commission understands that growing the acquisition workforce cannot be accomplished overnight, but the pace at which the Army has approached this challenge makes acquisition appear to be of precarious value to the organization. While the Army is taking positive steps to grow its contracting personnel, it is not clear that there is sufficient momentum to make this timely.

The Army is the DoD "Executive Agent" for contracting in Iraq and Afghanistan. For the first time since the creation of a theater contracting command, an Army General Officer, Brigadier General Camille Nichols, is leading the command, which was previously led by the other Services—first by the Air Force with a 2-Star General, then by the Navy with a 1-Star Admiral. But even with BG Nichols in place, the Army is unable to fill military or civilian contracting billets, in either quantity or qualifications, in her Joint Manning Document. As of today, both the Air Force and Navy have been able to staff 100 percent of their respective contracting command staffing requirements, whereas the Army has only met 80 percent of its personnel commitment (after its commitment was reduced to reflect the Army's inability to staff Army positions). This continues to create a strain on the other Services, particularly the Air Force.

Further, in accordance with its Section 849 report to Congress, the Army is to assume responsibility for contingency contract administration services in 2012, to ensure the acknowledged need for contract administration in theater occurs. Due to resource shortfalls, the Army subsequently determined its resources would not be ready for this mission until 2015. This means that DCMA continues to bear an Army load, straining its own mission. I cannot help but view these resourcing struggles in direct relationship to the unfilled General Officer positions, particularly that on the Army staff. Army contracting is still under civilian leadership, which, while exemplary, is not at the table with military officers making mission decisions. As we stated in our report, if the Army is serious about its commitment to support the expeditionary mission, it must channel more Soldiers to the contracting field, and they must do so rapidly and at an earlier point in their military careers.

A further concern about Army resource readiness is the immediate and ongoing need for contracting officer's representatives (CORs) for contract oversight. While the Department has done much to train and pre-identify CORs, the challenge of rapid unit turnover and mission change to stability operations, with its concomitant troop withdrawal, makes CORs an ongoing area of concern. Although tactical units are now out of Iraq, contracts remain. And with those withdrawing troops went technical expertise to oversee contract performance. Among the solutions being explored, we trust that the Department is examining the role the reserve component 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.

III. Civilian Personnel

Third, our Commission recommended Congressional action to improve incentives for Army civilian contracting personnel who volunteer to deploy for expeditionary contracting. A key component of that is to provide tax-free status incentives for DoD civilian contracting personnel serving in a combat zone, which requires the Department to initiate legislative action. In October 2008, DoD told the Commission that, although the Under Secretary of Defense for Personnel and Readiness developed tax proposals for the DoD legislative package, OMB did not clear them for submission. The reasons provided for non-clearance include the lack of justification showing a need to have additional incentives to entice civilian employees to serve in combat zones, possible reduction of revenues to the U.S. Treasury, and the fact that the NDAA is not the appropriate legislative vehicle to submit changes to the IRS tax code. At the time, P&R indicated the Department was reexamining the tax exemption legislation. Where are we now, two years later? P&R has successfully increased the pay threshold for civilian personnel serving in a combat zone—a laudable accomplishment. But more needs to be done. We highly encourage DoD to revisit the provision of tax-free status to civilians and to remove obstacles to civilian volunteers – such as individuals being denied return rights to jobs and employers failing to get “back fill” authority (whether replacement billets or funding for a contractor).

The Commission continues to believe that government contracting civilians are undervalued—in compensation; education and training; career opportunities; and other occupational incentives. As a result, many approved contracting positions go unfilled, especially in-theater, or they are filled with uncertified people (at the time of our Commission’s study, only about half the personnel were certified for the positions they were filling). Although the Under Secretary of Defense for Personnel and Readiness has sponsored a Civilian Expeditionary Workforce initiative, we question the effectiveness of the implementation of this effort (last we

heard, it filled one position). We encourage the Wartime Commission to carry the torch and enable DoD to engage our civilian patriots in support of our military operations.

IV. Tools and Organization

Finally, I would be remiss if I did not comment on the noteworthy progress made in certain other areas. First, the area of tools. Our Commission recommended the use of information technology and e-business tools in support of expeditionary forces. We are encouraged by the recent publication of the Theater Business Environment Concept of Operations by the Director, Defense Procurement and Acquisition Policy. The range of tools encompassed by this publication is impressive—from the Joint Contingency Contracting Handbook, which our Commission heard about and viewed favorably, to newer efforts like automated After Action Reports, the 3in1 tool, and the Contingency Acquisition Support Module (cASM). These efforts are commendable and address specific concerns in our report, such as leveraging lessons learned, reducing opportunities for fraud (in this instance, by limiting cash transactions), and improving requirements generation.

Second, the area of organization. Our Commission recommended Army organizational changes, which have manifested in the establishment of the Army Contracting Command (ACC) and its subordinate commands—the Expeditionary Contracting Command (ECC) and the Management and Installation Contracting Command (MICC). We are extremely pleased that, of the five new Army General Officer billets, the two for these new subordinate commands are the ones filled. Seeing Brigadier Generals Joe Bass and Steve Leisenring at the helm is highly encouraging. But more needs to be done, including putting a two-Star General Officer in charge of the ACC and another one at ASA(ALT).

The preceding are just some highlights of the many recommendations contained in the report, but which are particularly relevant for today's purposes because most of them initially required Congressional action. It is now up to the Department to take further action.

In closing, I would like to encourage your Commission to support some of the strategic initiatives I have outlined. Changes are required in the area of Army contracting – especially directed to future expeditionary operations. These changes are essential to make the Institutional Army the “Generating Force” in both name and capability. I hope you will agree, and provide that needed support. Our troops deserve it.

This concludes my prepared statement.