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AFGHANISTAN CONTRACTS: AN OVERVIEW

HEARING

BEFORE THE

AD HOC SUBCOMMITTEE ON CONTRACTING OVERSIGHT

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

DECEMBER 17, 2009

Available via http://www.gpoaccess.gov/congress/index.html

Printed for the use of the Committee on Homeland Security and Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

56–155 PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
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AFGHANISTAN CONTRACTS: AN OVERVIEW

THURSDAY, DECEMBER 17, 2009

U.S. SENATE,
AD HOC SUBCOMMITTEE ON CONTRACTING OVERSIGHT,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:03 p.m., in room 342, Dirksen Senate Office Building, Hon. Claire McCaskill, Chairman of the Subcommittee, presiding.

Present: Senators McCaskill, Kirk and Bennett.

OPENING STATEMENT OF SENATOR MCCASKILL[1]

Senator MCCASKILL. Thank you all very much for being here, and this hearing will come to order.

I have a great opening statement that an incredibly competent and conscientious staff has helped me with, but I think instead of delivering it I think I will make it part of the record. I think I will tell a story.

Fresh out of auditing in the State of Missouri, having run a government auditing agency for a number of years, I came to the U.S. Senate and was honored to get a seat on the Armed Services Committee. So, as I began to learn about the conflict in Iraq, I kept coming back to contracting because the auditor in me was surprised at some of the things I began learning about contracting in Iraq.

So I went to Iraq, and the purpose of my trip was not to do what many Senators do when they go to Iraq, which is to look at the conflict through the prism of the military mission. I went specifically for the reason to oversee contracting and what was going on with contracting. So I spent, frankly, more time in Kuwait, which will not surprise some of you, than I actually spent in the theater.

And I had many different things that happened on that trip that are seared into my hard drive—realizations about the lack of coordination and integration between various pots of money, amazing lapses in scoping contracts, in making contracts definite enough that they could be enforced, particularly from any kind of accountability standpoint and the government getting their money back when it had been abused and misused by contractors. I will, though, tell you one of many stories I could tell you because I think it is so illustrative of how bad the problem was in Iraq.

[1] The prepared statement of Senator McCaskill appears in the Appendix on page 35.

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We were sitting in a room where the Logistics Civil Augmentation Program (LOGCAP) was administered in Iraq. This was not in Kuwait. As so often the case, I say this with affection, when you are getting a briefing from the military, there was a PowerPoint. In fact, I think there must be a law somewhere that you are not allowed to get a briefing from the military without a PowerPoint.

There was a PowerPoint, and there were a lot of important people in the room. There were command staff. There were lots of people that clearly had the military command authority in the area, but they turned over the discussion of the LOGCAP contract to a woman in the room, clearly a civilian and maybe the most knowledgeable about the LOGCAP contract in the room. And I think they turned it over to her because she was the one that was trying to make the trains run on time and knew a lot about it.

She put up a PowerPoint showing the LOGCAP contract by year. As many of you remember, the first year, the LOGCAP contract wildly exceeded the estimates by billions of dollars. I think, I cannot remember now, and I have not gone back to look, but my recollection is the first year was maybe $17 or $18 billion on LOGCAP, and the original estimate was less than a billion.

Then she showed a bar graph of the years, and you saw a big drop in the LOGCAP contract after the first year to the next year, and then it kind of leveled out and was still a huge amount of money.

So she got through the presentation, and you could tell she was kind of nervous, and so I was trying to help her. Right? I was trying to be kind. I know sometimes in this hearing room and others, it does not appear that I am kind.

I was trying to be kind to her, and I said to her, well, you left out what you all did to bring that contract down so much after the first year.

There was an awkward, uncomfortable silence in the room as everyone kind of shifted and looked at each other. And, with God as my witness, she looked at me across that table and said, it was a fluke.

That is the best example I can give you of several examples of how contracting went wild in Iraq.

So here we are in Afghanistan, and I know many of you, because you reference it in your testimony, have gone through SIGAR's book of hard lessons. I know many of you understand the challenges now that we face in contracting.

But one thing is clear; we will have more contractors in Afghanistan than we will have men and women in uniform. There is no doubt about that.

We will spend. A significant chunk of the tens of billions of dollars in Afghanistan will be spent through contractors. So the purpose of this hearing, and it will be the first of several hearings we will have, is to begin to get an overview as to how the ground has changed as it relates to contracting during a contingency.

How is the coordination occurring, if it is? How integrated is the effort?

Most importantly, is the mission now saturated with the knowledge that if we are going to have contractors do supply lines, make breakfast, do the laundry, build not only the buildings for our men

and women in uniform but also buildings and roads for the people of Afghanistan, do the taxpayers have any better shot of getting value for their money this time than they did in Iraq? I certainly hope they do.

And I want to thank all of you for being here today, and look forward to your testimony, and a work in progress as we begin to try to get a real handle on how we spend money in a contingency, to make sure that we do not waste the billions of dollars that went up in smoke in Iraq.

Senator MCCASKILL. I will turn it over to you, Senator Bennett, for your statement.

OPENING STATEMENT OF SENATOR BENNETT [1]

Senator BENNETT. Thank you very much, Madam Chairman, and I am interested in your story.

I have a very quick story about when I went to Iraq and was being shown in Kuwait—as you rightly put it, that is where everything jumps off—the transportation program of how they were shipping material from Kuwait to Iraq. A very competent lieutenant colonel was in charge of this, and he was obviously very much on top of the whole thing.

I asked him, are you regular Army or Reserve? And he said, I am Reserve.

I said, what do you do in civilian life? And he said, I am a distribution manager for Wal-Mart.

I decided, well, for once, the Army has the right joint of the civilian experience and the military assignment.

That may be a jumping-off to pick up on where you have led us with your opening statement. The challenge in Afghanistan where, as you have correctly noticed, mentioned, we have as many contractors and contracting personnel as we have military personnel, and that ratio is going to stay the same and in fact we may end up with more contracting personnel than we have military personnel.

They are both engaged in exactly the same thing, which is a counterinsurgency kind of battle which means the contractor cannot sit back and say, well, I have done my job, but I am not engaged in the counterinsurgency because the way we deal with counterinsurgency, to take the slogan of the Iraq surge, is that you control it, then you hold it, and then you build. The contractor is very much involved in the holding and the building, and must work hand in glove with the military, and cannot have its own separate command and control system and its own separate management plan without being completely integrated in this kind of circumstance.

It is not your traditional war where the military does all of the warfighting and the contractor simply fills in the back functions. So I agree with you that you have described this properly.

Now I am encouraged by the initiatives, some of the things we have learned in Iraq. I agree with you, there are a lot of lessons in Iraq that we need to learn that maybe we have not.

But the Commander's Emergency Response Program that allows the military to, if something needs to be done quickly, put out the

[1] The prepared statement of Senator Bennett appears in the Appendix on page 37.

money to do it quickly—do we make sure that we do not cross the line there of having the commanders do something that the U.S. Agency for International Development (USAID) and the State Department should be doing, in the name of the Commander's Emergency Response Program? That is another part of this where there needs to be some coordination.

So I guess basically what I am saying is when the government agencies outsource the work that they want performed, they cannot outsource the results, and that is too often what happens. You outsource the work, and you say, well, that is the contractor's responsibility, and we do not have to oversee the results.

Everything has to be properly coordinated, and the work, the challenge that we have from our witness panel is to see that the military, the State Department, USAID, and the contractors are all meshed together for the best result there.

I believe in contracting. I think it is a great improvement over the old military where everything had to be done by a soldier somewhere, even if it had nothing whatever to do with the military mission. But, as we move to that good idea, the challenge of coordinating all of that becomes a very serious one, and it is very laudatory that you are holding this hearing to try to probe into how that is done.

Senator MCCASKILL. Thank you, Senator Bennett.

Let me introduce the witnesses. We have with us today William Campbell, who is the Director of Operations for the Under Secretary of Defense, the Comptroller, at the U.S. Department of Defense (DOD) where in addition to oversight of operation and maintenance accounts, he has responsibility for the development of the Overseas Contingency Operations Request. Previously, Mr. Campbell served as Acting Deputy Assistant Secretary of the Army for Budget.

We have Ed Harrington, who is the Deputy Assistant Secretary of the Army for Procurement. He is a former senior U.S. Army officer with more than 28 years of experience in weapons acquisition and contracting. He also served as Director of the Defense Contract Management Agency from 2001 to 2003.

Charles North is a Senior Deputy Director of the Afghanistan-Pakistan Task Force at the U.S. Agency for International Development. Mr. North has been with USAID since 1987. He previously served as the Director of USAID's Policy Office and the Regional Director for the Western Hemisphere in the Office of the Director of Foreign Assistance in the State Department.

Daniel Feldman is the Deputy Special Representative for Afghanistan and Pakistan at the U.S. Department of State. Mr. Feldman is one of two deputies to Ambassador Holbrooke, the Special Representative for Afghanistan and Pakistan. He previously served as Director of the Multilateral and Humanitarian Affairs at the National Security Council during the Clinton Administration and was the Counsel and Communications Advisor on this Committee, the Senate Homeland Security and Governmental Affairs Committee. Most recently, Mr. Feldman was a partner at Foley and Hoag.

Jeff Parsons is Executive Director of the Army Contracting Command. Mr. Parsons also serves as the principal advisor to the Com-

manding General of the Army Materiel Command on Contracting Matters and as the Army Materiel Command Career Program manager for the Contracting and Acquisition Career Program.

It is the custom of this Subcommittee to swear in all witnesses that appear before us. So, if you do not mind, I would like to ask you to stand.

Do you all swear that the testimony that you will give before this Subcommittee will be the truth, the whole truth and nothing but the truth, so help you, God?

Colonel CAMPBELL. I do.

Mr. HARRINGTON. I do.

Mr. NORTH. I do.

Mr. FELDMAN. I do.

Mr. PARSONS. I do.

Senator MCCASKILL. Thank you. Let the record reflect that the witnesses have all answered in the affirmative.

We will be using a timing system today. We would ask that your oral testimony be no more than 5 minutes, and we will put your entire written testimony as part of the record.

Once again, I want to thank all of you for your service to your Country. None of you are in these jobs because you are making the big bucks. You are obviously working in the jobs you are working because you care about your Country and want to contribute. So let's start with that, and we will begin with Mr. Campbell.

TESTIMONY OF WILLIAM H. CAMPBELL, III,[1] DIRECTOR OF OPERATIONS, OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER), DEPARTMENT OF THE ARMY, U.S. DEPARTMENT OF DEFENSE

Colonel CAMPBELL. Thank you, Chairman McCaskill and Senator Bennett. I appreciate the opportunity to explain from a budget perspective the actions of the Department of Defense to improve the oversight of reconstruction projects in Afghanistan. My remarks in particular, though, will focus on the Commander's Emergency Response Program (CERP) program.

As you may know, CERP began as a U.S.-funded program in fiscal year 2004 and is designed to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their area of responsibility. It is a valuable tool that commanders use to fund projects that will immediately assist the local populations.

In testimony before the Senate Armed Services Committee last April, General Petraeus called CERP "a vital counterinsurgency tool for our commanders in Afghanistan and Iraq." He added, "Small CERP projects can be the most efficient and effective means to address a local community's needs, and where security is lacking it is often the only immediate means for addressing these needs."

Since 2004, DOD has obligated approximately $1.6 billion for CERP programs in Afghanistan. That includes about $551 million in fiscal year 2009. Of those projects, about 2,300 projects in 2009, two-thirds of those funds were spent on transportation projects, but about 90 percent of all the projects were valued at $500,000 or less.

[1] The prepared statement of Colonel Campbell appears in the Appendix on page 39.

Now recognition of the program's effectiveness and the value, Congress has authorized for fiscal year 2010 about $1.3 billion for the CERP program, and we understand will appropriate $1.2 billion for the program. CENTCOM plans to allocate the bulk of those funds to operations in Afghanistan.

Now, by its nature, CERP involves decentralized implementation by local commanders in theater. Its hallmarks are responsiveness to urgent needs and flexibility.

And we have heard the concerns expressed by Members of Congress here today as well. We have studied the recent findings of audit reports, and we have examined lessons learned from previous deployments. And we have taken steps within the Department, within the Army, and within CENTCOM theater to improve the oversight of the program, all with a goal of not diminishing the key element of flexibility and responsiveness this program provides to the commanders in the field.

Within DOD, the Office of the Comptroller provides guidance for the program though the Financial Management Regulation. These regulations went through a significant update in June and December 2008, and this guidance is then supplemented by field level instructions and training. All guidance is continually updated to respond to changing operational conditions.

To improve oversight of the program, the Army has enhanced CERP training for four key positions: The project manager, the project purchasing officer, the paying agent, and the unit commander. The first three form a triad of expertise that every project must have. Unit commanders are vital to ensure the appropriate projects are identified. Integrated training and detailed procedures provide the checks and balances necessary in every project.

In addition, in Afghanistan, the U.S. Agency for International Development now participates as a voting member on the CERP review board at the command level. Their participation prevents duplication of effort and helps identify any problems with sustainment of projects nominated by the CERP program.

The time, energy, and ingenuity that people have devoted to improving CERP reflects both a desire to spend taxpayers' money wisely and to maintain a program that has proven to be a valuable tool in the fight in Afghanistan and Iraq.

DOD recognizes that more improvements can be made in the management of CERP, to maintain both the flexibility and the accountability of this essential field-driven program. To that end, the Deputy Secretary will lead a review of CERP to determine how best to enhance the Department's guidance, management and oversight, and this report will be completed and made available to the Congress this spring.

Let me again thank you for the tremendous support of the Congress to this program, and I will be glad to address any questions on CERP. Thank you.

Senator MCCASKILL. Mr. Harrington.

TESTIMONY OF EDWARD M. HARRINGTON,[1] DEPUTY ASSISTANT SECRETARY OF THE ARMY FOR PROCUREMENT, DEPARTMENT OF THE ARMY, U.S. DEPARTMENT OF DEFENSE

Mr. HARRINGTON. Chairman McCaskill, Senator Bennett, distinguished Members of the Subcommittee on Contracting Oversight, thank you for this opportunity to discuss the Army's contracting operations in Afghanistan where we strive to be agile, expeditionary, and responsive to our warfighters, while ensuring the proper stewardship of taxpayer dollars.

With me today is Jeff Parsons, Executive Director of the Army Contracting Command. We have a joint written statement that I respectfully request be made a part of the record for today's hearing.

We thank the Members of this Subcommittee and the Members of Congress as we work to rebuild the acquisition and contracting workforce to execute the increasing workload in the number of contracted actions and the contracted dollars, which in the last 15 years has increased in excess of 500 percent. With your help and the help of the Office of the Secretary of Defense, we are working aggressively to rebuild our workforce numbers and restore their skills to deal with the growing complexities of contracting.

Along with the additional workforce personnel, we thank you for authorizing five additional general officer billets for acquisition. Our progress in filling these positions is outlined in our written statement.

It is important to note, however, that Major General Promotable Bill Phillips will soon relinquish command of the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), and become the Principal Military Deputy to our Assistant Secretary of the Army for Acquisition, Logistics and Technology. He will also become our Director for Acquisition Career Management. Both of these require a three-star billet.

Brigadier General Camille Nichols is slated to take command of JCC-I/A later this month, replacing General Phillips.

General Phillips is the first contracting general officer to be the Principal Military Deputy. We feel this is a strong example to the Army's commitment to contracting.

The JCC-I/A is authorized to contract for goods and services, to include supporting the Defense Department's Commander's Emergency Response Program. The JCC-I/A mission does not include reconstruction of Afghanistan because that mission is assigned to the U.S. Agency for International Development.

JCC-I/A, however, does have a direct role in developing the economy of Afghanistan. For example, through the Afghan First program, JCC-I/A has awarded roughly $1.8 billion to Afghani business since October 1, 2008. Of note, JCC-I/A awarded more than $39 million to Afghani women-owned businesses.

In support of the President's decision to send an additional 30,000 U.S. troops to Afghanistan, General Phillips and his staff are conducting a mission analysis in coordination with CENTCOM, the Joint Staff and our Army staff, to determine the resources, per-

[1] The joint prepared statement of Mr. Harrington and Mr. Parsons appears in the Appendix on page 41.

sonnel and locations where contractor support will be required for this surge. We are engaged with JCC-I/A on a daily basis to provide that direct support to them.

Earlier this year, we established the Joint Theater Contracting Support Office within my office at the Pentagon to ensure JCC-I/A has fully funded, manned, and supported resources in this contingency contracting mission. As additional troops deploy, this mission takes on even greater importance.

We are also continually improving our processes to leverage stateside contracting capabilities to augment JCC-I/A's. As an example, the Army Contracting Command established a Reach-Back Contracting Office as a center of excellence at the Rock Island Contracting Center in Illinois. Through this center, we are working with JCC-I/A and the Army Contracting Command to identify requirements in theater that can be performed at Rock Island. We have also initiated coordination with the Air Force to provide a team of its contracting officers to augment Rock Island's reach-back capability.

In addition, to ease the workload in theater, the Army has established a JCC-I/A specific Contract Closeout Task Force in San Antonio, now in the process of closing out 80,000 contracts.

Thank you very much, ma'am. This concludes my opening remarks. Mr. Parsons will now discuss the Logistics Civil Augmentation Program, after which we look forward to your questions.

Senator MCCASKILL. Mr. Parsons, would you like to go right after Mr. Harrington?

TESTIMONY OF JEFFREY PARSONS,[1] EXECUTIVE DIRECTOR, ARMY CONTRACTING COMMAND, DEPARTMENT OF THE ARMY, U.S. DEPARTMENT OF DEFENSE

Mr. PARSONS. Thank you, Chairman McCaskill, Senator Bennett, and distinguished Members of the Subcommittee. Thank you for the opportunity to provide information on the status of the LOGCAP contracts in Afghanistan, including the continuing transition from LOGCAP III which relies on a single source company, to the LOGCAP IV which uses three different performance contractors. Both of these contingency contracts enable the Army to provide critical support to buoy troops serving on the front lines of Afghanistan.

The highly complex and challenging LOGCAP program is accomplished by a team of forward deployed and rear echelon Department of the Army civilians, Army Reserve officers and noncommissioned officers in the LOGCAP Support Unit, and the officers, NCOs and civilian employees of the Defense Contract Management Agency (DCMA). These hardworking, highly skilled people make up Team LOGCAP and provide contract oversight of the three performance contractors: DynCorp, Fluor, and KBR.

The Defense Contract Audit Agency also provides forward support and is a key partner in our oversight functions. Team LOGCAP is further supported by the men and women serving here in the United States with the U.S. Army Materiel Command and its

[1] The joint prepared statement of Mr. Parsons and Mr. Harrington appears in the Appendix on page 41.

subordinate commands, the U.S. Army Contracting Command and the U.S. Army Sustainment Command.

Today, I plan to provide you a status update and answer your questions on what we are doing to support deployed forces through the LOGCAP contracts in Afghanistan. I thank you for your continued interest in LOGCAP and the contingency contracting process.

The Army Contracting command is committed to excellence in all contracting, including these very complex and critical LOGCAP contracts. We continue to collect lessons learned and make improvements and adjustments along the way to ensure mission success and protection of the interests of the U.S. Government and the taxpayer. It is my honor to lead the contracting team in achievement of these goals.

Thank you for inviting me to speak with you today. This concludes my opening remarks.

Senator MCCASKILL. Thank you, Mr. Parsons. Mr. North.

TESTIMONY OF CHARLES NORTH,[1] SENIOR DEPUTY DIRECTOR, AFGHANISTAN-PAKISTAN TASK FORCE, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

Mr. NORTH. Chairman McCaskill, Ranking Member Bennett, Senator Kirk, and other Members of the Subcommittee, thank you for your invitation to testify before this Subcommittee on the topic of Afghan reconstruction and development contracts. I will keep my remarks brief and ask that my full written statement be submitted as part of the official record.

Within the President's Afghanistan-Pakistan strategy, USAID's mission in Afghanistan is to support Afghan-led development, build Afghan capacity at the local and national levels and strive for Afghan sustainability.

As you know, Afghanistan is a high-risk environment in which corruption and extortion pose significant risk. As a result, it would be impossible for me or for USAID, under these circumstances, to declare unequivocally that wrongdoing will never occur. At the same time, though, it is important to underscore that we have in place well-designed systems and practices to minimize opportunities for misconduct and misappropriation of funds.

Based on these requirements, we aggressively manage and monitor performance, review and improve our systems and practices, and promptly respond to all allegations. Furthermore, we work closely with the USAID Inspector General as well as the Special Inspector General for Afghanistan Reconstruction and the Government Accountability Office.

To best respond to President Obama's strategy, USAID has become an integral component in a whole-of-government unity of effort in Afghanistan. All our planning and operations are streamlined and coordinated with the various U.S. Government agencies.

On the ground, we work under the leadership of Ambassador Eikenberry and Ambassador Wayne. At the Provincial Reconstruction Teams and in the Regional Command Offices, our field officers work daily with our military and interagency civilian counterparts to implement the U.S. Government's mission in Afghanistan. The

[1] The prepared statement of Mr. North appears in the Appendix on page 55.

PRTs serve as additional eyes and ears on the ground to further improve our program effectiveness and to flag potential issues.

USAID's U.S. and Afghan staff are central to program implementation. Our on-the-ground presence has doubled since January and continues to grow. As of December 7, 2009, USAID/Afghanistan has 180 American staff in-country. USAID expects to have a total of 333 Americans on the ground early next year. We also have 136 Afghans and 16 third country nationals on our staff in Afghanistan.

USAID currently has 10 contracting officers who focus on Afghanistan and more than 57 contracting officer's technical representatives on our staff in-country as well.

Our staff operate within a new initiative called Afghan First which others have referred to. The guiding principle is that Afghans lead, not follow, in their path to a secure and economically viable country. The program strives to buy Afghan products, use Afghan-owned firms for procurement and to use Afghan specialists whenever it is possible in order to build capacity in Afghanistan.

In conclusion, Afghanistan is hungry for development. The United States, in coordination with international partners, is providing jobs for the jobless, a voice to the voiceless, food for the hungry and hope for the hopeless.

We know it will be difficult. We remain optimistic even during weeks like this when five members of our team from Development Alternatives Incorporated were killed by a suicide bomber. But these principles—extending monitoring and oversight, a whole-of-government approach, a skilled core of civilian development specialists, and placing Afghans first—will make a difference for the people of Afghanistan.

Thank you.

Senator MCCASKILL. Thank you, Mr. North, and obviously we continuously stand in awe of people who lose their lives in this effort. Whether they are civilians from State Department or a part of our military, it is obviously beyond bravery that people are willing to stand up and go into a contingency like that.

Especially, in some ways, I do not think civilians get enough pats on the back. We love our military and their bravery, but I think we forget sometimes that there are a lot of brave people who are stepping forward that do not wear a uniform, that are in harm's way.

Mr. Feldman, please proceed.

TESTIMONY OF DANIEL F. FELDMAN,[1] DEPUTY SPECIAL REPRESENTATIVE FOR AFGHANISTAN AND PAKISTAN, U.S. DEPARTMENT OF STATE

Mr. FELDMAN. Chairman McCaskill, Senator Bennett, and Senator Kirk, thank you for your invitation to appear before the Subcommittee to discuss our efforts to enhance oversight and accountability for development and reconstruction contracting in Afghanistan.

[1] The prepared statement of Mr. Feldman appears in the Appendix on page 63.

And, as a former staffer on this Committee, it is an honor and a unique experience to be back in this hearing room, but on this side of the table.

Senator MCCASKILL. We cannot wait. [Laughter.]

Mr. FELDMAN. As you know, this is a complex topic with many agencies owning various aspects of it. The State Department's Office of the Special Representative for Afghanistan and Pakistan has a role in formulating broader policy and then in reviewing and approving contracts. While our embassy in Kabul and our USAID colleagues can speak more directly to the challenges related to implementation, yet other colleagues can speak more closely to the situation in Afghanistan as it compares to Iraq.

As Secretary Clinton noted in her recent appearance before the Senate Foreign Relations Committee, the Obama Administration inherited an underresourced civilian effort in Afghanistan. As a result, efforts since 2001 have fallen short of expectations.

Over the past 10 months, we have conducted a broader review, not only of our assistance objectives, but also how we go about delivering our assistance programs. The result of this review is a new, more focused and effective assistance effort aligned with our core goal of disrupting, dismantling and defeating al-Qaeda. Additionally, our assistance is increasingly implemented in partnership with the Afghan government and local Afghan implementing partners.

While we have not resolved all the problems that we uncovered, I believe we now have a more robust system of review, management and oversight in place that will deliver improved results over the next 12 to 18 months. Let me briefly outline a few aspects of our new approach.

Our civilian assistance in Afghanistan aims to build the capacity of key Afghan government institutions to withstand and diminish the threat posed by extremism. Short-term assistance aims to deny the insurgency foot soldiers and popular support by focusing on licit job creation, especially in the agricultural sector, and improving basic service delivery at the national, provincial, and local levels. Long-term reconstruction efforts aim to provide a foundation for sustainable economic growth.

To achieve these goals and maximize the effectiveness of our assistance, we have pursued four discrete topics or categories: One, smaller, more flexible contracts; two, decentralization; three, increased direct assistance; and four, improved accountability and oversight.

On smaller, more flexible contracts, we are shifting away from large U.S.-based contracts to smaller, more flexible reconstruction contracts with fewer sub-grants and sub-contracts that enable greater on the ground oversight.

The premise behind this flexibility is simple. In a dynamic conflict environment like Afghanistan, we need to be able to adapt our programs as conditions change on the ground. These smaller contracts and grants will be managed by U.S. officials in the field, closer to the actual activity implementation, making it easier for those same officials to direct, monitor and oversee projects to ensure the proper use of taxpayers' funds.

On decentralization, USAID officials posted to region civilian-military platforms bring with them funding and flexible authorities to enhance the responsiveness of programs and better coordinate local Afghan priorities. We found that not only does a decentralized program platform enhance development activities at the provincial and district level, but that it is also more cost effective.

On increased direct assistance, we are also decreasing our reliance on large international contractors and building Afghan institutional capacity by increasing our direct assistance through Afghan government mechanisms in consultation with Congress. This includes increased U.S. contributions to the World Bank administered Afghan Reconstruction Trust Fund, which includes the National Solidarity Program. To receive direct assistance, Afghan ministries must be certified as meeting accountability and transparency requirements.

Support to the Afghan Civil Service Commission increases the professional skills and leadership within the Afghan government, enabling Afghans to increasingly assume responsibility for their country's economic development. Our goal is to have up to 40 percent of U.S. assistance delivered through local entities by December, 2010, and to certify six of the core Afghan ministries in the same time period.

On improved accountability and oversight, at the start of our contracting review, Ambassador Holbrooke and Deputy Secretary Lew reviewed individually every major contract to ensure that they were aligned with the strategy that the President had announced in March 2009. They focused on ensuring that our new contracts introduced mechanisms to improve performance and significantly decrease the overall percent of multiyear contracts.

While Washington remains closely involved in the contract review process, Ambassador Tony Wayne, who you have previously heard about, our Coordinating Director for Development and Economic Assistance in Kabul, now has day to day responsibility for reviewing each contract to ensure adherence to our national security goals.

Recognizing that the substantial international assistance to Afghanistan has the potential to contribute to corruption, we have deployed a sizeable number of new direct hire contracting personnel to enhance oversight of programs, as well as additional technical staff in the field to monitor program implementation and impact.

The Special Inspector General for Afghanistan Reconstruction is Congress's eyes and ears on the ground in Afghanistan, and we support its role in evaluating internal controls and implementation of assistance programs.

In conclusion, the Secretary and all of us who work on Afghanistan believe we have a duty to ensure that the resources provided by the Congress and the American people are used for the purposes intended and approved by the Congress. The reforms that we have implemented will, over time, decrease overhead and related costs for assistance programs, increasing the amount per dollar of U.S. assistance, directly benefiting the Afghan people and the Afghan institutions.

Afghanistan is a complex, dynamic, and difficult operational environment, and that constrains our ability to sometimes provide the

high level of oversight of projects that we would otherwise require. But we are making every effort to ensure that the required operational flexibility is matched with the highest dedication to accountability, and we are committed to taking the necessary corrective actions when a problem occurs.

Thank you.

Senator MCCASKILL. Thank you, Mr. Feldman.

We will each do 5-minute rounds and do as many rounds as we need to do in order for everyone to cover their questions today.

Let me start out by asking a question that probably individually none of you can answer, but it might be one of those moments for collaboration that would be important. Can somebody give me a number in terms of how much we are spending on contracts in Afghanistan, what you would guess the number is going to be or ballpark number for either this year or next year?

Can anybody do that?

Maybe let's do it by stovepipe then. Are there significant contractual obligations other than CERP and USAID? Am I missing a significant outlay of contracts other than CERP and USAID?

Mr. HARRINGTON. Ma'am, from an Army perspective, both the Joint Contracting Command-Iraq/Afghanistan will contract for all of the goods and services.

Senator MCCASKILL. Oh, LOGCAP. I left out LOGCAP. The three: LOGCAP, CERP and USAID.

Mr. HARRINGTON. Yes, ma'am, and the Joint Contracting Command-Iraq/Afghanistan contracts for specific goods and services for those requirements outside the bounds of LOGCAP that are instant to the standing-up of a forward operating base command outpost, those types.

Senator MCCASKILL. OK.

Mr. HARRINGTON. Host nation trucking, air support, services such as that.

Senator MCCASKILL. OK. So we have CERP. We have LOGCAP. I am going to refer to what you just said as the other.

Mr. HARRINGTON. Yes, ma'am.

Senator MCCASKILL. And USAID.

Anything else that I have missed, any big pots of money somewhere that are being spent that I have missed?

Mr. Feldman.

Mr. FELDMAN. Yes, the State Department altogether, we are in a little bit of a state of flux with one particularly large contract. One of our largest contracts under INL, which is for police training, that is in the process of being transferred back to DOD. That was about $450 million.

If you take that out, and that should probably be back at DOD in the first quarter of next year, if you take that out, we have about $900 million of programming. The majority of it is INL for counter-narcotics, for justice programs, for corrections programs, for a range of other things, and then there is some smaller contracts for security personnel and embassy security. But altogether, it comes to about $900 million. It seems with taking out that police piece, under 1,500 contractors altogether.

Senator MCCASKILL. What about LOGCAP? How big is LOGCAP, Mr. Parsons, in Afghanistan?

Mr. PARSONS. Ma'am, the current LOGCAP III contract in Afghanistan is probably in the neighborhood of $1.8 to $2 billion, and the recent awards that we made to both Fluor and to DynCorp will well exceed over a billion dollars as well.

I would also like to add that I know we are doing quite a bit of contracting for the Combined Security Transition Command-Afghanistan (CSTC-A), where we are buying a lot of equipment that is being provided to the Afghan army and the Afghan police, plus some of the training support contracts that we do for CSTC-A. Those, I know are averaging probably a total of about a billion dollars a year as well, if not more.

Senator MCCASKILL. OK, and that is not in other? That is not in Mr. Harrington's other? That is an additional?

Mr. HARRINGTON. Yes, ma'am.

Mr. PARSONS. Yes.

Senator MCCASKILL. OK. So now tell me again what that is called.

Mr. PARSONS. The Combined Security Transition Command-Afghanistan (CSTC-A).

Senator MCCASKILL. CSTC-A.

Mr. PARSONS. Right.

Senator MCCASKILL. You guys kill me. [Laughter.]

Mr. PARSONS. Lieutenant General Caldwell.

Senator MCCASKILL. You have never found an acronym you did not love.

Colonel CAMPBELL. Actually, Senator, the funds that they spend are out of the Afghan Security Forces Fund, which is a separate account that is appropriated to DOD.

Senator MCCASKILL. OK. What I really need you all to do, we are going to try to do a chart after this hearing as to where the money is being spent because what I want to make sure I know at this point in time is who is responsible for each pot of money. That is one of the things that made my eyes cross in Iraq. It was just not clear who was the one that was going to be accountable when things went badly.

Let me ask this because one of the things that happened in Iraq was you had Army Corps of Engineers that kind of got layered in there. And it was interesting to me because I would go in Iraq to talk to the Army Corps of Engineers, and I would hear one set of facts. Then I would move to somewhere else, and I would hear a completely different set of facts. So where is Army Corps of Engineers in here, if at all?

Mr. HARRINGTON. Ma'am, I was going to say the Army Corps of Engineers is the other component of this, and I will take a question for the record to get an accurate dollar count for you. Some of this is still slightly unknown because requirements are going to be generated throughout this timeframe, but we will get the accurate figures for you for the Army Corps of Engineers.

Senator MCCASKILL. What will the Army Corps of Engineers be doing?

Mr. HARRINGTON. Obviously, ma'am, primarily construction projects, permanent building type construction projects.

Senator MCCASKILL. For the military or for the Afghan people, because they were doing reconstruction in Iraq?

Mr. HARRINGTON. Yes, ma'am, essentially for both.

Senator MCCASKILL. And their money is going to come from where? The Army Corps money is coming from your money or is it coming from State's money?

Mr. HARRINGTON. I do not know, ma'am. I will find out.

Senator MCCASKILL. OK.

Colonel CAMPBELL. Ma'am, I believe actually the Army Corps of Engineers——

Senator MCCASKILL. I appreciate your honesty that you do not know, but it is a problem.

Mr. HARRINGTON. Yes, ma'am.

Colonel CAMPBELL. My understanding is the Army Corps of Engineers will oversee large projects, and that is probably why you would get different facts from Corps of Engineers than you would from an Army command because the Army is going to be executing funds appropriated to the Army, funds appropriated in the case of Iraq to Iraq Security Forces funds. There could also be some MILCON projects that go directly through Army Corps of Engineers and not through the commands in theater. So I can understand why you would get different facts in theater.

Senator MCCASKILL. And that is how things get lost in the shuffle.

Colonel CAMPBELL. Right.

Senator MCCASKILL. You know CERP is doing big stuff now. And I am about out of time for this round. So I am going to go ahead and turn it over to Senator Bennett. We will come back to that, but CERP is no longer just fixing broken glass on store fronts.

Colonel CAMPBELL. Right.

Senator MCCASKILL. CERP is doing large projects. The question is are they contracting with people to do that or is Army Corps going to come in and do that? That is where I am not clear.

Has CERP drifted from its initial, what I affectionately called, walking-around money? Has it drifted into the category of an USAID or an Army Corps reconstruction major project, and are we losing expertise in this shuffle? More importantly, are we going to get the oversight and the monitoring that we need?

Thank you, and I will turn it over to Senator Bennett.

Senator BENNETT. Thank you very much.

Following through with what the Chairman has said, I have talked about the coordination between the combat units and the contractors, and when combat units are in the field they expect to have a high degree of situational awareness established between operating centers at higher levels of command. This means that the tactical maneuvers of one unit do not get messed up with the tactical maneuvers of another unit. All right.

What is the command structure at the local, provincial, and national level in Afghanistan to ensure that you have the same degree of coordination, or avoidance of duplication if you will, that is expected of combat units with respect to reconstruction units?

Mr. HARRINGTON. Senator, within the Central Command, the Joint Contracting Command-Iraq/Afghanistan has the responsibility for what we call theater business clearance for all requirements coming into the Central Command. That is the clearinghouse, if you will, for those requirements with respect to where our

responsibilities lie at, for executing the requirements for the warfighting units.

Outside of that, we do not have a purview of those other requirements. But, within that Central Command function, the Joint Contracting Command-Iraq/Afghanistan, in coordination with LOGCAP, is the central point through which we find ways to execute requirements for the warfighters that we support.

Senator BENNETT. All right. Since you have that group in place, do you have any information about how often they stumble into situations where what is being done in Reconstruction Unit A does not properly coordinate with what is being done in Unit B, and they exercise their authority to say, OK, straighten that out? It is nice to have the thing in place, but you have been there for long enough that you can give me some examples of how it works?

Mr. HARRINGTON. Sir, it is the organizational structure in terms of executing those requirements at the different geographical locations. When a requirement comes in for a forward operating base in a certain geographical location, that regional contracting center gets that responsibility to execute that. If it is a large, more complex requirement, that is when we turn it back to the reach-back capability at Rock Island.

So Joint Contracting Command-Iraq/Afghanistan, the staff that supports that, oversees the allocation of those functions to award those contracts and has the purview of all of those functions coming to it. That is within CENTCOM, though. That is our responsibility.

Senator BENNETT. Anyone else have a comment on that?

Colonel CAMPBELL. Senator, I can tell you, again, I am a budget person. I am not one who works out in the field from an operational level.

But on the CERP program, what they have done in Afghanistan, and partly from lessons learned in Iraq and even going back to Kosovo and Bosnia, they have set up a CERP review board. And, as I mentioned in my opening statement, it has a USAID representative on there, and that board is at the command level. So it is not sort of segregated or dispersed out in the field. All those CERP projects come back up to at least a two-star, if not higher level, command where they can do the kind of integration that you are referring to.

I cannot say that they have everything in there, but they do their best to integrate at least with USAID.

Senator BENNETT. There have been reports of friction between the State Department and USAID that exacerbated after the 2006 merger of USAID into State. I am not asking you to tell any tales out of school, but can you give us some characterization of the relationship between USAID and the State Department?

Mr. FELDMAN. I think we should both answer.

Senator BENNETT. Everything is fine?

Mr. NORTH. Sir, we work very closely with the State Department at all levels. Certainly here in Washington, Ambassador Holbrooke's staff is an interagency group which includes three USAID officers on his staff.

We have three USAID officers on Ambassador Holbrooke's staff to help with that coordination here in Washington. Out in Kabul,

we work very closely with Ambassador Wayne and Ambassador Eikenberry. We have several examples of interagency strategies and implementation plans, for example, on agriculture, with the U.S. Department of Agriculture and the National Guard and how we go forward on implementing agricultural programs in Afghanistan.

When you go out to the provincial level, at the planning level there, we have heard USAID does participate in CERP decision-making, but it is also interagency effort, not just USAID and the military but also with the State Department.

So it is a close relationship, two different organizations. There are areas we continue to work on to improve that coordination.

Senator BENNETT. Mr. Feldman, do you have any comment?

Mr. FELDMAN. No. I would just say the success of our mission would be impossible without a very close working and cooperative relationship with USAID, and we feel very lucky to have the working relationship that we do with them. It was part and parcel of Ambassador Holbrooke's intent when he created his office to make it the whole-of-government approach.

We have detailees from 10 different agencies, but USAID is the only one that has three there right now. Actually, DOD also has three representatives. So those are far more represented than any of the others, and they are extremely well integrated into our staff, into all of our planning.

And I would also amplify the point about Ambassador Tony Wayne in the field, who is the Coordinating Director for Development and Economic Affairs ever since June. So he oversees all U.S. Government non-military assistance, and we have created a counterpart also in Pakistan to try to have the same sort of coordination. So he directs and supervises a wide range of embassy sections, programs, agencies, and there are 15 national level working groups to coordinate policy implementation.

So, not only do we believe, we have to work towards as coordinated an interagency approach as possible to be successful.

Senator BENNETT. Thank you.

Madam Chairman, I have another Subcommittee I have to go to. So I am at your mercy. You can do whatever you want by unanimous consent. [Laughter.]

Senator MCCASKILL. By unanimous consent, I would like us to vote on the health care bill by Monday, so I can get home for Christmas. Will that work?

Senator BENNETT. Maybe not that?

Senator MCCASKILL. I thought I would give it a shot. [Laughter.]

Senator Kirk.

Senator KIRK. Thank you, Madam Chairman and Senator Bennett, for this opportunity. It is a timely hearing, obviously.

We welcome you gentlemen and thank you for your service.

We are about to spend billions of dollars in the construction and counterinsurgency in Afghanistan, a country that enjoys a reputation of having a culture of corruption. It is sometimes said it is the second most corrupt country in the world.

General McChrystal, when he was here, and he has written beforehand that the success of the American operation in Afghanistan

will largely be measured on how we do—I am paraphrasing—by, with and through the Afghanistan government.

I guess my first question is with that as a background, in each of your agencies and departments, are there particular procedures, practices and systems that you are going to undertake that will give us some assurance, and the American taxpayers some assurance, that the money that is going to be spent over there will be properly overseen and accountable, so that we do not fall into the trap of that culture and find that a lot of our taxpayers' dollars are being expended as payola or for kickbacks or however you want to describe it?

Maybe I will start with you, Mr. North, and if others want to join in, in terms of what is happening in your respective departments and agencies, it would be helpful.

Mr. NORTH. Thank you. We do recognize the issue of corruption is a major concern in Afghanistan, but we are also looking increasingly to put more of our resources through the government of Afghanistan, but doing it responsibly.

We have ongoing programs to strengthen the capacity of government ministries, not only the personnel, but their systems, so that they can bring them up to the standards that we require for us to provide direct assistance to the government. We signed an agreement with the Ministry of Health a little over a year ago for over $200 million, and we have since also certified the Ministry of Communications and the Ministry of Finance to receive direct financing.

In addition to continuing to strengthen their systems, we have ongoing assessments of other ministries including the Ministry of Education, the Ministry of Agriculture and the Ministry of Rural Rehabilitation and Development. By going through these assessments, we can identify where the weaknesses are and support their efforts to strengthen their systems, not just to be able to manage our resources, but also to improve the overall accountability of Afghan resources for the long term.

So this is very much a part and parcel of what we are about. It is strengthening their systems but also working with and through the Afghan government.

Mr. FELDMAN. I am happy to.

Senator KIRK. Thank you.

Mr. FELDMAN. There are a range of initiatives that we have tried to implement since the beginning of this year, to try to improve contract oversight and performance, and they fall roughly into five broad categories.

The first is the overarching organizational structure, and, as I laid out already, having Ambassador Tony Wayne there helped to do that. That position did not exist a year ago. Its establishment helped improve the oversight and the interagency coordination.

Second is the actual contracting methods, and the structure of these development contracts has changed. So USAID is now increasing its use of performance-based one-year contracts which give more options for contracting officers who encounter poor performance. Contracts are designed with fewer subcontracting layers and with more professional supervision, so they will hopefully perform better. And, as Mr. North has said, we are moving towards Afghan

contractors when feasible and international contractors that have a strong percentage of Afghan personnel. This also includes working with certified Afghan ministries.

The third category is the actual personnel additions. So the State Department and USAID are both increasing the number of financial analysts, contracting officers, technical officers, program officers, who altogether better track the flow of money and ensure that contractors are performing more according to standards.

The fourth is the general civilian increases in the field at the national and sub-governance levels. We have more than doubled and come close to tripling the number of U.S. Government civilians deployed to the field this year. The more that are there, where the contracts are actually located and the projects are happening, the more oversight we can provide.

And the fifth is the external oversight mechanisms, and that is obviously working in close concert and supporting the missions of SIGAR, the various inspectors general, the GAO and other external reporting mechanisms.

Then last, what I would say about corruption in particular is that this is obviously an issue that is at the core of our strategy in combating it in Afghanistan. We have made a very robust and consistent case on dealing more aggressively on corruption to the Karzai government. It was part of his inaugural speech, as we had hoped it would be. He held just yesterday the anti-corruption conference. But it is something that we and the rest of the international community are going to continue to watch very closely.

There has been a range of suggestions from revitalize the anti-corruption commission, to hopefully bring some high level prosecutions, if we cannot deal with it at the national level, to working at a sub-national, regional governance structure where we can hopefully work around corruption if we have to. So it is something that is very central to our core mission.

Senator KIRK. Thank you very much.

Mr. PARSONS. Sir, if I could add just real quickly, one of the things that we are doing with our soldiers that are becoming contracting officer representatives is we see them as kind of the front line on being able to identify bad business practices. We are teaching all of them now a block on ethics training and the things that they need to look for as they perform their duties as a contracting officer representative. So I think that will go a long way.

In fact, I met with the Expeditionary Fraud Investigation Unit right before this hearing, this part of the Criminal Investigation Division of the Army, and they are increasing their presence there as well, in Afghanistan.

Senator KIRK. Thank you. Madam Chairman, I know my time is up, but may I just ask if there are any other statments?

Senator MCCASKILL. Absolutely. Take all the time you would like, Senator Kirk.

Senator KIRK. Mr. Campbell or Mr. Harrington?

Colonel CAMPBELL. Senator Kirk, yes, thank you.

What I would do is just give you an example which I think will get to sort of at the local level issue you are talking about. Of course, all CERP money is executed and managed by U.S. Govern-

ment employees or soldiers. In rare exception, Coalition Forces can use CERP money.

One of the things that General McGhee, who is the resource manager in CENTCOM, has implemented is moving more towards electronic transfer of funds. So, in Iraq, years ago where we used to have to essentially just fly in plane loads of cash, what you are finding more in Afghanistan is a lot of this money is being transferred, one, in local currencies but, two, as an electronic fund transfer.

Of course, once it gets into the hands of the local population, it is kind of up to them to deal with, but I think that is where State Department's and USAID's more overarching efforts will come into play.

Senator KIRK. Thank you.

Mr. HARRINGTON. Sir, Army-wide, to reinforce Mr. Parson's comments, we are taking a lot more of an active role in training our contracting officer's representatives earlier in the process and ensuring that they are identified, trained and assigned, with certificates, such that when they do arrive in theater they are then linked with their contracting officers, and they go through a very good briefing on the contractor's performance and the contractor's functions.

That training includes being able to evaluate the contractor's performance and provide that relative information to the contracting officer. That really culminates in ascertaining the deliverable we are supposed to get, in either a supply or a product, and then executing a payment, as Mr. Campbell notes, electronically, so that we have got a very good, succinct process all the way through the payment of the contractor.

Senator KIRK. Thank you.

Just a final question on this, the notion that has been advanced, I think, by President Karzai that the contracting or the licensing program be managed or administered through the Afghan government, is that something that we should take comfort in? Is that notion something that can work out, do you think?

I mean are you confident about that for the same reason that obviously this is a great amount of dollars, a very important theater?

In my own view, we are taking a huge bet on success in Afghanistan, and part of it obviously is going to be the civilian component of it. I am just wondering about the licensing program being administered by the Afghan government. Is that something that each of you subscribe to as the right way to go?

Mr. FELDMAN. Ambassador Eikenberry addressed this in his recent testimony, and we are fully supportive of that. We do think that it would help to provide a certain consistency.

This came up in part due to the rates that international contractors pay compared to rates that Afghans may make, lesser rates at this point, if they go into the army or police or things, and wanting to make sure that we create the right incentives and do not create disincentives for them to join security forces, which is in our own long-term interests. This was a question that obviously Chairwoman McCaskill asked about. So we do see this as one way to help address that, and we would strongly favor it.

Senator KIRK. Thank you very much.

Madam Chairman, I am also going to have to excuse myself. Thank you for your forbearance, and I thank you gentlemen as well.

Senator MCCASKILL. Thank you, Senator Kirk. We are glad you were here.

Let me start on a little bit drilling down on LOGCAP. You know how I feel about LOGCAP III, it is like the movie that never ends. I continue to be confused why we are utilizing LOGCAP III and not more aggressively transitioning to LOGCAP IV.

Even though we have awarded under LOGCAP IV, it appears to me that less than a billion has been funded under LOGCAP IV, and LOGCAP III now is totaling $34.4 billion. What is the hold-up here? Why can we not let loose of the KBR dynasty?

Mr. PARSONS. Well, ma'am, I think we are letting loose of that. We have been deliberately moving from LOGCAP III to LOGCAP IV. I think as we have testified before and have talked with many of the staffers, there was a deliberate process that we would move from Kuwait requirements on LOGCAP, move them from III to IV, then move to Afghanistan, and then move to the more complex situation which was in Iraq. And that is what we have been following.

I think you are aware that all the work, LOGCAP requirements in Kuwait have now transitioned fully to LOGCAP IV. We are in the beginning parts of the transition in Afghanistan, from the old LOGCAP III to LOGCAP IV. We expect that transition to be complete by about July 2010.

It is not a simple transition process, as we have learned especially with having to account for all the equipment that has been bought by KBR at the different FOBs and the different camps, and having to account for that, and also just getting men and women and equipment in to transition in Afghanistan. So it does take some time, and we have got to be cognizant of the commanders' operational requirements as well.

With LOGCAP requirements in Iraq, we should be making an award I hope at the end of this month or the beginning of January for some of the services in Iraq. What has been holding us back a little bit on the base life support is knowing exactly what the requirements are going to be now that the President has made the decision with the drawdown and trying to extract all the forces by December 2011.

So it has been taking us some time working with theater to identify those, but I think we are there. We should be releasing that RFP very soon, and then that transition will start taking place again sometime in 2010.

Senator MCCASKILL. It is my understanding that Fluor has the North in Afghanistan and DynCorp has the South, correct?

Mr. PARSONS. Correct, ma'am.

Senator MCCASKILL. And they are doing all of the tasks in those areas?

Mr. PARSONS. Yes.

Senator MCCASKILL. So it is not task to task competition that we ended up with. It ended up regional competition.

Mr. PARSONS. Yes, ma'am. What we did, we made a conscious decision in Afghanistan to split Afghanistan in two, with two different contractors, because we wanted to maintain that capability

and capacity with two contractors. So, if we need to increase the requirements, which obviously we need to do now, they will have that capacity in there.

Plus, we did not want to have a single point of failure, which is what we really recognized in Iraq. We were tied to KBR in Iraq. If KBR decided not to perform anymore, we did not really have a backup. This way, if we have problems with one of the performance contractors, we will have two there in the theater. Then one of them, the other one could pick up.

I know you had concerns about the way we structured these task orders. We recognized that if we were going to select one for the North and one of the South, we would have to find a way to preserve the competition that we had with the award of those task orders. So what we did was we established what they call a service price matrix.

We took about 80 percent of all the key services that are provided underneath those task orders for all the different base life support, and we had a matrix where the baseline pricing, which the fee was based on. So the fee that these contractors will earn are tied back to that pricing matrix. So, even if there is really no incentive for them to run the costs up because they will not get any more fee.

Senator MCCASKILL. So what you are telling me, which is great news, huge improvement, is that somebody who is peeling a potato up North is going to get paid about what somebody who is pealing a potato down South?

Mr. PARSONS. Not necessarily, ma'am. There are differences for some of the services between what we have in our price matrix for the North versus the South, but that is because the contractors have different rate structures. They took different approaches at it.

What we are also going to have is DCAA going in and auditing the baseline for both contractors for these prices.

Senator MCCASKILL. Right, I am aware they are doing that.

Mr. PARSONS. If they see something out of whack, we will go back and negotiate with them.

Senator MCCASKILL. Let's just say something a little bit easier. Per head breakfast, I mean on a per head. I assume we are buying breakfast by head.

Mr. PARSONS. Very close. There was no unbalanced pricing that we saw when we did the competition.

Senator MCCASKILL. OK.

Mr. PARSONS. So, when you take a look overall, we are pretty comfortable.

Senator MCCASKILL. I saw that DynCorp's partner got indicted, Agility, criminally indicted for violations of the False Claims Act, which to translate into lay terms, they got caught ripping us off.

Now I understand that you all have suspended them, but it is also my understanding that the way the rules and regs and laws work, they can continue to get work under their contract with Fluor even though they have been indicted for ripping us off. Is that accurate?

Mr. PARSONS. Ma'am, interesting that you should bring this question up. Mr. Harrington and I met with DynCorp officials earlier this week to discuss another matter, but they did bring up

Agility. I know that what they informed us was that they were no longer going to be using Agility as a partner. They had set up the agreement with their partners that if anybody got indicted for any reason, that they could dis-establish that relationship, and we were informed on Monday this week, that was their plan.

Senator MCCASKILL. More progress, OK. I also understood that you recently suspended $14.2 million in costs that were billed by Fluor, that you, under LOGCAP IV, have refused or decided not to pay $14.2 million worth of expenses that were submitted.

Mr. PARSONS. Ma'am, there are some withholdings that are taking place. I do not know the exact amount. I would have to get back to you on that, but there have been some questions about Fluor's compensation and also their purchasing system. So I know that the administrative contracting officer, working with the contractor officer, has been looking at withholds until those systems are corrected.

Senator MCCASKILL. Well, I would love to know the details of that. For one thing, it will reassure me that we have transitioned into a situation where we are going to try to take money away, instead of paying them and then saying later: Maybe we should not have given that to you, but too late now. We have already given it to you, and we are not going to try to claw back.

Mr. PARSONS. Right.

Senator MCCASKILL. So I would like to know the underlying details. If in fact we are withholding, I would like to know what the details are.

Mr. PARSONS. OK, we will get that for you.

Senator MCCASKILL. Now let's talk about the contractors versus police and military. If you cannot give me these answers now, these are answers I think it is very important for the record.

Understanding I went over this with Secretary Gates in the Armed Services hearing, and with McChrystal, it is my understanding that many of these contract positions—people need to understand this is a world of difference from Iraq in terms of the use of Afghans. We have got more than 50 percent, in fact almost 100 percent of the security contractors are Afghans. I think right now we have about 11,000 security contractors, and 10,000 of them are Afghans. Clearly, that is a much different scenario than what we had in Iraq when it was almost all third party nationals.

Now the same thing is true with the other contractors. More than half, in fact I think it is close to two-thirds of the 100,000 contractors we have in Afghanistan are in fact Afghans.

Now it is my understanding, and some of this was from talking to Ambassador Holbrooke, that he mentioned to me that Karzai talked about this problem in his inauguration address. That is that we are paying our contractors more money than they are paying their police or their military. If you are an Afghan and you can make more money cooking for American troops than you can make taking up a gun to fight the Taliban, I am betting they are going to cook for the troops.

If our entire mission is to build up the Afghan military and the Afghan police, how do we accomplish that if the left hand does not know what the right hand is doing and we are paying our contractors more than those military or police make?

Can any of you confirm that is in fact the case and what is being done to fix that problem? Because we are never going to accomplish our mission since we are hiring certainly many more contractors than we are ever going to be able to attract to the police or the military.

Mr. HARRINGTON. Ma'am, let me take that question for the record and get the accurate facts back to you.

Senator MCCASKILL. OK. If it is true, then it really worries me because that means once again we have not had the integration between the military mission and the realities of contracting. In fact, the realities of contracting in this instance are completing undercutting the military mission, and I am betting the military did not even realize that was potentially occurring.

Mr. HARRINGTON. I understand.

Senator MCCASKILL. So I think it is pretty important.

Mr. HARRINGTON. Certainly.

Senator MCCASKILL. And I really want to know specifics. How much does somebody make doing laundry for our troops and how much do they make, let's say, in Kandahar or at Camp Phoenix? What do they make and what do they make in the police department locally? So we can do an apples to apples comparison about the level of salary and if we are cutting off our nose to spite our face.

Let me go to USAID and State Department now for some questions about that. I know there is a reason we have six ambassadors in Afghanistan, but it is not clear to me who is doing what. Who is the ambassador? Who is in charge?

Where is the org chart? What is the difference between Eikenberry and Holbrooke, and who is answerable to them?

Can you help me with that, Mr. Feldman?

Mr. FELDMAN. I would be happy to. We do have six ambassadors in Kabul, but we feel extremely well served by having them there, given the critical nature of our mission and given the talent that they bring.

So Ambassador Eikenberry is charged with all of our work coming out of the embassy. I am just looking for the actual org chart, which I brought with me and am happy to share.[1]

Senator MCCASKILL. That is fine. You can get it to us for the record.

Mr. FELDMAN. Sure.

Senator MCCASKILL. The reason I ask the question is not to try to—I am sure that there is a valid substantial reason for all of the work that all of them are doing. I am trying to focus on this just because I have learned the hard way that the accountability piece never happens if you do not know who is in charge, and I am trying to determine among these ambassadors who is the ambassador that has the authority and the accountability and the responsibility in terms of the contracting that is going on.

Mr. FELDMAN. Yes. Ambassador Eikenberry has responsibility for the State Department's operations in Afghanistan, including all foreign assistance programs. Ambassador Ricciardone is his deputy. Ambassador Mussomeli helps to run operations.

[1] The chart referred to by Mr. Feldman appears in the Appendix on page 106.

And, Ambassador Wayne, as we said, is the Coordinating Director for Development and Economic Assistance. So he is the one that oversees all the U.S. Government non-military assistance to Afghanistan. He directs and supervises the range of embassy sections, programs, agencies, offices in the field. He is our main point of contact on many of these specific contracting issues, but obviously anything would go up to Ambassador Eikenberry, if need be.

Ambassador Holbrooke, here in Washington, coordinates the interagency effort to advance the U.S.'s strategic goals in Afghanistan and Pakistan.

Senator MCCASKILL. So Ambassador Holbrooke's office is the one that would be looking to see if CERP was trying to do the same thing that USAID was doing, that was trying to do the same thing State was trying to do?

Mr. FELDMAN. Yes, in Washington, we do all of that. That interagency coordination is done from our office.

Senator MCCASKILL. OK.

Mr. FELDMAN. But, importantly, much of this work is actually done in the field, obviously—so, on CERP, on the specific decisions that are done with the local councils, on how the project is implemented. We need and rely on what is being done in the field, which ultimately goes through Ambassador Wayne for our coordinating basis, but we do the coordinating in Washington

Senator MCCASKILL. Well, if we determined down the line that there was a lack of coordination that caused a massive amount of waste, the buck would stop at Ambassador Holbrooke's desk?

Mr. FELDMAN. I think it would be jointly our desk here in Washington, and we would be working with the appropriate people at post as well, but, yes.

Senator MCCASKILL. OK.

Mr. FELDMAN. As far as the fifth ambassador, I think it is just Ambassador Carney who was there for the specific elections purpose and, now that the elections are over, will be returning.

Senator MCCASKILL. OK. USAID, you are not putting your contracts into the database.

Mr. NORTH. Which database?

Senator MCCASKILL. SPOT.

Mr. NORTH. SPOT.

Senator MCCASKILL. The fact that you had to ask which one is a problem. There is supposed to be one, and everyone is supposed to be using it, so we can have transparency across in terms of all the contracts that are outstanding and the work that is being done.

Mr. NORTH. We are, definitely. We are putting our contracts into SPOT. We are putting at the company organizational level.

We have not put in individual names because of concern for the security of the individuals. Of the 20,000 people who work under USAID contracts and grants in Afghanistan, 19,000 are Afghans. There is great concern, particularly among the NGO community, about having their names in a database. There are concerns for their security and privacy.

So, while we are complying with the law in terms of ensuring that all the companies that are working for us are included in the database, we have not as yet put individuals into the system.

Senator MCCASKILL. Well, let me ask is the information that the Army is putting in, I assume it is more comprehensive than what USAID is putting in?

Mr. HARRINGTON. Yes, ma'am. I do not know what USAID is putting in, but the Army requires the contractors to put specific names of his contractor personnel in the database.

Senator MCCASKILL. I think we got to resolve this. Clearly, everyone is hiring Afghans. I mean this is an unprecedented hiring of locals in terms of our country. I do not think we have ever embarked on this kind of massive hiring program in-country when we have been in a contingency, or even close. So I think we have to decide if it is a security problem for the people at USAID, then certainly it is a security problem for the people that are working through the military.

The problem is going to be this whole SPOT was designed so that we could at least have one central repository which we never had. I mean we did not even have electronic in Iraq. It was all paper everywhere. The accountability is very important, that this database work in theater, everyone using it.

So I would ask USAID to come back to the Subcommittee with their specific concerns as to why they are not fully utilizing the database and what needs to be done in terms of getting everyone together and everyone doing the same thing.

Mr. NORTH. I would note that there is a separate meeting ongoing this afternoon on SPOT, here on the Hill.

Senator MCCASKILL. Good timing.

Mr. NORTH. Thank you. Also, about 40 members of the NGO community asked to meet with us this afternoon to express their concerns about the system. It was also supposed to be today, but now we have been able to put that off to the first week of January.

We need to work with them to ensure that as we go forward with implementation that their concerns are addressed. We have considered the possibility of using the classified version for putting individual names in. That is a possibility we can look at, but we still need to work through those issues.

We want to fully comply with the law and make a joint, full U.S. Government effort on this, but we also have to be mindful of the concerns of the groups that we work with.

Senator MCCASKILL. Well, I think if everybody gets in the same room, I would find it defies common sense that you all would not share the same set of values as to what should go in the database and what should not. I think that we just got to all agree on what we are going to put in or what we are not going to put in, and, if we are not putting in something, then there has to be obviously a great justification for it.

My concern is everyone is not utilizing it the same way. Until they are, it is of limited value. I am really tired of databases with limited value. There is about every five feet you walk in Federal Government, you find a database that is of little value.

So I am determined that we are going to—since I was involved in trying to make sure we had some kind of central database—I am determined to stay on it and make sure that we get it so that it is working the way it should.

Mr. NORTH. If I could make one last comment on this.

Senator MCCASKILL. Sure.

Mr. NORTH. There is a memorandum of understanding that we are working out with DOD on SPOT and how we will go forward. That is in draft. So we are trying to figure this out.

I would also say we are also hiring a full-time person just to administer this database from our side and make sure that we are keeping up to date on data entry.

Senator MCCASKILL. That is terrific. Chop, chop. I know how long those MOU drafts take sometimes. Let's see if we cannot move that along because we are spending a whole lot of money, and we have got a lot of contractors on the ground. The ability to do oversight is going to be greatly hampered if we do not get that database working the way it should.

Let me go to CERP. I am trying to get a handle on the evolution of CERP and especially when you realize that such a large percentage of the monies being spent now are on projects that cost more than a half a million dollars.

General McChrystal told me in the Armed Services hearing that there was sign-off. It goes as high as Petraeus on some of these.

Is JCC-I/A doing the oversight and reporting requirements on CERP, and is it your responsibility that is where it is occurring?

Mr. HARRINGTON. Ma'am, at dollar values of $500,000 and above, JCC-I/A contracting officers execute CERP actions as contracts. They are overseen with contracting officer's representatives. They are paid in accordance with our payment processes for the normal FAR-based contracts. So, yes, on those types of actions.

For actions below $500,000 it is much as Mr. Campbell described in terms of the assignment of a project payment officer, project control officer.

Senator MCCASKILL. Is the COR still somebody who, are they involved in the CERP, the contracting officer's representative in unit? Are they doing part of this?

Mr. HARRINGTON. Yes, ma'am. The requiring activity provides the contracting officer's representative in all these types of actions. So, when the CERP requirement comes forth, we require a contracting officer's representative to be able to be there to surveil.

Typically, the project control officer, so far anyway, has been that function, to oversee the execution of that.

Senator MCCASKILL. Would it make sense when it is over $500,000 that it transfer over to USAID? I mean would that not make more sense?

I mean you guys oversee. I mean you have got turnover. The idea that we have the military overseeing a massive road-building project just seems weird to me.

Yes? That is nod for the record. He is nodding yes.

Mr. HARRINGTON. Yes, ma'am. We will take whatever job comes to it and try to do our best with it. But, if it is more appropriate and the expertise lies in another area, then absolutely. We are here to take the mission on when it is assigned to us.

Senator MCCASKILL. I mean we are going to build up a whole level of expertise within the military in overseeing massive building projects. To me, that is very duplicative of what we are trying to maintain at USAID. Right?

He is nodding yes, for the record.

Mr. HARRINGTON. Yes, ma'am.

Senator MCCASKILL. Mr. North, would you like to comment on that?

Mr. NORTH. I would just note that as I have mentioned before we do work very closely with the military on CERP planning, certainly at the provincial and at the district level.

Before the striker brigade began clearing areas of Kandahar, there was close coordination planning. USAID development officers, with other civilians at that level, worked with the military to figure out what needed to happen. We advised on the use of CERP, so that it would have a development impact that all thought was appropriate, and then our folks entered the clearing areas within 24 to 48 hours behind the military.

So there is a very close relationship that we are working to build, and continuing to build, at the provincial level, and even down at the district level. When an idea comes up, that here is something we need to do, to finance, it is that joint interagency team of military, USAID, State Department, USDA, others, that figures out which is the best mechanism to get the job done.

Senator MCCASKILL. I have a sneaking suspicion, and maybe I am being cynical, that it is easier to get money in the budget for CERP than it is for USAID. I have watched CERP grow, and my suspicion is that folks around here are much more willing to go wherever they are asked to go, to support the military in a contingency, whereas when you start talking about USAID, then all of a sudden it does not feel that it is as important to many members.

We do this all the time around here. Because of ways to get money in the budget, we twist up like pretzels in terms of what our responsibility should be.

So I want to make sure that even if you want to continue to try to get CERP money in the budget, I want to make sure you are not duplicating the expertise at USAID in order to spend it because that truly is a waste of money.

Mr. HARRINGTON. Yes, ma'am. I think our obligation—it is Commander's Emergency Response Program, and I think our obligation is to ensure that requirement is a commander's emergency response requirement.

Senator MCCASKILL. Yes. Building roads, I mean I know it may seem like an emergency in Afghanistan in some instances. But I do not ever remember someone saying we have an emergency, we have to build 15 miles of highway.

Mr. NORTH. Well, I think in the case of roads one of the reasons that CERP would see as a reason for funding it is a way of employing youth in the region and, therefore, pulling loyalties away from the Taliban.

Senator MCCASKILL. And that makes perfect sense.

Colonel CAMPBELL. And Senator, if you would not mind if I could expand a little bit.

Senator MCCASKILL. Sure, absolutely.

Colonel CAMPBELL. I would say the reason that CERP does such a large funding of road projects in Afghanistan is for two reasons. One is just kind of where we are in the process of, in the phasing of operations in Afghanistan.

As has been mentioned here already, I believe it was there are about 300 USAID officers in Afghanistan. There are 60,000 soldiers in Afghanistan, out in the field. So they act as kind of the eyes and ears of what is needed out in the population and bring those back up through their command level, so that it is then integrated with USAID.

Actually, I was on the phone the other day with someone in Kabul, or actually Kandahar rather, and what they were explaining to me on why there are so many road projects is because there are not any roads in there now to speak of. Less than 20 percent of the villages are actually connected by a road.

Your phrase that you used where CERP was initially was walking-around money, well, they need something to walk around on in Afghanistan, and so that is why I think you are seeing so much emphasis on road projects.

Senator MCCASKILL. So many more road projects, yes. That makes sense.

Colonel CAMPBELL. At some point, it should transition to more of a State Department/USAID issue, but right now it is in the military's interest.

Senator MCCASKILL. Let's talk a minute.

Mr. FELDMAN. Madam Chairman, can I say one word on that.

Senator MCCASKILL. Yes, Mr. Feldman.

Mr. FELDMAN. On CERP, we absolutely believe it is a valuable program, and it is closely integrated with the civilian effort.

I just wanted to also make sure you and the Subcommittee realize that the State Department had requested and received $30 million from Congress through fiscal year 2009 supplemental, for quick response funds which is meant to be exactly that type of walk-around money, which we will start implementing in the first half of 2010 and will be used for State Department civilians in the field—so nothing approaching CERP—which have been trying to implement.

Senator MCCASKILL. CERP that is small.

Mr. FELDMAN. But to get at that same core mission, which you realize.

And I did find the org chart.[1]

Senator MCCASKILL. OK, great.

Let me talk about projects that do not work. We have $1.4 billion contract to restore Afghanistan's infrastructure, a joint venture between Berger and Black and Veatch, USAID. It was supposed to build two power plants projected to deliver 140 megawatts of electrical power. Two hundred and fifty million dollars have been spent. It is 2 years later. The two projects together were only capable of producing 12 megawatts of power and not 1 megawatt has been delivered to 1 single citizen of Afghanistan.

Worse than the failure to complete the project, the inspector general at USAID found that the Afghan government may not be able to even operate the Kabul power plant because it cannot afford to pay for the diesel fuel it needs to run it. The other plant, which is producing zero power, is costing USAID one million dollars a month to be guarded.

[1] The chart referred to by Mr. Feldman appears in the Appendix on page 106.

So we have $250 million spent. We have a little bit of electricity being generated but not being delivered. And we have one plant that has been built, and we are spending a million dollars a month to guard it with nothing going on.

What is the problem here and have the contractors been held accountable?

Mr. NORTH. The security has been a major issue certainly for many infrastructure programs. In the case of the Kabul power plant, the latest figures I have show that it is now producing 105 megawatts of power.

Senator MCCASKILL. Is any of it getting delivered?

Mr. NORTH. Yes, it is.

Senator MCCASKILL. OK.

Mr. NORTH. And we are also concerned about the sustainability of this plant. Mind you, the intent, in addition to the economic needs for Kabul, was certainly to demonstrate that the government of Afghanistan was able to deliver services. So there was certainly a short-term political need.

But at the same time we were looking at the sustainability of the plant. We had negotiated with the government that they would pick up the operating costs, but with the understanding that we were also building transmission lines coming from the North integrated with Central Asia, to provide power to Kabul, so that the power plant then becomes a backup system rather than the main, primary means of power.

The other plant I believe you are referring to is the Kajaki Dam which is now producing 33 megawatts of power. Kandahar now has power 24 hours, though there are some areas that are not. It is uneven in some areas.

We have two of the turbines that are running. The third needs to be installed. It is at the dam. It took one of the largest NATO operations since World War II to move that turbine into place a year and a half ago. We are now, due to security concerns, unable to get that turbine installed as well as to build additional transmission lines.

So we are taking actions to hold off on further costs to us until the military, ISAF, can secure that region so those programs can go forward.

With the third turbine, we will increase power going from Kajaki to 55 megawatts, but we are already seeing significant impact in Kandahar and some of the smaller cities, Lashkar Gah and so forth in that region, from what we have already been able to do.

Senator MCCASKILL. Well, I am glad that you have updated information based on our research, and I would appreciate getting all of that for the record, so we can compare the information we have—it came from the IG—and check with the IG on it.

Frankly, if you are holding off to make sure that you have the correct security environment, that is progress over Iraq because we did not hold off in Iraq and almost everything we built got blown up. That is part of the money that went up in smoke.

So thank you for the additional facts that you have done there.

Let me finish up. Unfortunately, if I allowed myself to, we could be here for another couple of hours. I have that many questions.

But there are more hearings, and we can cover many of these subjects as we go forward in these hearings.

Let me ask each of you to give yourselves a grade on how well you are coordinating contracting in Afghanistan. Let's assume that there was an F in Iraq, and, if you think you deserved more than an F in Iraq, you are grading on a different scale than I am grading on. I think it was an F.

Now, in the end, it got better. But in terms of how it all came about and how the LOGCAP happened and how all of the reconstruction happened and the confusion and the lack of accountability, maybe a D minus.

What do you think your grade is in Afghanistan right now, in terms of how well you are integrating, coordinating, monitoring, and overseeing contractors?

Mr. Campbell.

Colonel CAMPBELL. Yes, ma'am, I can start. Right off, I would say probably about a C, and let me put that into perspective for you.

I think we have done a good job, probably towards the A and B range, on the front end where we have put together now some lessons learned. We have put out guidance. We have put out training. We now have these officers and enlisted soldiers being trained here in the States before they go over to Afghanistan, on CERP and CERP management. So we have done, I think, pretty well here on the front end.

Where we are lacking and where we still need some work and where we are concentrating our efforts now is more the back end. We have systems in Afghanistan that track contracting. We have systems that track the financial piece. We have systems that the Corps of Engineers uses to track construction projects—all useful databases, but, to your point, what we have got to do now is link them together.

That is one of the things in this review group that we are looking at. We have the Business Transformation Agency looking at the entire business process—end to end as they call it—in Afghanistan, to see rather than going and inventing a new database and inventing a new process or system, how do we first link together what is out there, so we can get some immediate feedback and immediate results, so that we do not have soldiers and civilians out there doing spreadsheets, pulling numbers out of three different databases. So, on that part, I would say we are still in the D minus/F.

So, on average, I would probably rate CERP at about a C.

Senator MCCASKILL. OK. Mr. Harrington.

Mr. HARRINGTON. Ma'am, I would give us a C also for a different reason, if I understand your question correctly. We see awarding contracts to contractors. Over the period of time, some of the prices for the commodities and services continue to get bid up because other agencies, other organizations are contracting with the same contractors and contractors are enjoying being able to present products at a higher price. I think the organization aspect of this needs to be addressed further.

We have review boards, requirements review boards. We have priorities, allocation processes in place to evaluate what comes first in the order for addressing, in terms of the most urgent needs and

in terms of the most widespread needs. But it is an organization, from my perspective, at a higher level that gets together and collaborates in theater to determine overall where the requirements are being placed and how to best leverage the contractor community there, the vendor spread if you will, to be able to make sure we are getting the best deal for the government as a whole.

So I think there is an organizational element needed at a higher level to be able to accomplish that. We would obviously participate as a component to that and be able to present our priorities to that and, as well, coordinate with other agencies to determine how to get the best contracts in place, perhaps on a wider basis, on an agency level basis as opposed to an individual basis.

Senator MCCASKILL. Mr. North.

Mr. NORTH. I guess I am a little more optimistic. I think we have a B, but I think a lot of that relates to the effort and the progress we have made in the last 10 months. Things like the agricultural strategy as a whole-of-government strategy, clearly defining roles and responsibilities among the respective agencies involved, but also the clarity of purpose in where we are trying to go in the agriculture sector—this is one example that we have developed.

There are others. Certainly our collaboration in the health sector with the U.S. Military, with CDC and others has been quite strong.

An area that we need to improve on, that we are working on certainly is getting more of our staff into the theater, so that when you are at the PRT there are more development staff there to help with coordination and to monitor and manage our programs.

So there are systems that still need work, of course, but I think we are moving in the right direction.

Senator MCCASKILL. Mr. Feldman.

Mr. FELDMAN. Showing the synchronicity between State and USAID, I would say——

Senator MCCASKILL. Oh, you guys get along so well. You are going to give yourself a B, let me guess. [Laughter.]

Mr. FELDMAN. I would also give ourselves a B, but I think actually more important than the grade is the general trajectory. I would say at the beginning of the year we were probably much closer to a D, and I think that we have gone up quite a bit.

There is a lot of people in Washington, a lot of people in Kabul, a lot of people around the world and certainly in the field, actually implementing these projects, that are working very hard at doing all the things that we uncovered in the course of our review and that we tried to put in place to make sure that we were the best possible stewards of U.S. taxpayer money.

And I think that we are definitely going in the right direction, with the better coordination with civil agencies, with military partners, with the international community, with the civilian surge, with all the kind of oversight mechanisms that I laid out, including the financial and technical officers.

But, yes, this is going to take a while to do, and there is going to be a lot more to be done, and we will have to continue to be very vigilant and rigorous in implementing this. So there is always room to do much better, but I think at this point I am pretty comfortable with where we are.

Senator MCCASKILL. OK. Mr. Parsons.

Mr. PARSONS. I would say if Iraq was a F, then I think we are a C in Afghanistan because we have learned a lot of lessons out of Iraq.

Certainly with the establishment of the Army Contracting Command and being part of AMC with LOGCAP, we have a very close bond now with the Joint Contracting Command-Iraq/Afghanistan. We are doing reach-back for them, so there is a lot of good coordination going on there. What the ACC is allowing us to do from an enterprise is look where are we duplicating efforts and where can we be more effective in using different types of contract instruments.

I know that one of Brigadier General Camille Nichols' concerns as she goes in to be the new commander in Joint Contracting Command-Iraq/Afghanistan is even though we have established some of these Joint Logistics Procurement Support Boards where we try to bring the different parties together to look at the procurement requirements in Afghanistan, those are more of a collaboration and cooperation by the parties to come see those boards and look at it.

And we do have coalition partners there, and I know one of her concerns is that we understand that NATO is doing quite a bit of contracting in Afghanistan as well as for some of their forces. So I know General Nichols is going to put that as one of her priorities, to look at how do we get closer collaboration and cooperation there.

But there is a lot of room for improvement.

Senator MCCASKILL. If we are getting integration and coordination between NATO and our efforts, then I will give all of you an A because that means we have our house in order and now we can try to integrate NATO into it. I still think we have a ways to go.

As time goes on, we will see if the grades hold up. I think it may be a little grading on a curve, Mr. Feldman, to go from a D to a B in 10 months because you are moving a very large thing here. This is not an organization, as it relates to contracting, that is nimble or flexible.

When it is nimble and flexible, it generally is a bad contract because it happened too quickly, and nobody was paying attention to what was in it and whether it was definite enough and whether there were enforcement mechanisms contained in it.

Let me leave you with what I would like to still get for the record as we begin to build our information, so that we can continue to do the kind of oversight I think that we need to do.

I want to make sure I understand what every silo is in terms of contracting money. The new CSTC-A, I want to try to—that is a new one I have to now put into my jargon. Now that I finally figured out LOGCAP, you spring a new one on me.

I want to make sure that there is some kind of org chart that has where the contracting money is all going, and we will put that together if you all will give us what is within your silo of contracting money and how much it is.

I believe that we will end up spending as much or more on contracting in Afghanistan as we spend on our military. Therefore, we have a huge obligation to try to get this right. So, if you all will get that to me, that would be great, and then we will begin to drill down in those various places and make sure of the on-the-ground oversight.

And the other thing that we would like from you is if you believe you have enough oversight personnel in place, right now in theater, and if not what you need to get enough oversight people in place in theater.

I really appreciate all of your time today.

And I am going to say this. I do not mean to embarrass her, and I do not mean to embarrass Mr. North or Mr. Feldman. But the woman in the front row that keeps handing you notes, I think I want to have lunch with her. [Laughter.]

I think she knows an awful lot because every question I ask—everyone was feeding them to her. OK, the whole little group, I need all of you to come to my place for lunch, so I can begin to get——

Mr. FELDMAN. This is how integrated we are.

Mr. NORTH. She is an USAID officer on Mr. Holbrooke's staff.

Senator MCCASKILL. That is great. There you go. There is that integration.

OK, thank you all very much. I appreciate your time today.

[Whereupon, at 3:45 p.m., the Subcommittee was adjourned.]

APPENDIX

HEARING ON AFGHANISTAN CONTRACTS: AN OVERVIEW
Dec. 17, 2009
Opening Statement of Senator Claire McCaskill

This hearing will now come to order.

Today's hearing marks the Subcommittee's second hearing on Afghanistan contracts.

In June, we examined the State Department's contract with ArmorGroup to provide security at the U.S. Embassy in Kabul. At that hearing, we focused on one contract as a case study of how mismanagement and lack of oversight can lead to poor performance.

Today we are taking a step back to look at the big picture. The five officials who will testify today will speak for the agencies responsible for the overwhelming majority of contracts in Afghanistan: the State Department, USAID, the Defense Department, the Joint Contracting Command, and the Army.

Although there is variation in the types of contracting each of these agencies does, they are all responsible for awarding and managing contracts in support of the U.S. mission in Afghanistan. They each have valuable perspectives to share about the steps we need to take to ensure that the mission succeeds with as little waste, fraud and abuse as possible.

We have asked these witnesses to testify today to help the Subcommittee examine three important questions: What role does each of these agencies currently play in Afghanistan? Who is responsible for coordinating their efforts to ensure that the billions of dollars in contracts are helping to achieve our goals in Afghanistan? And what additional controls and government oversight are needed to make sure that these contracts don't result in the waste, fraud, and abuse we saw in Iraq?

Currently, there is a great deal we do not know about contracting in Afghanistan. We do know, however, that the President's new strategy in Afghanistan will bring a massive increase in the number and value of contracts and contractors in Afghanistan.

We also know that contracts and contractors have been integral to the U.S. efforts in Afghanistan to date, . According to one report, contracting in Afghanistan has exceeded $23 billion since the beginning of the war.

We also know that, because of problems with tracking Afghanistan contracts, the real value of contracts is likely to be much higher.

We know that there are more than 100,000 contractors currently working in Afghanistan. According to new estimates from the Congressional Research Service, the number of Defense Department contractors alone may reach 160,000 in the next year.

We also know that, because of questions about how data about contractors is collected and reported, the real number of contractors is likely to be much higher.

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We know that federal auditors have already identified nearly a billion dollars in wasteful spending on Afghanistan contracts. That's nearly 1 of every 6 dollars.

And we also know that, because auditors have only looked at a fraction of contracts, the real amount of waste is likely to be much higher.

In Iraq, we saw how poor contract management, including contractors overseeing contractors; poor coordination of interagency efforts; continual personnel turnover; and the challenges of contracting in a war zone resulted in projects the Iraqis didn't want or couldn't use, shoddy construction, and billions upon billions of dollars in waste.

Unfortunately, it looks like we may not be applying these lessons learned in Afghanistan.

In many of the Subcommittee's past hearings, we have focused on what went wrong in the past. Today's hearing lets us ask what could go wrong in the future and how we can avoid repeating the mistakes of the past – before we make them again.

One area of contracting we will not focus on today is the training of the Afghan National Security Forces. The Wartime Contracting Commission will examine those contracts tomorrow morning, and I welcome their oversight of this important issue.

I want to thank all of our witnesses for appearing here today. I also want to thank the Defense Department, particularly the Defense Contract Audit Agency, the Army, USAID, and the State Department for their cooperation with the Subcommittee in preparing for this hearing. I look forward to working with you all as we continue our oversight in the future.

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Opening Statement by Senator Robert R. Bennett

December 17, 2009

Subcommittee on Contracting Oversight

U.S. Senate Homeland Security & Governmental Affairs Committee

"Afghanistan Contracting: An Overview"

There have been several hearings in recent weeks where cabinet and military leaders have presented their new goals in Afghanistan. This, however, is the first hearing that will examine the actual ground-level implementation of the plan. A lot of attention has been given to additional deployments of troops to Afghanistan – and there should be – but lost in this discussion is that behind those troops are an equal number of contractors who are helping to fulfill this mission.

There are over one-hundred-thousand contractors currently performing important services in Afghanistan, and with the intensification of our efforts there, their performance is essential. I am not citing this number to alarm anyone – in fact; I believe that contracting is a good thing. When contractors can relieve our troops from doing support work, they can concentrate on the mission they were trained and deployed to do – war-fighting. When used by our civilian reconstruction agencies, contractors enable a broader extension of our building and development expertise. Finally, when we use local contractors, we bolster the delicate and growing Afghan economy by funding their private sector.

We have also witnessed a sea-change in the way our military mission and our reconstruction efforts are linked. The war in Afghanistan is now described as a counter-insurgency operation, which means that the real battleground against our enemy is fought not only on the front lines, but in the village schools and marketplaces. That means our victory in Afghanistan relies of the deployment of the sword and the ploughshare at the same time – first to anchor our military achievements, and over time, to develop a lasting partnership with the Afghan people.

I am encouraged by initiatives like the Commanders Emergency Response Program, or CERP. This novel idea allows an Army or Marine officer to identify local development projects right in their area of operations. When our troops can contract this way, they are able to bring our reconstruction efforts right up to the front lines.

We need contractors, but we also need to be meticulous stewards of our spending in Afghanistan – where every taxpayer dollar we spend goes towards supporting our war mission or stabilizing a dangerous and hostile region. Our recent experience in Iraq, however, proves that

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this ideal is difficult to attain. The stories of waste, fraud and abuse in Iraq are well known, and we must strive to make sure we do not repeat those mistakes in Afghanistan.

When I consider the contracting shortfalls in Iraq, I am concerned that too often, when our government agencies outsource their work they also outsource the results. This is poor business practice, whether in the marketplace here at home, or on the front lines of Afghanistan. In either case, poor management and oversight can lead to sub-standard performance on a contract, if not outright failures.

In such a volatile environment as war-torn Afghanistan, it is more important than ever that we are mindful of contractor performance, and that contractors are an extension of our forces abroad. We must be sure that the command, control and communication of contractors in theater is no less than we would expect of that within our own military units or civilian agencies. Also, we must recognize that contractors, often as much as our troops or civilian government employees represent the ethics and values of our nation to the Afghan people, and great care must be taken that we are represented well.

My final concern is to ensure that the local accomplishments we achieve are coordinated through a clear and comprehensive strategy. The current efforts in the reconstruction of Afghanistan are too often poorly linked and ill-defined. CERP and other such programs need to be given the same level of coordination and strategic thinking that other aspects of our military operations receive, harnessing their reconstructive potential into solid, long-lasting results.

Our military and civilian reconstruction agencies must overcome the traditional divide that once led them to work independently, and often at cross-purposes. Each must recognize the advantages the other brings, and leverage those strengths for success. A good, comprehensive strategy will lead to better execution on the ground, and from that will come more informed contracting decisions.

Let me finish with this admonition – what we are discussing today is a broad subject, but we should not fall into the trap of considering these issues in the abstract. Every improvement we can find in our contracting practices is a dollar saved not only for the American taxpayer, but in furtherance of our vital efforts overseas. I look forward to hearing the insights our witnesses have on these issues, as we work toward strengthening our security through stabilizing Afghanistan, and supporting our troops and civilians as they fulfill this mission.

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Statement of

William H. Campbell
Director, Operations Directorate
Office of the Comptroller
Department of Defense

Good afternoon, Chairman McCaskill ... Senator Bennett ... Members of the Subcommittee. My name is William Campbell. I am Director of the Operations Directorate in the Office of the Comptroller at the Department of Defense.

Thank you for the opportunity to explain from a budget perspective the actions of the Department of Defense to improve the oversight of reconstruction projects in Afghanistan. My remarks will focus on the Commander's Emergency Response Program or CERP.

The Commander's Emergency Response Program began in fiscal year 2004 and is designed to enable local commanders in Iraq and Afghanistan to respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility. CERP is a valuable tool permitting commanders to fund projects that will immediately assist the local population.

In testimony before the Senate Armed Services Committee last April, General David Petraeus, Commander of CENTCOM, called CERP "a vital counter-insurgency tool for our commanders in Afghanistan and Iraq." He added, "Small CERP projects can be the most efficient and effective means to address a local community's needs, and where security is lacking, it is often the only immediate means for addressing those needs."

Since 2004, DoD has obligated approximately $1.6 billion for CERP in Afghanistan, including $550.6 million in FY 2009. Those funds enabled 2,268 CERP projects in FY 2009, with two-thirds of the funds spent on transportation. Over 96 percent of all projects were valued at less than $500,000. In recognition of the program's effectiveness and value, Congress has authorized another $1.3 billion in FY 2010 for CERP in Afghanistan and Iraq. CENTCOM plans to allocate the bulk of those funds to operations in Afghanistan.

By its nature, CERP involves decentralized implementation by local commanders in theater. Its hallmarks are responsiveness to urgent needs and flexibility. We have heard the concerns expressed by Members of Congress, studied the findings of recent audit reports and examined lessons learned from previous deployments. We have taken steps within the Department, the Army and the CENTCOM theater to improve the oversight of the program – all without diminishing the key element of flexibility and responsiveness this program provides to the commander in the field.

Within DoD, the Office of the Comptroller provides guidance for the program through the Financial Management Regulation (FMR). These regulations went through a significant update in December 2008. This guidance is supplemented by field level instructions and training. All guidance is continually updated to respond to changing operational conditions.

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To improve oversight of the program, the Army has enhanced CERP training for four key positions: the project manager, the project purchasing officer, the paying agent, and the unit commander. The first three form a triad of expertise that every project must have. Unit commanders are vital to ensure the appropriate projects are identified. Integrated training and detailed procedures provide the checks and balances necessary in every project.

In addition, in Afghanistan, the U.S. Agency for International Development now participates as a voting member on the CERP review board at the command level. Their participation prevents duplication of effort and also helps identify any problem with sustainment of projects nominated for CERP.

The time, energy and ingenuity that people have devoted to improving CERP reflects both a desire to spend taxpayer funds wisely and to maintain a program that has proven to be a valuable tool in the fight in Afghanistan and Iraq.

DoD recognizes that more improvements can be made in the management of CERP to maintain the flexibility and accountability essential to a field-driven program. To that end, the Deputy Secretary of Defense will lead a review of CERP to determine how best to enhance the Department's guidance, management, and oversight. This report will be completed and made available to the Congress in the spring.

Let me again thank you for the tremendous support of the Congress to this program. I would be happy to respond to your questions about the value of CERP.

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STATEMENT BY

MR. EDWARD M. HARRINGTON
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
(ACQUISITION, LOGISTICS AND TECHNOLOGY)

AND

MR. JEFFREY P. PARSONS
EXECUTIVE DIRECTOR
U.S. ARMY CONTRACTING COMMAND
U.S. ARMY MATERIEL COMMAND

BEFORE THE

SUBCOMMITTEE ON CONTRACTING OVERSIGHT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ON CONTRACTING EFFORTS IN AFGHANISTAN

FIRST SESSION, 111TH CONGRESS

DECEMBER 17, 2009

NOT FOR PUBLICATION
UNTIL RELEASED
BY THE COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS

Introduction

Chairwoman McCaskill, Senator Bennett, and distinguished members of the Subcommittee on Contracting Oversight: Thank you for this opportunity to discuss contracting operations in Afghanistan. We are proud to represent Army leadership, members of the Army acquisition and contracting workforce, and our Soldiers who rely on us for timely and efficient materiel, supplies, and services in support of expeditionary operations. In U.S. Army contracting operations worldwide, we strive to be agile, expeditionary, and responsive to our warfighters, while ensuring proper fiscal stewardship of taxpayer dollars. Our progress has been steady and significant even though expeditionary military operations have placed extraordinary demands on the contracting system and our contracting support personnel.

We appreciate the support by Members of this Subcommittee and other Members of Congress as we continue to rebuild the acquisition and contracting workforce to handle the increasing workload in the number of contracted actions and contracted dollars. Since the mid-1990s, the acquisition workforce (of which contracting officers are a critical part) declined substantially while the contracts awarded and the number of dollars executed increased significantly, in excess of 500 percent. In 2008, for example, the Army awarded 571,000 contracts with a value of approximately $165 billion. This equated to 25 percent of every Federal contract dollar put on contract. The Army contracting workforce numbers were 55% of what they were in the mid-1990s.

With support from Congress the Army is on a path to grow its contracting workforce which had been dramatically reduced over many years. However, the time it takes to grow capable contracting professionals is measured in years, not months. The level of experience required to be able to adequately perform the complex contracting functions we demand of our

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contracting professionals generally is attained after about 6-8 years of school training combined with hands-on, work experience. We still have an uphill climb in meeting our goal of increasing the contracting workforce and ensuring that the quality of our professionals is first rate so that we can support the Soldier while at the same time ensure that we are wise stewards of the taxpayers money. We are aggressively working to reverse the 15 years of dwindling authorized strength levels as well as to restore the skill level of the contracting workforce to enable it to deal with the growing complexities of contracting.

The Army – with the help of Members of Congress and the Office of the Secretary of Defense – is making progress to address these workforce/workload issues for both "expeditionary" and enterprise order contracting operations. We are assisted by recommendations contained in the report, *Urgent Reform Required: Army Expeditionary Contracting* dated October 31, 2007, by Dr. Jacques Gansler and Members of the Commission on Army Acquisition and Program Management in Expeditionary Operations.

In meeting the need for an increase in the number of military and civilian personnel in the Army contracting workforce, Congress also authorized (Section 503(a) of the National Defense Authorization Act for Fiscal Year 2009) five additional General Officer (GO) billets in the Active Component designated for acquisition. I would like to give you a quick status of these billets. Contracting Major General Promotable Bill Phillips will shortly turn over command of the Joint Contracting Command – Iraq/Afghanistan and move to the position of Principal Military Deputy to the Assistant Secretary of the Army for Acquisition, Logistics and Technology, a three star billet. BG Camille Nichols will shortly be taking command of the Joint Contracting Command - Iraq/Afghanistan. Colonel Promotable Joe Bass is the current Commander of the Expeditionary Contracting Command who just replaced Brigadier General

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Nichols. The Army had already established the two-star U.S. Army Contracting Command as part of the U.S. Army Materiel Command and one-star billets in the Expeditionary Contracting Command and Mission & Installation Contracting Command – two billets now filled by soon-to-be General Officers. The two remaining billets are the Military Deputy for Contracting in the U.S. Army Corps of Engineers and an acquisition (contracting) GO in the Deputy Assistant Secretary of the Army for Procurement. These positions are currently not filled.

While taking actions to improve contracting in "expeditionary" operations, the Army is also improving our "institutional" contracting functions. This holistic focus on Army contracting across the board is ensuring we attract and retain additional military and civilian contracting professionals, as well as provide them with career development opportunities and the proper training and tools required to meet the increasingly complex demands being placed on them.

Joint Contracting Command - Iraq/Afghanistan

In 2004, the Army Project and Contracting Office was established to support the humanitarian relief efforts in Iraq. In 2006, the various contracting offices operating independently in Iraq were brought under the Multi-National Forces-Iraq (MNF-I) Command, and Joint Contracting Command - Iraq/Afghanistan (JCC-I/A) was established by a U.S. Central Command Fragmentary Order to support *Operations Enduring* and *Iraqi Freedom*. The JCC-I/A is authorized to contract for-other-than military construction and the Commander's Emergency Response Program (CERP). The JCC-I/A mission does not include reconstruction of Afghanistan because that mission is assigned to the U.S. Agency for International Development in the U.S. Department of State. The JCC-I/A does, however, have a direct role in developing the economy of Afghanistan. Through the "Afghan First" program, since October 1, 2008, and in direct support of the warfighter, JCC-I/A has allocated approximately $1.8 billion to

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businesses in Afghanistan. Of particular importance, the JCC-I/A allocated more than $11 million to Women-Owned Businesses in Fiscal Year 2010. In addition, JCC- I/A supports Afghan Security Forces Funding (ASFF) programs, which are managed by the Combined Security Transition Command-Afghanistan (CSTC-A). ASFF programs include construction and build-up of Afghan National Security Force posts throughout the Combined Joint Operations Area.

With respect to contract funding, the JCC-I/A accepts requirements and funding from customers. Acquisition Review Boards assess the validity of requirements and approve funding before submitting to JCC-I/A contracting organizations for procurement action. Upon receipt of a funded requirement and prior to contract award, the contracting officers ensure the proper type, year, and amount of funding available.

In support of the President's decision to send an additional 30,000 U.S. troops to Afghanistan, the Commander JCC-I/A is updating his mission analysis to provide contracting support for the surge. JCC-I/A is assessing its current resources, locations, and personnel; participating in Task Force and above planning meetings; and forecasting future resources, location, and personnel requirements. JCC-I/A has liaison officers co-located with U.S. Forces-Afghanistan and other Headquarters throughout theater who are working closely with the Battlefield Operating Systems-Integrators to ensure planning for surge requirements is as accurate and timely as possible.

ASA(ALT) is engaged with the JCC-I/A daily as the senior support staff to provide support. In order to accomplish this the Joint Theater Contracting Support (JTCS) office has been established under the DASA(P) in Washington. Its sole mission is to provide support to the JCC-I/A so that the JCC-I//A is fully funded, manned, and supported in its contingency

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contracting mission. The JTSC was key to synchronizing a surge of 53 additional military and civilian contracting professionals to theater so that the JCC-I/A could adequately support the surge of forces into Afghanistan ordered by the President early this year. The JTSC is all the more critical as we continue planning to support the decision to deploy 30,000 more personnel into Afghanistan.

The DASA(P) is actively engaged in finding ways to leverage stateside contracting capabilities to augment the JCC-I/A contracting mission that directly supports the warfighters. The Army has established a "Reach-Back" contracting office as a center of excellence at the Rock Island Contracting Center in Illinois. The Army Contracting Command, JCC-I/A, and DASA(P) are aggressively involved in identifying requirements in theater that can be performed at Rock Island. The Army and Air Force have initiated a plan to provide Air Force contracting officers at Rock Island as part of the Reach Back Team. The Army has established a JCC-I/A specific Contract Closeout Task Force Office now in the process of closing 80,000 contracts written by the JCC-I/A.

Logistics Civil Augmentation Program

The Logistics Civil Augmentation Program (LOGCAP) is an initiative by the U.S. Army to pre-plan during peacetime for the use of civilian contractors to perform selected services in wartime and other contingencies to augment U.S. forces in support of Department of Defense (DoD) missions. LOGCAP can also provide support to other U.S. military services, coalition and/or multinational forces, and other government/non-government agency components in support of joint, combined, coalition and multinational operations. This includes operations other than war, such as disaster relief, peacekeeping, or humanitarian assistance missions. We

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are pleased to report that the Army, through LOGCAP, has provided quick reaction support for operations worldwide including operations in very austere conditions.

For a good understanding of the current LOGCAP IV contract, let us briefly review the history of the contracts that have supported the program.

In 1992, the Army competitively awarded the first multifunctional logistics support contract, now known as LOGCAP I, to Kellogg Brown and Root (KBR). This contract was established as a force multiplier with a wide-range of logistics services. The LOGCAP I contract was used in support of military operations in Somalia, Rwanda, Bosnia, Haiti, and East Timor and ended with a value of $811 million over the five years of the contract.

In 1997, the Army awarded a follow-on contract, LOGCAP II, to DynCorp Service, Inc. The demand for LOGCAP services during this time frame was fairly low, with relatively small efforts performed in Panama, Columbia, East Timor, and the Philippines. Expenditures after five years under LOGCAP II totaled approximately $102 million.

The LOGCAP III contract was awarded on December 14, 2001, to KBR as a result of a competitive best value source selection. The contract is an Indefinite Delivery, Indefinite Quantity (IDIQ) contract with one base year and nine option years. As of December 14, 2009, we are currently in the eighth option year. If all options are exercised against this contract, it will expire in December 2011. It is the largest service contract in the Army with over $32 billion obligated on more than 160 task orders to date. The contract allows for a variety of task order types including Firm-Fixed-Price, Cost-Plus-Award-Fee, Cost-Plus-Fixed-Fee, and Cost-Plus-Incentive-Fee. Current task orders provide for services in Iraq, Afghanistan, Kuwait, and the Republic of Georgia. The LOGCAP III contract will remain in effect until all services can be transitioned to LOGCAP IV.

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When the Army awarded the LOGCAP III contract to KBR in December 2001, there was no way to predict the requirements executed by this contract would reach the unprecedented level of effort as we know it today. The requirements placed on the LOGCAP III contract to support the Overseas Contingency Operations have dwarfed the combined efforts on all previous LOGCAP contracts. In the first four years of LOGCAP III, obligations exceeded previous efforts by almost 300-fold and grew to over $14 billion by October 2005.

These dramatic increases in the level of effort of the LOGCAP III contract coupled with the challenges and problems that resulted from this rapid expansion made it very clear the Army needed to develop and execute a new contract strategy to support this program. Consequently, in mid-2004, the U.S. Army Sustainment Command began development of a strategy to put in place a contracting approach that would incorporate the lessons learned during all previous LOGCAP contracts and enhance our ability to support future efforts. The primary objectives of the new LOGCAP IV contract were to reduce program risk, increase capacity, and incentivize contract performance. After extensive coordination with DoD, sister Services, Combatant Commands, and industry, the Army determined the best acquisition approach was to competitively award a single LOGCAP support contract and three LOGCAP performance contracts.

The Army awarded the LOGCAP support contract to Serco on February 16, 2007, to obtain support services such as planning, requirements generation, cost estimating, logistic management, and management analysis in support of the LOGCAP program and contracting offices. This support covers both the LOGCAP III and LOGCAP IV contracts.

In addition, the Army awarded three IDIQ LOGCAP IV performance contracts to DynCorp International, Fluor Intercontinental, and KBR respectively on June 27, 2007.

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Performance on those contracts did not begin until April 27, 2008, after protests to the Government Accountability Office (GAO) were resolved. Under LOGCAP IV, all three contractors compete for individual task orders that are issued as the need for support in a particular location is defined. Ten task orders have been awarded to date, including seven task orders for performance and three task orders for project management offices (one for each contractor). Services are transitioned from LOGCAP III to LOGCAP IV as task orders are awarded. In addition to protests against the award of the basic contracts, the first three of the task orders issued or awarded to date under LOGCAP IV were protested. Before May 27, 2008, protests against the issuance or proposed issuance of a task or delivery order under an IDIQ contract were not authorized except on the grounds that the order exceeded the scope, performance period, or maximum value of the contract. The enactment of Section 843 of the National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, "Enhanced Competition Requirements for Task and Delivery Order Contracts," significantly expanded that protest authority by allowing a protest on any grounds for task or delivery orders valued in excess of $10 million. That change has had a significant impact on LOGCAP IV awards and transition milestones.

In addition to increasing the number of contract awards, the Army has also instituted cost control measures such as use of a pricing matrix that captures proposed prices for small, medium, and large installations during the fair opportunity competitions at the task order level. Actual costs are tracked biweekly against the matrix as the contractor performs under a given task order. The contractor's ability to maintain cost within the competitive fair and reasonable prices set forth in the matrix is part of what is considered when calculating award fee earned for

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a given period of performance. It is also a factor discussed in the past performance information collected under the contracts.

The Afghanistan task orders contain a clause that limits the circumstances under which task order pricing may deviate from the competitively established service price matrix. This clause protects against unwarranted fee base creep and preserves the integrity of the price matrix.

Cost control is further examined when making the decision to exercise options under the task orders. At the end of each option period for each task order, the Federal government has the unilateral right to exercise the option or re-compete the requirement if exercising the option is not the most advantageous method of fulfilling the government's need, price, and other factors considered. If a contractor does not control costs or has no explanation for variability in the incurred costs, this is considered poor performance and therefore makes it questionable that continuing on with that contractor would be the most advantageous solution for the government.

The transition of requirements is continuing from the LOGCAP III contract to the LOGCAP IV contracts. It began as task orders were awarded under LOGCAP IV in February 2009. Currently, these contingency contracts enable the Army to provide critical support to deployed troops serving on the front lines in Iraq and Afghanistan.

All LOGCAP requirements in Kuwait have successfully transitioned from LOGCAP III to LOGCAP IV and LOGCAP requirements are in the process of transitioning in Afghanistan. The current LOGCAP III contractor supports the responsible drawdown in Iraq through base closure and de-scoping of LOGCAP services which began in May 2009 and continues through August 2010. The two contractors that were awarded the LOGCAP IV Afghanistan task orders, Fluor and DynCorp will increase their support as troops transition to the Afghanistan theater.

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The competitively bid pricing matrixes for the Afghanistan task orders will be used to adjust the cost estimate for the increased support associated with the President's decision.

We are currently conducting a fair opportunity competition for Transportation and Corps Logistics Support Services requirements in Iraq that will result in requirements transitioning from LOGCAP III to LOGCAP IV. The next anticipated action involves Base Life Support. We are in the presolicitation phase for that acquisition with a draft Request for Proposal issued the week of December 7, 2009.

The Army anticipates that the LOGCAP III contractor will provide logistics services in support of the Iraq drawdown with theater transportation assets, augmentation of maintenance services, and support for the supply support activities in the retrograde of supplies and equipment from theater. The LOGCAP III contractor also possesses other capabilities in support of the responsible drawdown of forces, such as packaging, blocking, bracing, and crating of equipment for shipment, wash rack operations, and cleaning of equipment for agriculture and customs. These services are available to the supported unit upon request. We expect the LOGCAP IV contractor to provide the same level of services in support of the responsible drawdown but only for those bases that will remain after August 2010.

Our LOGCAP personnel are in daily contact with their customers at U.S. Forces-Iraq/Afghanistan and MNC-I/A. They monitor the planning of the responsible drawdown and transition to the new theater with their focus on identified LOGCAP requirements. Our LOGCAP forward representatives coordinate projected lead times for contract augmentation with the timeline of the supported activity at the operational and tactical levels of war. The LOGCAP program office has identified key drawdown/transition responsibilities to facilitate any unanticipated changes in the timelines. The impact of a change will be affected by the response

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time available to meet the new date and where LOGCAP is on the drawdown timeline in Iraq and the transition timeline in Afghanistan.

The LOGCAP Program Director, Mr. Lee Thompson, is responsible for ensuring that the operational force receives all the services we have contracted for under LOGCAP. This highly complex and challenging mission is accomplished by a team comprised of the forward deployed and rear echelon Department of Army civilian employees, Army Reserve Officers, and Non-Commissioned Officers (NCOs) in the LOGCAP support unit; the Officers, NCOs, and civilian employees of the Defense Contract Management Agency (DCMA); and the support contractors from DynCorp, Fluor and KBR who are assigned to the program by their companies. These hard-working, highly skilled people make up team LOGCAP forward, and are further supported by the men and women serving here in the United States for the US Army Materiel Command and its subordinate commands, the U.S. Army Contracting Command and the U.S. Army Sustainment Command. We believe we are managing risk without being averse to risk. We have given our people in the field enough discretion and flexibility to be able to make smart decisions based on instant conditions on the ground.

In addition to oversight provided by forward deployed LOGCAP program office members and Contracting Officer Representatives, we rely on our LOGCAP contracting office and our DCMA/Defense Contract Audit Agency (DCAA) partners to provide oversight of costs charged under the LOGCAP contracts. During contract performance the contractor must maintain its systems to support billing and payment under its contract and must be able to accurately track the costs associated with contract baseline and any contract changes received to date. The cost allocation among various work packages must be verifiable and must track back to discrete contract changes. This is the method the government uses to validate that costs

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charged under the contract are fair and reasonable. If a problem with any of the contractor's business systems is noted during a DCAA incurred cost audit or during DCMA surveillance, the contracting officer is notified, DCAA and DCMA work together to resolve what adjustments will be made to the billing rates or invoices (with final decision in DCMA's hands) and the contracting officer support that process by insisting that the contractor pay attention to its internal controls. In the case of an award-fee contract, pressure can be brought to bear through the award fee criteria. That is one of the levers used under the LOGCAP award fee process which has criteria directly associated with corporate management and business systems. Should the contractor not react in a timely manner, the Army will open a dialogue with senior managers in the corporate chain. Depending on the severity of the problem, senior Army or Defense officials may engage with the contractor's most senior managers to ensure that the Army's mission needs are met at a reasonable price.

Further oversight is provided by Contracting Officer Representatives (CORs) who are located on site where the contractors are providing services and observe whether the contractors are performing the work required under the contract at the requisite quality. Increasing the number of adequately trained CORs has become a focus item within the Army. Although we currently do not have enough CORs on station, the Deputy Commander, Support, United States Forces-Afghanistan requested that the Deputy Chief of Staff of the Army G-3/5/7 ensure the units deploying to Afghanistan track the number of adequately trained CORs as a unit readiness indicator. The Headquarters, Department of the Army COR/CERP Pre-Deployment Training execute order released on December 6, 2009, requires that deploying units determine COR requirements, nominate personnel for COR appointment and ensure COR nominees complete applicable Defense Acquisition University training courses before deployment. The U.S. Army

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Contracting Command will provide additional pre-deployment training for Brigade nominated CORs to ensure they are prepared to execute their oversight duties immediately upon reaching their station.

Conclusion

The U.S. Army is committed to excellence in all contracting activities. We carefully assess lessons learned from current operations to make improvements and adjustments along the way to ensure mission success and protection of the interests of the United States, our warfighters, and our taxpayers.

Thank you.

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United States Agency for International Development's Afghanistan-Pakistan Task Force Deputy Director Charles North's Testimony before the Senate Homeland Security and Governmental Affairs Committee's subcommittee on Contract Oversight December 17, 2009 "Afghanistan Reconstruction and Development Contracts: An Overview"

Chairman McCaskill, Ranking Member Bennett and other subcommittee members thank you for your invitation to testify before this subcommittee on the topic of, "Afghanistan Reconstruction and Development Contracts: An Overview." This is my first chance to testify before this subcommittee and I appreciate the opportunity. I will keep my oral remarks to the requested five minutes, but ask that my full written statement be submitted as part of the official hearing record.

Following your letter of invitation, my remarks will focus on the following topics: the planning, management, and oversight of the United States Agency for International Development's (USAID) reconstruction and development contracts in Afghanistan; USAID lessons learned from Iraq that we have applied to Afghanistan; findings from federal auditors; our coordination with the Department of State; the USAID ongoing civilian staffing increase as well as the status of our current implementer workforce; and, I would also like to address the steps that USAID is undertaking to ensure the sustainability of U.S. funded development projects in Afghanistan.

As with any discussion on Afghanistan, I hope to offer some context to the subcommittee as to how we actively engage in humanitarian relief and economic development. As highlighted in a 2008 survey from The Asia Foundation, the biggest problems faced by the Afghan people are insecurity, unemployment, high prices, a poor economy, and corruption. Afghans work hard yet lack opportunities for jobs and basic services such as water, electricity, education, and health care.

The Government of the Islamic Republic of Afghanistan has a blueprint for development, the Afghanistan National Development Strategy, to create a stable and tolerant society with a market-based licit economy, improved quality of life, and effective and legitimate governance. Additionally, in recent months, we have adjusted our approach by increasing our emphasis on agriculture, enhancing government revenue collection, building key elements of Afghanistan's private-sector economy, and improving the coordination of assistance delivery within the U.S. government and across the international community as part of the President's strategy. Our development activities are an integrated component of Ambassador Eikenberry and General McChrystal's civilian-military plan. Wee are targeting much of our assistance where violence is worst, working with and through Afghan institutions wherever possible and shifting to more flexible and faster contract and grant mechanisms, to ensure our dollars are effectively supporting our efforts in the provinces. These refinements are designed to produce measurable improvements in the lives of ordinary Afghans -- and thus to contribute directly to more effective government and to lessened support for the insurgency.

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I. USAID Planning, Management, and Oversight for Reconstruction and Development Contracts in Afghanistan.

In planning, managing and overseeing assistance in Afghanistan, a high-risk environment in which corruption and extortion pose significant risks, it would be impossible for USAID to guarantee that wrongdoing will never occur. However, we have put in place well designed systems and practices to minimize opportunities for misconduct. We aggressively monitor performance; we respond to allegations; and we review and improve our systems and practices on the basis of experience.

First, our selection of an implementer to carry out a given project is based on an evaluation of proposals submitted in response to USAID requests. Proposals are evaluated in terms of technical merit, cost, schedules of deliverables (including annual and semi-annual reports, deadlines, etc.) and past track record of performance with USAID.

Second, during contract implementation, a wide range of approaches are used to make sure that the contractor performs to our expectations. USAID staff holds implementation audits, conducts site visits (often performed by Afghan staff in non-permissive locations), assesses project management, reviews progress reports, conducts internal risk assessments to review our own internal policies and procedures, and scrutinizes contractors through government-wide terrorist filters using lists maintained by the U.S. Departments of State and Treasury and the United Nations.

Third, the USAID Inspector General, the Special Inspector General for Afghanistan Reconstruction (SIGAR), and the Government Accountability Office (GAO) contribute to oversight of USAID contractors. We cooperate fully with all three organizations and benefit from their audits and reviews.

Fourth, USAID Afghanistan has built upon the lessons of our experience in Iraq and other post conflict settings to develop additional approaches to contract oversight. These approaches are mentioned in the section on lessons learned below.

II. Lessons Learned

The Special Inspector General for Iraq Reconstruction (SIGIR) Stuart Bowen did a great service to the USG when he published his "Hard Lessons: The Iraq Reconstruction Experience," earlier this year. For Afghanistan, we have focused on 13 key lessons that SIGIR Bowen puts forth in his work.

Lesson Learned #1. Security is necessary for large-scale reconstruction to succeed.

In Afghanistan, infrastructure, alternative development, agriculture and other projects can be very difficult to implement without adequate security. Security elements are integrated into the budgets of our implementing partners, and these elements include hiring security personnel from the local population as well as security service sub-contractors. In addition, USAID coordinates regularly with the U.S. military, local governments, and communities to solicit their support to

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improving their security environment. Some measures to mitigate security risks include ensuring that local populations from the areas benefiting from the development projects are engaged as workers for those projects.

Lesson Learned #2. Developing the capacity of people and systems is as important as bricks and mortar reconstruction.

Reconstruction with the concurrent development of capacity at the national and local level is essential. During almost 30 years of conflict, the human resource base in Afghanistan was devastated and the process for rebuilding will take time. USAID/Afghanistan has a robust government capacity building program to strengthen core functions such as financial management, contracting, budgeting, and planning across key ministries.

Lesson Learned #3. Soft programs serve as an important complement to military operations in insecure environments.

This is an important lesson and very applicable to Afghanistan. When implementing a development project in a community, USAID works closely with indigenous networks to gain community acceptance and commitment. Community support provides a lasting degree of local security and reinforces any military actions to secure peace.

Lesson Learned #4. Programs should be geared to indigenous priorities and needs.

In recognition that host-country buy-in is essential to reconstruction and other programs, USAID has closely aligned its programs, including infrastructure, with the Government's Afghanistan National Development Strategy (ANDS) and the sector programs identified in the strategy. Furthermore, USAID works closely with the World Bank in its implementation of the Afghanistan Reconstruction Trust Fund (ARTF) and National Solidarity Program (NSP). Both of these programs are geared to indigenous priorities.

Lesson Learned #5. Reconstruction is an extension of political strategy.

Our goal is to support an Afghan-led effort to achieve stability, with a market-based licit economy and an effective government capable and willing to provide services to its citizens. To support this approach, USAID is focusing its support in the South and East, building closer integration with the military and other USG agencies serving on Provincial Reconstruction Teams (PRTs), and placing greater emphasis on sub-national governance.

Lesson Learned #6. Executive authority below the President is necessary to ensure the effectiveness of contingency relief and reconstruction operations.

In Afghanistan, USAID works closely with the GIRoA, as they are the sovereign government of the country, to ensure that our interventions align with the priorities that the GIRoA has established in the Afghanistan National Development Strategy. Furthermore, USAID coordinates its assistance activities with those of our other USG colleagues and the broader donor community.

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Lesson Learned #7. Uninterrupted oversight is essential to ensuring taxpayers values in contingency operations.

This is an important lesson for Afghanistan and it is extremely relevant as USAID is constrained by the number of U.S. Direct Hire (USDH) staff on board, as well as the insecure environments of many of our projects. To mitigate the risks associated with this, USAID has instituted the following measures to improve monitoring and oversight for all of our awards:

- Increased the number of Contracting Officer's Technical Representative (COTRs) and trained them to provide quality-control and quality assurance.
- Improved and increased site visits in collaboration with the military.
- Increased the number of USAID Regional Inspector General performance audits each fiscal year.
- Modified contracts to include more stringent reporting measures as well as providing additional guidance to our COTRs on ensuring compliance with reporting requirements in the contracts and grants.
- Engaged the services of independent, 3rd party monitoring and evaluation firms to provide quality assurance monitoring to support the management of our infrastructure projects.
- Regional Inspector General/Manila staff trained Mission staff, implementers' staff, and Afghan government financial staff from the Ministries and the Auditor General's office on USAID's recipient-contracted audit requirements. In addition, training was provided to local audit firms on the requirements to perform financial audits of USAID's implementers. The RIG investigators gave fraud awareness briefings to Mission staff, the Ministry's staff, and several of our implementers' staff.

Lesson Learned #8. An integrated management structure is necessary to ensure effective inter-agency reconstruction efforts.

There are a number of mechanisms in place and being planned to ensure effective inter-agency coordination and information management. In both Washington, DC and Afghanistan, USAID works closely with our military and Department of State interagency colleagues. Specifically, USAID has development representatives embedded at the regional command, brigade level and our field officers work closely with the military at various PRTs and district teams throughout the country. Additionally, with regards to working with our military colleagues, USAID participates in the vetting of CERP funded activities in order to help prevent any duplication of effort. With regards to the Department of State, USAID coordinates closely with the office of the Special Representative for Afghanistan and Pakistan here in Washington. In Afghanistan, USAID works with the office of Ambassador Wayne and within an integrated civ-mil system in the implementation of assistance projects throughout the country. This system is overseen by the Principals' Group and the Executive Working Group headed by Ambassador Wayne and ISAF's BG McKenzie. USAID actively participates in the Embassy's 14 civ-mil National Working Groups which oversee integrated U.S. strategies for job creation, infrastructure, water development, anti-corruption, sub-national governance and rule of law, to name a few.

Lesson Learned #9. Outsourcing management to contractors should be limited because it complicates lines of authority in contingency reconstruction operations.

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In the context of Afghanistan, USAID Personal Services Contractors (PSC) rarely serve in management functions.

Lesson Learned #10. The U.S. Government should develop new wartime contracting rules that allow for greater flexibility.

USAID/Afghanistan would welcome greater contracting flexibility to achieve USG successes.

Lesson Learned #11. The U.S. Government needs a new human-resource management system capable of meeting the demands of a large scale contingency relief and reconstruction operations.

USAID's Human Capital Strategic Plan 2009-2013 outlines the processes we have been undertaking for several years to be able to put the "right people in the right place, doing the right work, at the right time to pursue U.S. national interests abroad." This entails medium to long-term efforts to model, recruit, hire, train and support the numbers and competencies of all categories of personnel that we need to accomplish the U.S. Government's goals in the field of development, which has always included contingency relief and reconstruction operations. It also includes efforts to deal with the immediate needs posed by some countries such as Iraq and Afghanistan by using every available enhanced human capital mechanism from direct hire authority, to personal service contracting authority, to Foreign Service limited authority to bring the qualified staff necessary to missions such as Afghanistan.

Lesson Learned #12. The U.S. Government must strengthen its capacity to manage the contractors that carry out reconstruction work in contingency relief and reconstruction operations.

USAID has strengthened our capacity in a variety of ways. We have increased our hiring of contracting and agreement officers and 29 new officers will join us in 2009. In Afghanistan, USAID has 57 officers who serve as the contracting and agreement officer's technical representatives, overseeing the day-to-day efforts of our implementing partners in Afghanistan. Our professional cadre of Foreign Service Nationals bring local language capabilities and country-specific business expertise to our efforts.
In addition to its human resource capacity, USAID is increasing its technical capabilities to do business more quickly and transparently. The Agency is now in the process of deploying the Global Acquisitions & Assistance System (GLAAS)—a web-based system that allows us to automate the procurement process through the life of an award by integrating directly with our financial systems. USAID has strengthened security services, emergency procedures, and monitoring, oversight and evaluation support in the field, including issuing new monitoring guidance for program managers in High Threat Environments.

Lesson learned #13. Diplomatic, development, and area expertise must be expanded to ensure a sufficient supply of qualified civilian personnel in contingency reconstruction.

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USAID's model for workforce expansion provides for a training-reassignment-detail "float" that will enable USAID staff to gain state of the art knowledge and skills. The Civilian Response Corps being formed under the State Department's Office of the Coordinator for Reconstruction and Stabilization (S/CRS) is an important new capacity for the USG worldwide and includes multiple USAID officers with specialized reconstruction skills. and includes USAID officers with specialized reconstruction skills.

Specific to Afghanistan, as part of the civilian uplift USAID will have 333 American civilians in Afghanistan by early 2010.

III. Findings from Federal Auditors

With over $6.7 billion disbursed in Afghanistan (all funding accounts, including operational expenses) since 2002, USAID's work is subject to intense scrutiny by you and your colleagues, the Government Accountability Office (GAO), the Special Inspector General for Afghanistan Reconstruction (SIGAR) and our own office of Inspector General. USAID welcomes engagement with our oversight colleagues and works collaboratively with them on all manner of issues. As of December 1, 2009, USAID/Afghanistan had a total of 18 active engagements originating from the above referenced oversight authorities.

As you are aware, various audit reports have found that the prime areas of concern have been: a.) implementation of activities within a fluid security environment; and b.) contract oversight, management and performance. USAID recognizes that these concerns are also those held by the subcommittee and the rest of your congressional colleagues. I respectfully refer you to earlier sections of this statement that outline actions USAID is taking to address the security environment and improve our oversight practices.

IV. USAID Coordination with the Department of State

A whole-of-government unity of effort approach is practiced daily in Afghanistan. Integrated planning and operations to better streamline and coordinate the USG agencies' individual areas of specialty – a clear, hold, build strategy – plays out every day. With leadership by President Obama, and directed on the ground by Ambassador Eikenberry, the focus of purpose is being realized. USAID is pleased to work closely with our Department of State colleagues both in Kabul, through Ambassador Wayne, and in Washington, through Ambassador Holbrooke, to realize the President's vision for Afghanistan.

Furthermore, in the field, at the Provincial Reconstruction Teams (PRTs) and Regional Command level, USAID field officers work daily with our military and Department of State colleagues in order to implement the diplomatic and development missions of the USG in Afghanistan.

V. USAID Civilian Staffing in Afghanistan

As of December 7, 2009, USAID/Afghanistan has 180 American staff on the ground. It is anticipated that USAID will have 333 American staff on the ground in early 2010. USAID/Afghanistan also currently has 136 Afghan staff and 16 third country national staff.

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USAID/Afghanistan works with approximately 20,000 implementing personnel on USAID programs, 19,000 of whom are Afghan employees.

USAID/Afghanistan currently has eight contracting officer positions in Kabul, maintains an additional two contracting officers in Bangkok to support Kabul, and has a backstop team of three contracting officers who support Afghanistan from Washington, D.C. Helping to oversee our programs are more than **57** contracting officer's technical representatives on staff in country as well.

VI. Sustainability of U.S. Funded Development Projects

To implement the President's Afghanistan-Pakistan strategy, the U.S. Mission's approach in Afghanistan is to support Afghan leadership, Afghan capacity-building efforts at all levels, and Afghan sustainability (for, with, and by the people), and to increase local procurement initiatives such as "Afghan First."

The U.S. Government's guiding principle of *Afghan First* (meaning Afghan-led development) will ensure that Afghans lead, not follow, in their path to a secure and economically viable country.

An agile, flexible, and responsive U.S. regional counterinsurgency (COIN) strategy will provide the framework in which we operate to maximize all U.S. resources by sector and, more importantly, geographically to promote stability. A whole-of-government, unity-of effort approach through integrated planning and operations will also help us coordinate and integrate with international community partners.

A significant change in contracting, management, resources, and focus of our foreign assistance to overcome the "trust deficit" will help us engage the populace in ways that demonstrate commitment to a responsive and capable Afghan government. Additional assistance must be accompanied by new contracting principles and delivery mechanisms to mitigate risks and to ensure greater accountability, immediate action, and sustained commitment.

In short, we seek a stronger and more effective Afghan-U.S. development partnership. At the national level, more U.S. assistance will be channeled through the Afghan government core budget. At the field level, U.S. assistance will be shifting to smaller, more flexible, and faster contract and grant mechanisms to increase decentralized decision making in the field.

To increase Afghan First, the U.S. Mission is adopting a whole-of-government assistance framework that:

- Aligns with the Afghanistan National Development Strategy
- Directs capacity-building efforts at the public sector, private sector, and civil society
- Increases joint decision making and joint action with line ministries by involving ministry staff in program design, procurement, and joint monitoring and evaluation

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- Focuses U.S. assistance on sectors and regions where the United States has a comparative advantage, and makes decisions on geographic focus in consultation with the Independent Directorate for Local Government
- Ensures U.S. contractors utilize Afghans in key personnel positions as a means of ensuring a better grasp of the needs and reality on the ground and improving senior management capabilities
- Ensures that more U.S.-trained, skilled Afghan workers are hired by U.S. contractors
- Purchases more products and services locally via initiatives such as Afghan First
- Scales up contributions to the Afghanistan Reconstruction Trust Fund (ARTF) and the National Solidarity Program (NSP) as a means to deliver better coordinated assistance and improve Afghan government procedures and management capacity
- Delivers support directly to some ministries through the Ministry of Finance (once U.S. Government accounting and financial requirements have been met)
- Forges public-private alliances to maximize the impact and quality of activities.

Conclusion

Afghanistan is hungry for development. The United States, in coordination with its international partners, is providing jobs to the jobless, a voice to the voiceless, heat for cold homes, water for the thirsty, and food for the hungry. In short, it is offering Afghans a path to hope and sustainable development. We are optimistic about a new era of prosperity and peace. We are also optimistic that one day we will echo Woodrow Wilson's famous words: "The ear of the leader must ring with the voices of the people."

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Afghanistan Contracts: An Overview
Ad Hoc Subcommittee on Contracting Oversight
December 17, 2009
Remarks by Deputy Special Representative for
Afghanistan and Pakistan Dan Feldman

Chairman McCaskill and Ranking Member Bennett:

Thank you for your invitation to appear before this subcommittee to discuss our efforts to enhance oversight and accountability for development and reconstruction contracting in Afghanistan. As you know, this is a complex topic with many agencies owning various aspects of it. The State Department's Office of the Special Representative for Afghanistan and Pakistan has a role in formulating broader policy, and then in reviewing and approving contracts, while our Embassy in Kabul and our USAID colleagues can speak more directly to the challenges related to implementation. Yet other colleagues can speak more closely to the situation in Afghanistan as it compares to Iraq.

As Secretary Clinton noted in her recent appearance before the Senate Foreign Relations Committee, the Obama Administration inherited an under-resourced civilian effort in Afghanistan. As a result, efforts since 2001 have fallen short of expectations. Over the past ten months, we have conducted a broader review not only of our assistance objectives, but also *how* we go about delivering our assistance programs. The result of this review is a new, more focused and effective assistance effort aligned with our core goal of disrupting, dismantling, and defeating al-Qaeda. Additionally, our assistance is increasingly implemented in partnership with the Afghan government and local Afghan implementing partners.

While we have not resolved all of the problems that we uncovered, I believe we now have a more robust system of review, management, and oversight in place that will deliver improved results over the next 12-18 months.
Let me briefly outline a few aspects of our new approach.

Goal of U.S. Assistance in Afghanistan

Our civilian assistance in Afghanistan aims to build the capacity of key Afghan government institutions to withstand and diminish the threat posed by extremism. Short-term assistance aims to deny the insurgency foot soldiers and popular support by focusing on licit job creation, especially in the agriculture sector, and improving basic service delivery at the national, provincial, and local levels; long-term reconstruction efforts aim to provide a foundation for sustainable economic growth.

To achieve these goals – and maximize the effectiveness of our assistance – we have pursued: (1) smaller, more flexible contracts; (2) decentralization; (3) increased direct assistance; and (4) improved accountability and oversight.

Smaller, More Flexible Contracts

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We are shifting away from large U.S.-based contracts to smaller, more flexible reconstruction contracts with fewer sub-grants and sub-contracts that enable greater on-the-ground oversight. The premise behind this flexibility is simple: in a dynamic conflict environment like Afghanistan, we need to be able to adapt our programs as conditions change on the ground. These smaller contracts and grants will be managed by U.S. officials in the field, closer to the actual activity implementation, making it easier for those same officials to direct, monitor, and oversee projects to ensure the proper use of taxpayers' funds. In most cases, these contracts are implemented by local Afghan personnel. And if programs are not producing the anticipated results, our personnel now have increased authority to direct corrective actions.

Decentralization

USAID officials posted to regional civilian-military platforms bring with them funding and flexible authorities to enhance the responsiveness of programs and better coordinate local Afghan priorities. We have found that not only does a decentralized programming platform enhance development activities at the provincial and district level, but that it is also more cost effective. Moreover, decentralizing assistance makes it easier for local Afghans and U.S. officials in the field working with them to oversee and monitor the success of our programs and to prevent fraud.

Increased Direct Assistance

We are also decreasing our reliance on large international contractors and building Afghan institutional capacity by increasing our direct assistance through Afghan government mechanisms in consultation with Congress. This includes increased U.S. contributions to the World Bank administered Afghanistan Reconstruction Trust Fund, which includes the National Solidarity Program. To receive direct assistance, Afghan ministries must be certified as meeting accountability and transparency requirements. Support to the Afghan Civil Service Commission increases the professional skills and leadership within the Afghan government, enabling Afghans to increasingly assume responsibility for their country's economic development. Our goal is to have up to 40 percent of U.S. assistance delivered through local entities (Afghan government or local NGO) systems by December 2010 and to certify six of the core Afghan ministries in the same time period.

Improved Accountability and Oversight

At the start of our contracting review, Ambassador Holbrooke and Deputy Secretary Lew sat down and reviewed every major contract to ensure that they were aligned with the strategy that the President had announced in March 2009. They focused on ensuring that our new contracts introduced mechanisms to improve performance and significantly decreased the overall percent of multi-year contracts to U.S. entities. While Washington remains closely involved in the contract review process, Ambassador Tony Wayne – our Coordinating Director for Development and Economic Assistance in Kabul –now has day-to-day responsibility for reviewing each contract to ensure adherence to our national security goals.

Recognizing that the substantial international assistance to Afghanistan has the potential to contribute to corruption, we have deployed a sizable number of new direct hire contracting personnel to enhance oversight of programs as well as additional technical staff in the field to monitor program implementation and impact. USAID and Mission staff throughout Afghanistan are now reporting on a regular basis to Ambassador Wayne's office on implementation of programs. While this is a work in progress, we have already seen improved oversight capabilities resulting from the assignment of additional civilian personnel to ministries and PRTs – be they auditors, technical advisors, or Foreign Service Officers. Most importantly, all of our civilian personnel understand that it is their responsibility to identify and report on specific allegations of corruption for further investigation.

The Special Inspector General for Afghan Reconstruction's (SIGAR) is Congress' eyes and ears on the ground in Afghanistan, and we support its role in evaluating internal controls and implementation of assistance programs.

Conclusion

The Secretary and all of us who work on Afghanistan believe we have a duty to ensure that the resources provided by the Congress and the American people are used for the purposes intended and approved by the Congress. The reforms that we have implemented will, over time, decrease overhead and related costs for assistance programs, increasing the amount per dollar of U.S. assistance directly benefiting the Afghan people and Afghan institution.

Afghanistan is a complex, dynamic, and difficult operational environment, and that constrains our ability to sometimes provide the high level of oversight of projects that we would otherwise require. But we are making every effort to ensure that the required operational flexibility is matched with the highest dedication to accountability. And we are committed to taking the necessary corrective actions when a problem occurs.

Post-Hearing Questions for the Record
Submitted to
Mr. William Campbell III
From Senator McCaskill

"AFGHANISTAN CONTRACTS: AN OVERVIEW"

Thursday, December 17, 2009, 2:00 P.M.
United States Senate, Subcommittee on Contracting Oversight,
Committee on Homeland Security and Governmental Affairs

1) Some have raised concerns about the sustainability of projects that we are funding in Afghanistan. For example, USAID IG issued a report finding that the Afghan government could not initially afford to operate a U.S.-funded power plant.

Q. Is the U.S. government flooding more money into Afghanistan than the country can absorb?

Q. How do you think the mission would be affected if we had to prioritize projects and fund them more carefully?

Answer: The Afghan Government currently requires assistance to sustain projects. Currently the U.S. Government funds most of the expenses associated with the development of the Afghan National Security Force (ANSF). In accordance with the London Compact, the Afghans apply 34% of their GDP to security force development. In FY 2009, they contributed approximately $350 million. The United States continues to work with the Government of the Islamic Republic of Afghanistan (GIRoA) to increase its ability to generate revenue. Additionally, we are pressing international Allies and partners to contribute to the development of the ANSF and its long-term sustainment. Allies and partners have pledged approximately $300 million to the NATO Afghan National Army (ANA) Trust Fund. Regarding the police, the international community provided just over $600 million to the Law and Order Trust Fund since 2002. The international community also donated equipment to the ANSF. Over time, we will continue to press the international community to fund more of the ANSF and to assist the GIRoA in increasing its ability to generate its own revenue. For security forces, the United States is likely to be the major supporter of the ANSF for the foreseeable future. Specifics on USAID projects and sustainment efforts would be best addressed directly by that agency.

2) As Director of Operations for the Office of the Under Secretary of Defense (Comptroller) you are responsible for the development of the Overseas Contingency Operations request, which funds operations in Iraq and Afghanistan.

Q. What is the total amount of DOD funding for operations in Afghanistan to date and for FY2010?

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Q. What is the total amount of funding obligated for Defense Department contracts in Afghanistan since 2001? Please break out this information by fiscal year.

Q. Who has authority and responsibility for, and what is the total amount of, funding in Afghanistan for the following:
- The Commander's Emergency Response Program (CERP);
- The Army Corp of Engineers;
- Joint Contracting Command – Iraq/Afghanistan (JCC – I/A);
- The Logistics Civilian Augmentation (LOGCAP);
- Combined Security Transition Command – Afghanistan (CSTC-A);
- The Afghan National Police; and
- The Afghan National Army?

Q. To the extent that the above listed entities do not account for the entirety of contracting in Afghanistan, list the additional programs and entities along with their coordinate funding obligations and outlays.

Q. How many contracting oversight personnel are currently being utilized in each of the above listed entities and agencies? What are their positions? Where (geographically) are they located?

Answer: Through December 2009, the total obligations for Operation Enduring Freedom (OEF), which includes Afghanistan, are $178.5B. Of that total amount, $10.4B was obligated in FY 2010.

The contract information, by fiscal year, for Afghanistan below is available from May 2003 to the present. The information is not available prior to May 2003.

Afghanistan Contract Obligations	
FY	**Dollars**
May-Sep 2003	$267,136,044
2004	$824,687,557
2005	$1,567,693,610
2006	$2,369,796,988
2007	$3,193,214,130
2008	$5,879,228,568
2009	$7,080,074,592
2010*	$1,033,352,102
DOD TOTALS	**$22,215,183,592**

**Through Feb 25, 2010*

The Commander's Emergency Response Program (CERP);

The Army is the executive agent for the CERP which is within the Operation and Maintenance, Army appropriation. CERP is designed to enable local commanders in Iraq and Afghanistan to

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respond to urgent humanitarian relief and reconstruction requirements within their areas of responsibility by carrying out programs that will immediately assist the indigenous population. The total amount of funding for Afghanistan in FY 2010 is $1.0B.

The Army Corp of Engineers;

The Corps of Engineers is an Army command and a total of $300M in Operation and Maintenance direct funding has been provided for Afghanistan for FY 2010.

Joint Contracting Command - Iraq/Afghanistan (JCC - I/A);

The JCC-I/A is an Army activity that falls under the Army Sustainment Command. A total of $77M Operation and Maintenance funds have been executed as of January 31, 2010, for Afghanistan.

The Logistics Civilian Augmentation (LOGCAP);

The LOGCAP budget for OEF in FY 2010 is $3.5B. Execution through January 31, 2010 is $720.5M. Army is the executive agent for this program provided under Operation and Maintenance, Army. The ARCENT, an Army Command, executes these funds.

Combined Security Transition Command - Afghanistan (CSTC-A);

The ARCENT provides Operation and Maintenance funds to support CSTC-A in Afghanistan. A total of $4.7M Operation and Maintenance, Army has been executed through January 31, 2010.

In addition, CSTC-A manages the Afghanistan Security Forces Fund (ASFF), which funds both the Afghan National Police and the Afghan National Army.

The Afghan National Police; and

The Afghan National Police are funded through ASFF. The total FY 2010 funding is $2.5B.

The Afghan National Army?

The Afghan National Army is funded through ASFF. The total FY 2010 funding is $4.0B.

How many contracting oversight personnel are currently being utilized in each of the above listed entities and agencies? What are their positions? Where (geographically) are they located?

Contracting Officer Representative (COR) numbers are fluid and are specifically driven by the support services required by the units. Not all sites require the same service support levels. Further, the COR requirements change as Services' requirements change; geographic accessibility and dispersion also factor into COR numbers. The below numbers are a snapshot in time (February, 2010) on the number of oversight personnel in Afghanistan.

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The Army Corp of Engineers (USACE)

The U.S. Army Corps of Engineers has a total of 132 contracting oversight staff members in Afghanistan. The breakout is as follows:

USACE's Contracting Officers (CO):
Kabul - 8

USACE's ACOs:
Mazar-E-Sharif - 1
Salerno - 1
Bagram - 1
Kabul - 1
Jalalabad - 1

USACE's CORs:
Kabul – 59
Kandahar - 60

Air Force Contract Augmentation Program (AFCAP)
AFCAP has a total of 12 CORs utilized for oversight and are located at:

Salerno – 1
Bagram – 5
Kandahar – 1
FOB Dwyer – 2
East/South Afghanistan - 3

Joint Contracting Command - Iraq/Afghanistan (JCC-I/A)
For JCC-I/A, CORs are appointed to every contract (some may be appointed on more than 1 contract). Contracting Officers (CO's) also administer contracts and therefore are included as "oversight" personnel.

There are 137 JCC contracting personnel in Afghanistan as of February 5, 2010. As of January 10, 2010, there are 659 appointed COR's to a specific contract. These personnel are located at:

CO's in Afghanistan

-- Kandahar = 23
-- Leatherneck = 7
-- Dwyer = 5
-- Fenty = 10
-- Bagram (including PARC-A staff) = 34
-- Kabul = 32
-- Sharana = 7
-- Salerno = 7
-- Shank = 6
-- Herat = 4
-- Shindand = 1

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-- Mazar e Sharif = 1

CORs in Afghanistan
-- Kandahar (& surrounding Battle Space) = 110
-- Leatherneck (& surrounding Battle Space) = 33
-- Dwyer (& surrounding Battle Space) = 13
-- Fenty (& surrounding Battle Space) = 93
-- Bagram (& surrounding Battle Space) = 115
-- Kabul/Herat (& surrounding Battle Spaces) = 125
-- Sharana (& surrounding Battle Space) = 89
-- Salerno (& surrounding Battle Space) = 56
-- Shank (& surrounding Battle Space) = 25

3) What is the pay scale for Afghan National Police personnel? What is the pay scale for Afghan citizens who perform work under the programs listed in question 2?

Answer:

ANSF RANK		<1 to 3	>3	>6	>9	>12	>15	>18	>21	>24
GEN	ANP RECEIVES LONGEVITY PAY PER NEW SCALE	$945	$990	$1,005	$1,020	$1,035	$1,050	$1,065	$1,080	$1,095
LTG		$845	$890	$905	$920	$935	$950	$965	$980	$995
MG		$745	$800	$815	$830	$845	$860	$875	$890	$905
BG		$645	$700	$715	$730	$745	$760	$775	$790	$805
COL		$495	$530	$545	$560	$575	$590	$605	$620	$635
LTC		$445	$480	$495	$510	$525	$540	$555	$570	$585
MAJ		$395	$430	$445	$460	$475	$490	$505	$520	$535
CPT		$345	$350	$365	$380	$395	$410	$425		
1LT		$295	$310	$325	$340	$355	$370			
2LT		$275	$290	$305	$320	$335				
Chf NCO/SGM		$275	$310	$325	$340	$355	$370	$385	$400	$415
SNCO/1st Sgt		$255	$270	$285	$300	$315	$330	$345	$360	$375
SSgt/SFC		$235	$245	$260	$275	$290	$305	$320	$335	$350
Sgt/SSgt		$210	$230	$245	$260	$275	$290	$305		
1st Ptrlmn/Sgt		$180	$215	$230	$245	$260	$275			
2nd Ptrlmn/Sldr		$165	$200	$215	$230	$245				

The ANP Pay Scale achieves base pay parity between ANA and ANP by making starting pay equivalent for comparable grades and by providing a longevity raise every three years for ANP. Data is not available for Afghan citizens.

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4) CENTCOM has reported that, as of September 30, 2009, there were 104,101 Defense Department contractors in Afghanistan and analysts have predicted that this number may rise as high as 160,000.

Q. Is the Defense Department capable of completing the mission in Afghanistan without contractors?

Answer: Contractors supporting our military forces in contingency operations, both at home and deployed, are performing critical support functions that are integral to the success of military operations. The Department of Defense must use the total force (military forces, Department civilians, and contractors) to resource the full spectrum of requirements – this reality is reflected in our use of, and reliance upon, contractors in Afghanistan.

The CJSC, as directed by the Secretary of Defense, is conducting a thorough examination of the use of DoD contractors in support of current military operations as well as a review of the range and depth of contractor capabilities necessary to support the Joint Force of the future. If a decision is made to not use contractor personnel for functions and services currently provided by them in Afghanistan, there will be force structure implications which will require consideration by the President and Congress.

5) Various reports by GAO and agency Inspectors General have found that contracting oversight issues arise as often during the contract formation process as they do during the execution of the contract. The lack of oversight in the bidding, award and contract formation processes has resulted in wasteful and duplicative spending. For example, DOD spent $30 million to build a dining facility adjacent to an existing dining facility that is fully operational but is scheduled to be closed in a little over a year.

Q. What controls is the Defense Department implementing to ensure that it is not contracting for things that it does not need in Afghanistan?

Answer: The Principal Assistant Responsible for Contracting - Afghanistan (PARC-A) requires the "2-person rule" for all contracts of all levels. The PARC-A abides by the requirement for legal and policy review at the $750K level, as well as the additional reviews required by the Joint Contracting Command-Iraq/Afghanistan Acquisition Instruction. The Regional Contracting Centers and the individual contracting officers execute the mission of supporting the warfighter by obligating the US Government and abide by all laws and expectations of the United States.

Other controls in Afghanistan include, the Money As A Weapon System-Afghanistan (MAAWS-A) and its associated Requirement Validation process for Title 10 Operation and Maintenance funded activities. The first level of review is always from the individual submitting the request. Requirements must fill legitimate mission needs. A second level of "formal" review takes place when at the $10,000 threshold. All items at this level must have a legal review. The next level of review occurs for all requirements with a value of greater than $100,000. These items must be validated by an approved Acquisition Review Board (ARB) and approved in accordance with established thresholds. The three most common boards are the JARB (Joint Acquisition Review Board), the JFUB (Joint Facilities Utilization Board) and the CARB (Combined Acquisition

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Review Board). The JARB validates requirements for services and end-items. The JARB process is owned by the USFOR-A Logistics. The JFUB validates facilities and construction requirements and is run by USFOR-A Engineers. The CARB is conducted by USARCENT for requirements equal to or greater than $10,000,000. The USFOR-A Logistician is the conduit for CARB submissions.

For Afghan Security Forces Fund (ASFF) programs, CSTC-A develops requirements via a Program Management Review and applies resources to validated requirements via a Program Budget Advisory Committee process to produce a Budget Justification book. CSTC-A uses the Budget Justification book to create a budget execution plan that identifies requirements and determines when and where to apply funding. CSTC-A then executes resources against this plan through pseudo-Foreign Military Sales Cases or local acquisition processes. For pseudo-FMS cases, the Deputy Commanding General for Programs conducts a weekly review to ensure the requirement remains valid and the acquisition is consistent with fielding plans and operational necessities. The outcome is endorsement to acquire goods and services. For local procurement actions, a responsibility matrix determines who will request funding for validated requirements. This affixes a procurement responsibility to a singular entity to avoid duplication of effort. Requirements owners enter the funding requests into a coordination system where all stakeholders provide a review. This ensures the request is consistent with fielding plans and operational necessities. Upon coordination, the comptroller ensures funding is available in the execution plan prior to certification of funds availability.

6) DCAA recently suspended $14.2 million in costs billed by Fluor under LOGCAP IV. Please provide detailed reasons for DCAA's actions.

Answer: At one time DCAA actually suspended as much as $14.4 million in costs billed by Fluor. The suspended amounts are based on two Fluor costing issues.

First, on August 13, 2009, DCAA suspended $8.9 million related to the indirect rates (i.e., overhead and G&A rates) that Fluor was initially using to bill LOGCAP IV costs. Fluor had not adequately disclosed these rates to the Government nor had the rates been approved by the administrative contracting officer. In order to protect the Government's interests, 100 percent of the billed rates were suspended although not all the costs were disputed. Subsequently, DCAA worked closely with the DCMA contracting officer to establish provisional billing rates for Fluor. On November 3, 2009, the contracting officer issued a letter to Fluor approving the use of DCAA-recommended provisional billing rates. The provisional billing rates are lower than those initially billed by Fluor and adequately address all of DCAA's concerns. Fluor has retroactively adjusted prior billed costs based on the approved billing rates. Fluor's future public vouchers will use the rates established by the contracting officer. As a result, DCAA has withdrawn its suspension related to these costs. Although Fluor is using the revised provisional billing rates that exclude the disputed costs, the contractor does not completely agree with all the adjustments to its indirect rates and plans to revisit the provisional rates with the contracting officer in the future.

Second, on November 24, 2009, DCAA suspended $5.5 million related to excessive and unreasonable subcontract costs for dining facilities. Fluor awarded a subcontract for dining

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facility services to Supreme Food Service without adequate price competition or cost or price analysis. DCAA has decremented the subcontract costs until Fluor can demonstrate that the subcontract was awarded based on adequate cost or price analysis. Since November 24, 2009, an additional $800,000 of Supreme Food Service costs has been suspended.

In summary, as of February 5, 2010, DCAA continues to suspend $6.3 million ($5.5 million plus $800,000) of Fluor LOGCAP IV costs. All of the suspended cost is related to the excessive and unreasonable subcontract costs for dining facilities.

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

FEB 25 2010

The Honorable Claire McCaskill
United States Senate
Washington, D.C. 20510

Dear Senator McCaskill:

I testified before the Senate Committee on Homeland Security and Governmental Affairs, Contracting Oversight Subcommittee on December 17, 2009. During the hearing, I agreed to provide additional information on several questions concerning contracting in Afghanistan. I am pleased to enclose the Army's response to those questions.

Thank you for your continued support for our Soldiers.

Sincerely,

Edward M. Harrington
Deputy Assistant Secretary of
the Army (Procurement)

Copy to:
Senator Robert Bennett

Responses to Questions from the Senate Committee on Homeland Security and Governmental Affairs, Contracting Oversight Subcommittee

Q1. Provide specific information on Afghani contract employee wages as contrasted with wages for security and police forces.

A1. The Principal Assistant Responsible for Contracting-Afghanistan (PARC-A) conducted a review of 28 current and closed Armed Security Guard Contracts within Regional Command-East and found that the range of monthly wages for guards was between US$63.00 and US$310.00. The average monthly wage was US$156.86 with the median monthly wage at US$142.50. Many of these contracts had the following stipulation "CJTF-76 policy is to ensure security guard pay is no more than Afghan National Army (ANA)/Afghan National Police (ANP) pay schedules. CJTF-76 Units shall not compete with ANA recruiting efforts." (Note: Combined Joint Task Force (CJTF)-76 was a subordinate unit to Coalition Forces Afghanistan. The organization is inactivated and the structure changed to the current U.S. Forces-Afghanistan (USFOR-A) and CJTF structure.).

Effective October 2009, the new ANA/ANP pay schedules went into effect. The current monthly wage for a new recruit (enlisted with <3 years time in grade) is the equivalent of US$165.00. With each promotion and/or increase in time in grade the monthly wage rises.

Q2. Identify all sources for contracting in Afghanistan and total amounts being expended for 2007, 2008, and 2009.

A2. Theater support contracting:

Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)
FY09 Total: $2.872B
FY08 Total: $1.5B
FY07 Total: $927M

U.S. Army Corps of Engineers (USACE)
FY09 Total: $2.037B
FY08 Total: $2.461B
FY07 Total: $751M

Army Materiel Command (AMC)
FY09 Total: $4M
FY08 Total: $194M
FY07 Total: $8M

Q3. Address whether there is sufficient oversight for Afghanistan contracts.

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A3. All Afghanistan Theater-support contracts require Contracting Officer's Representative (COR) nomination and training documentation prior to approval from the Joint Acquisition Review Board (JARB) or equivalent.

- Responsibilities of the COR vary with the type and complexity of the contract. The COR is responsible for monitoring all aspects of the day-to-day performance of the contract requirements.
- CORs are qualified by training and experience commensurate with the responsibilities delegated. CORs received pre-deployment training prior to arriving in theater. This training is then supplemented with Regional Contracting Center (RCC) and other advance COR training.
- PARC-Afghanistan contracting organizations track CORs by name, redeployment date, and document interaction with the contractors.
- COR training is made up of two phases. Phase I includes 3 courses: (1) Defense Acquisition University CLC106- "COR With a Mission Focus On-Line Course". (2) DoD Combat Trafficking in Persons On-Line course. (3) Joint Ethics Regulation. Phase II incorporates theater-specific and contract-specific training.
- Training of CORs is conducted at least weekly by RCCs throughout Afghanistan.
- Fragmentary Order (FRAGO) 09-203 dated September 2009 directs Task Force and Unit Commanders to nominate qualified and motivated CORs for contracted services and construction projects. This FRAGO also requires Commanders to designate an 0-5 (Lieutenant Colonel level) staff COR Program Manager to serve as the COR Program Manager. The Program Manager is the Task Force focal point for all COR vacancy and performance issues. Requiring activities will ensure a replacement COR is in place before the previously assigned COR departs due to reassignment, operational consideration, continued unsatisfactory performance factors, and/or redeployment.
- All USFOR-A JARB packages are required to have COR appointment letters prior funding approval.
- The current PARC-A requirement is that a COR is nominated/appointed for all service and construction contract >$2,500. Additionally, CORs are required for commodity contracts that require significant inspection and acceptance (e.g. Latrine/shower/shave (LSS) units).
- With the release of FRAGO 09-203 and the HQDA Execution Order (EXORD) 048-10, PARC-A is satisfied with the emphasis on CORs on Theater Support contracts. Improvement is possible in the subject matter expertise of the individuals; however, the requirement to include COR nominations in JARB packages emphasizes the importance of post-award contract management.

Q4. Provide details on the status of Agility work for Dyncorps after being indicted.

A4. NOTE - This response contains contractor proprietary data:
On 16 December 2009, DynCorp International (DI) provided formal notice to Taos Industries, Inc/Agility Defense & Government Services, Inc. of subcontract termination (DI subcontract 20008-SC-GS-CLO-LOGCAP-0001 - DI subcontract Task Orders for Program Manager (PM),

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Program Manager Office Support, Kuwait Area of Responsibility (AOR), Udairi Army Air Field (AAF), Afghanistan AOR).

DI has identified that they are currently implementing several mitigation strategies in order to prevent degradation of services performed by Taos/Agility for current Logistics Civil Augmentation Program (LOGCAP) IV Task Orders as summarized below.

- Regarding Taos/Agility Labor resources, DI is:
  - Hiring Taos/Agility Expats (Kuwait, Afghanistan)
  - Hiring new Expat recruits (Kuwait, Afghanistan)
  - Shifting from Taos/Agility foreign nationals' (FN) labor brokers to in-place DI labor brokers (Kuwait, Afghanistan)
  - Coordinating FN labor sponsorship transfer with Kuwaiti officials (Kuwait)
  - Working to register as a Kuwaiti company - DynCorp Kuwait. As an interim measure DI is negotiating with Agility to release all sponsored FN employees to DI Sponsor (Kuwait)
- Regarding Taos/Agility Subcontracts, DI is:
  - Utilizing other DI subcontracts with LOGCAP capabilities vs. Agility subcontracts (Kuwait AOR)
  - Subcontracting with other freight forwarders - DI maintaining control of movement of critical items (Afghanistan)
  - Replacing Agility Warehouse Management System (Afghanistan)

Q5. Provide information on the withhold of payment to Fluor.

A5. At this time, there are no Defense Contract Management Agency (DCMA) initiated withholds related to Fluor's business systems' status, however DCMA has accepted Fluor's voluntary withhold, related to their purchasing system status, of $2,542,500 of LOGCAP IV contract base fee amount and is waiting for confirmation before implementing. Further, DCMA has suggested that Fluor consider extending this voluntary fee withhold to future vouchers until such time as all deficiencies in the company's purchasing system are corrected. DCMA also advised Fluor that the voluntary withhold does not preclude the government from seeking any and all contractual remedies determined appropriate in the future.

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Post-Hearing Questions for the Record
Submitted to
Mr. Edward Harrington
From Senator McCaskill

"AFGHANISTAN CONTRACTS: AN OVERVIEW"

Thursday, December 17, 2009, 2:00 P.M.
United States Senate, Subcommittee on Contracting Oversight,
Committee on Homeland Security and Governmental Affairs

1) Some have raised concerns about the sustainability of projects that we are funding in Afghanistan. For example, USAID IG issued a report finding that the Afghan government could not initially afford to operate a U.S.-funded power plant.

Q. Is the U.S. government flooding more money into Afghanistan than the country can absorb?

Q. How do you think the mission would be affected if we had to prioritize projects and fund them more carefully?

Answer: The question as to whether or not the Afghan government has the ability to "absorb" U.S. funding in support of operations there that is probably a question best answered by representatives from the Department of State.

With regard to your question on mission impacts associated with prioritizing and judiciously funding projects, the answer can only be that such actions would have a negative impact on mission execution as currently defined. The Department of the Army is thankful for the continued support of the Congress both in terms of authorizations and appropriations. However, the reality is that there is never enough funding to accomplish all that we'd like to do in support of our Soldiers and so as responsible stewards of the taxpayer's resources, we are forced to prioritize projects. Typically these impacts are manifested in the postponing of completing projects or pushing-out the timeline milestones for mission execution.

2) As the Deputy Assistant Secretary of the Army (Procurement) (DASA(P)), you are responsible for overseeing the development and dissemination, and ensuring the execution, of Federal, Defense, and Army policies and procedures for acquisition, procurement, and related business practices.

Q. Who has authority and responsibility and what is the total amount of funding in Afghanistan for the following:
- The Commander's Emergency Response Program (CERP);
- The Army Corp of Engineers;
- Joint Contracting Command – Iraq/Afghanistan (JCC – I/A);
- The Logistics Civilian Augmentation (LOGCAP);

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- Combined Security Transition Command – Afghanistan (CSTC-A);
- The Afghan National Police; and
- The Afghan National Army?

Q. To the extent that the above listed entities do not account for the entirety of contracting in Afghanistan, list the additional programs and entities along with their coordinate funding obligations and outlays.

Q. How many contracting oversight personnel are currently being utilized in each of the above listed entities and agencies? What are their positions? Where (geographically) are they located?

Q. What standards, policies and procedures have been implemented to ensure that the number of contracting oversight personnel is sufficient to properly oversee the execution of DOD and Army contracts?

Answer: 1. Commander's Emergency Response Program (CERP) - **CENTCOM** J8 reports that the Department of the Army has the responsibility for CERP in Afghanistan and Iraq. The FY10 CERP authorization for Afghanistan is $1.0 billion. As of 12 April, the Army has provided USFOR-A $130M in CERP funding.

2. The Army Corps of Engineers (USACE) – The USACE follows the Project Management Business Process, as defined in Engineer Regulation 5-1-11, which uses Project Delivery Teams (PDTs) led by a Project Manager (PM) to execute projects. The PDTs incorporate USACE personnel such as project managers, contracting specialists, resource managers, and legal advisors, as well as personnel from Architecture-Engineer (A/E) and construction firms to ensure project success.

The USACE organizations supporting the Afghanistan mission are the Afghan Engineer District – North in Kabul, the Afghan Engineer District – South in Kandahar, and the Middle East District in Winchester, Virginia. The following lists USACE contracting, project management and quality assurance personnel that conduct contract management and quality assurance activities in Afghanistan:

Contracting Officer (KO) can reside in the United States or be deployed. The KO has authority to enter into, administer, or terminate contracts and make related contract determinations and findings. The KO is responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. There are 20 KO's dedicated to Afghanistan contracting; 13 KO's are located in Afghanistan, three in Kandahar and 10 in Kabul; and seven KO's are located in Winchester, Virginia.

Administrative Contracting Office (ACO) is located in-country and is appointed by the KO to administer a contract and modifications to the contract. The ACO's authorities to modify the contract and obligate the Government are limited to those defined in their certificate of appointment. There are 20 ACO's dedicated to Afghanistan contracting; 13 ACO's are located

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in Afghanistan, four in Kandahar and nine in Kabul; and seven ACO's are located in Winchester, Virginia.

Area Engineer (AE) when acting as an ACO is responsible for the supervision and administration of contracts within a set geographical area, manages the projects directly, or delegates responsibility to resident offices or project offices, and is located in-country. There are nine AE's dedicated to Afghanistan contracting, all of them are located in Afghanistan, six in USACE's Afghanistan Engineer District—North and three in USACE's Afghanistan Engineer District—South. Please note that seven Area Engineers are also ACOs and are included in the ACO total as well.

Resident Engineer when acting as an ACO is located in-country and is responsible for on-site supervision and administration which includes contractor compliance and Quality Assurance. There are 21 Resident Engineers dedicated to Afghanistan contracting, all of them are located in Afghanistan, 17 in USACE's Afghanistan Engineer District—North and four in USACE's Afghanistan Engineer District—South. Please note that three Resident Engineers are also ACOs and are included in the ACO total as well.

Contracting Officer Representative (COR) is also located in-country and is the authorized representative of the KO. The COR has the authority to take all actions in connection with the administration of the contract with the exception of obligating the payment of money by the Government or authorizing a change in contract performance or completion time. The COR's specific authorities and limitations are limited to those defined in their letter of appointment.

The Afghanistan Engineer District—North (AEN) consists of one district headquarters office, six area offices, 17 resident offices, and five project offices. The following personnel perform contract management functions: 10 Contracting Officers, nine Administrative Contracting Officers (ACOs), six Area Engineers (five are ACOs), 17 Resident Engineers (three are ACOs), and 39 project engineers. The 29 offices where these persons work in Afghanistan are located as follows:

Afghanistan Engineer District – North Headquarters, Kabul
Kabul Area Office
Kabul Resident Office North
Kabul Resident Office South
Kabul Resident Office Central
Jalalabad Area Office
Jalalabad Resident Office
Metherlam Project Office
Kala Gush/Nuristan Project Office
Asadabad Resident Office
Salerno Area Office
Sharana Resident Office
Gardez Resident Office
Ghazni Project Office
Khowst Resident Office

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Bagram Area Office
Bagram Resident Office AFB
Bagran Resident Office Bagram vicinity
Bagram Resident Office Cost Plus
Bagram Resident Office Fuel
Bagram Resident Office Utilities
Mazir-e-Sharif Area Office
Mazir-e-Sharif Resident Office
Kunduz Resident Office
Feyzabad Project Office
Meymaneh Project office
Shank Area Office
Logar (Shank) Resident Office
Wardack Resident Office

The Afghanistan Engineer District—South consists of one district headquarters, four area offices, and 12 resident offices. It also has the following personnel involved with contract management: three Contracting Officers, four Administrative Contracting Officers (ACOs), three Area Engineers (two are ACOs), four Resident Engineers (none are ACOs), and 11 project engineers. The 17 offices where these persons work in Afghanistan are located as follows:

Afghanistan Engineer District – South Headquarters, Kandahar
Kandahar Air Field Area Office
Kandahar Air Field Resident Office
Southpark Resident Office
Helmand Area Office
Delaram Resident Office
Dwyer Resident Office
Tombstone Resident Office
Herat Area Office
Herat Resident Office
Qali Naw Resident Office
Farah Resident Office
Shindand Resident Office
Kandahar Area Office
Kandahar Vicinity Resident Office
Qalat Resident Office
Tarin Kowt Resident Office

The primary mission of the over 600 dedicated USACE civilian volunteers and Soldiers currently in Afghanistan is to deliver quality and timely engineering and construction products to the U.S Government and Afghan stakeholders.

3. Joint Contracting Command - Iraq/Afghanistan (JCC - I/A) - The Principal Assistant Responsible for Contracting in Afghanistan (PARC-A), appointed by JCC-I/A's Head of Contracting Activity (HCA), has authority and responsibility to execute contracts in Afghanistan;

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however PARC-A has no funding authority. The requiring activity is responsible to nominate the requirement and staff it through the required acquisition review boards (see attached slides) IAW "The Money as a Weapon System – Afghanistan" (MAAWS-A). After the review board approves the requirement and resource management funds the requirement, PARC-A then executes contracts and obligates the dollars provided by the requiring activity. Sometimes the funding provided by the requiring activity is more than what was obligated on contract and sometimes the amount of funding is less than what was needed to award the contract. These variations are due to the contingency environment that we operate in. The contract executing authority is limited to the customers of JCC-I/A and does not include all contracting efforts as there are several other contracting entities in theater. Since PARC-A has no funding authority we can only speak to the dollars that we have obligated for our requiring activities.

PARC-A executed a total of $2.8B in contract actions in FY09 and $1.4B in FY10 to date. PARC-A executed $361M in CERP projects >$500K in FY09 and $2.5M in CERP projects >$500K in FY10 to date.

PARC-A contract oversight is conducted by 110 warranted Contingency Contracting Officers (CCO) located at 13 Regional Contracting Centers (RCC)s strategically placed across Afghanistan (Bagram, Camp Phoenix, Delaram II, Dwyer, Fenty, Herat, Kabul, Kandahar, Leatherneck, Mazar-e-Sharif, Salareno, Shank, and Sharana). Additionally, there are 855 (as of 30 Apr 10) active Contractor Officer Representatives (COR)s who are nominated for all service contracts exceeding $2,500 commercial and non-commercial, with significant technical requirements which require on-going advice and surveillance from technical/requirements personnel. CORs are located specifically where contract performance takes place to provide additional oversight on PARC-A contracts. CORs are utilized in accordance with *DFARS 201.602-2 and PGI 201-602-2, "Career Development Contracting Authorities and Responsibilities* "and *JCC I/A SOP 10-02 "Contracting Officer's Representative (COR) Program"*, dated March 2010.

The CORs are trained in accordance with *Deployed COR Handbook, 08-47,* dated Sep 08. Formal training is required prior to approval of COR appointment. At a minimum, each COR receives the following training (either pre-deployment or in theater):

1. Defense Acquisition University (DAU) CLC106 COR With a Mission Focus On-Line Course.
2. DoD Combating Trafficking in Persons On-Line Course.
3. Locally developed COR overview training.
4. Joint Ethics Regulation (DoD 5500.7-R)
5. Contract specific training that details the expected results of the contractor.

Recently, PARC-A received new guidance addressing COR requirements and training in a memorandum from the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L), Subject "*DoD Standard for Certification of COR for Service Acquisitions*", dated 29 Mar 2010. Currently, we are reviewing our COR program to address this new guidance.

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4. The Logistics Civilian Augmentation Program (LOGCAP) - With regard to LOGCAP, the Executive Director, LOGCAP, works with the customers (Combatant Commanders) to translate their requirements into statements of work for the development of task orders under the LOGCAP contracts. The Executive Director of the Rock Island Contracting Center (RICC) is responsible for ensuring that the acquisition tools and workforce of the RICC are adequate to meet workload requirements and ensure uninterrupted support to the Warfighters. The RICC reports that as of 26 March (for Afghanistan only):

LOGCAP-3 - $3,617,199,662.91 ($3.6B obligated) - $3,457,485,144.54 ($3.5B disbursed)

LOGCAP-4 - $1,620,700,243.67 ($1.6B obligated) - $695,512,536.00 ($700k disbursed)

3) CENTCOM has reported that, as of September 30, 2009, there were 104,101 Defense Department contractors in Afghanistan and analysts have predicted that this number may rise as high as 160,000.

Q. Is the Defense Department capable of completing the mission in Afghanistan without contractors?

Answer: The U.S. military has always relied on contractors to support its mission – from the Revolutionary War to Operation Enduring Freedom and all conflicts in between. The degree of contractor involvement depends on the operational scenario and the particular requirements for support as established by the Combatant Commanders. The logistics-community works in consultation with the acquisition- and operational-communities to accommodate mission requirements as specified by the Combatant Commanders. Given the current military resources, including numbers of support personnel and skill sets, it is not conceivable that the DOD could complete the mission in Afghanistan without the support and sacrifice of our contract team members.

4) Various reports by GAO and agency Inspectors General have found that contracting oversight issues arise as often during the contract formation process as they do during the execution of the contract. The lack of oversight in the bidding, award and contract formation processes has resulted in wasteful and duplicative spending. For example, DOD spent $30 million to build a dining facility adjacent to an existing dining facility that is fully operational but is scheduled to be closed in a little over a year.

Q. What controls is the Defense Department implementing to ensure that it is not contracting for things that it does not need in Afghanistan?

Answer: PARC-A customers utilize Joint Acquisition Requirement Boards (JARB) for Commodities, Services, and Construction to vet requirements for Regional Contract Center (RCC)s. See attached slides describing process. This cross-functional forum enables the requiring activity to provide their technical knowledge and expertise to best describe their requirements. Contracting professionals support the requirements process by providing business advice to the requiring activity during development of the Statement of Work and Performance Work Statement. Additionally, PARC-A assigns a senior contracting official to the JARB to

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provide advisory and oversight from a acquisition perspective. Every contract has a contracting officer assigned to perform all administrative duties in accordance with the Federal Acquisition Regulation (FAR).

5) DCAA recently suspended $14.2 million in costs billed by Fluor under LOGCAP IV. Please provide detailed reasons for DCAA's actions.

Answer: At one time DCAA actually suspended as much as $14.4 million in costs billed by Fluor. The suspended amounts are based on two Fluor costing issues.

First, on August 13, 2009, DCAA suspended $8.9 million related to the indirect rates (i.e., overhead and G&A rates) that Fluor was initially using to bill LOGCAP IV costs. Fluor had not adequately disclosed these rates to the Government nor had the rates been approved by the administrative contracting officer. In order to protect the Government's interests, 100 percent of the billed rates were suspended although not all the costs were disputed. Subsequently, DCAA worked closely with the DCMA contracting officer to establish provisional billing rates for Fluor. On November 3, 2009, the contracting officer issued a letter to Fluor approving the use of DCAA-recommended provisional billing rates. The provisional billing rates are lower than those initially billed by Fluor and adequately address all of DCAA's concerns. Fluor has retroactively adjusted prior billed costs based on the approved billing rates. Fluor's future public vouchers will use the rates established by the contracting officer. As a result, DCAA has withdrawn its suspension related to these costs. Although Fluor is using the revised provisional billing rates that exclude the disputed costs, the contractor does not completely agree with all the adjustments to its indirect rates and plans to revisit the provisional rates with the contracting officer in the future.

Second, on November 24, 2009, DCAA suspended $5.5 million related to excessive and unreasonable subcontract costs for dining facilities. Fluor awarded a subcontract for dining facility services to Supreme Food Service without adequate price competition or cost or price analysis. DCAA has decremented the subcontract costs until Fluor can demonstrate that the subcontract was awarded based on adequate cost or price analysis. Since November 24, 2009, an additional $800,000 of Supreme Food Service costs has been suspended.

In summary, as of February 5, 2010, DCAA continues to suspend $6.3 million ($5.5 million plus $800,000) of Fluor LOGCAP IV costs. All of the suspended cost is related to the excessive and unreasonable subcontract costs for dining facilities.

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Post-Hearing Questions for the Record
Submitted to
Mr. Jeffrey Parsons
From Senator McCaskill

"AFGHANISTAN CONTRACTS: AN OVERVIEW"

Thursday, December 17, 2009, 2:00 P.M.
United States Senate, Subcommittee on Contracting Oversight,
Committee on Homeland Security and Governmental Affairs

1) Some have raised concerns about the sustainability of projects that we are funding in Afghanistan. For example, USAID IG issued a report finding that the Afghan government could not initially afford to operate a U.S.-funded power plant.

Q. Is the U.S. government flooding more money into Afghanistan than the country can absorb?

Q. How do you think the mission would be affected if we had to prioritize projects and fund them more carefully?

Answer: The question as to whether or not the Afghan government has the ability to "absorb" U.S. funding in support of operations there that is probably a question best answered by representatives from the Department of State.

With regard to your question on mission impacts associated with prioritizing and judiciously funding projects, the answer can only be that such actions would have a negative impact on mission execution as currently defined. The Department of the Army is thankful for the continued support of the Congress both in terms of authorizations and appropriations. However, the reality is that there is never enough funding to accomplish all that we'd like to do in support of our Soldiers and so as responsible stewards of the taxpayer's resources, we are forced to prioritize projects. Typically these impacts are manifested in the postponing of completing projects or pushing-out the timeline milestones for mission execution.

2) As Executive Director of the U.S. Army Contracting Command you are responsible for both military and civilian personnel tasked with awarding and managing over Army contractual actions.

Q. What is the total amount of funding obligated for Army contracts in Afghanistan since 2001? Please break out this information by fiscal year.

Q. Who has authority and responsibility for, and what is the total amount of, funding in Afghanistan for the following:
- The Commander's Emergency Response Program (CERP);
- The Army Corp of Engineers;

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- Joint Contracting Command – Iraq/Afghanistan (JCC – I/A);
- The Logistics Civilian Augmentation (LOGCAP);
- Combined Security Transition Command – Afghanistan (CSTC-A);
- The Afghan National Police; and
- The Afghan National Army?

Q. To the extent that the above listed entities do not account for the entirety of contracting in Afghanistan, list the additional programs and entities along with their coordinate funding obligations and outlays.

Q. How many contracting oversight personnel are currently being utilized in each of the above listed entities and agencies? What are their positions? Where (geographically) are they located?

Answers: 1. Commander's Emergency Response Program (CERP) - **CENTCOM** J8 reports that the Department of the Army has the responsibility for CERP in Afghanistan and Iraq. The FY10 CERP authorization for Afghanistan is $1.0 billion. As of 12 April, the Army has provided USFOR-A $130M in CERP funding.

2. The Army Corps of Engineers (USACE) – The USACE follows the Project Management Business Process, as defined in Engineer Regulation 5-1-11, which uses Project Delivery Teams (PDTs) led by a Project Manager (PM) to execute projects. The PDTs incorporate USACE personnel such as project managers, contracting specialists, resource managers, and legal advisors, as well as personnel from Architecture-Engineer (A/E) and construction firms to ensure project success.

The USACE organizations supporting the Afghanistan mission are the Afghan Engineer District – North in Kabul, the Afghan Engineer District – South in Kandahar, and the Middle East District in Winchester, Virginia. The following lists USACE contracting, project management and quality assurance personnel that conduct contract management and quality assurance activities in Afghanistan:

Contracting Officer (KO) can reside in the United States or be deployed. The KO has authority to enter into, administer, or terminate contracts and make related contract determinations and findings. The KO is responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. There are 20 KO's dedicated to Afghanistan contracting; 13 KO's are located in Afghanistan, three in Kandahar and 10 in Kabul; and seven KO's are located in Winchester, Virginia.

Administrative Contracting Office (ACO) is located in-country and is appointed by the KO to administer a contract and modifications to the contract. The ACO's authorities to modify the contract and obligate the Government are limited to those defined in their certificate of appointment. There are 20 ACO's dedicated to Afghanistan contracting; 13 ACO's are located in Afghanistan, four in Kandahar and nine in Kabul; and seven ACO's are located in Winchester, Virginia.

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Area Engineer (AE) when acting as an ACO is responsible for the supervision and administration of contracts within a set geographical area, manages the projects directly, or delegates responsibility to resident offices or project offices, and is located in-country. There are nine AE's dedicated to Afghanistan contracting, all of them are located in Afghanistan, six in USACE's Afghanistan Engineer District—North and three in USACE's Afghanistan Engineer District—South. Please note that seven Area Engineers are also ACOs and are included in the ACO total as well.

Resident Engineer when acting as an ACO is located in-country and is responsible for on-site supervision and administration which includes contractor compliance and Quality Assurance. There are 21 Resident Engineers dedicated to Afghanistan contracting, all of them are located in Afghanistan, 17 in USACE's Afghanistan Engineer District—North and four in USACE's Afghanistan Engineer District—South. Please note that three Resident Engineers are also ACOs and are included in the ACO total as well.

Contracting Officer Representative (COR) is also located in-country and is the authorized representative of the KO. The COR has the authority to take all actions in connection with the administration of the contract with the exception of obligating the payment of money by the Government or authorizing a change in contract performance or completion time. The COR's specific authorities and limitations are limited to those defined in their letter of appointment.

The Afghanistan Engineer District—North (AEN) consists of one district headquarters office, six area offices, 17 resident offices, and five project offices. The following personnel perform contract management functions: 10 Contracting Officers, nine Administrative Contracting Officers (ACOs), six Area Engineers (five are ACOs), 17 Resident Engineers (three are ACOs), and 39 project engineers. The 29 offices where these persons work in Afghanistan are located as follows:

Afghanistan Engineer District – North Headquarters, Kabul
Kabul Area Office
Kabul Resident Office North
Kabul Resident Office South
Kabul Resident Office Central
Jalalabad Area Office
Jalalabad Resident Office
Metherlam Project Office
Kala Gush/Nuristan Project Office
Asadabad Resident Office
Salerno Area Office
Sharana Resident Office
Gardez Resident Office
Ghazni Project Office
Khowst Resident Office
Bagram Area Office
Bagram Resident Office AFB

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Bagran Resident Office Bagram vicinity
Bagram Resident Office Cost Plus
Bagram Resident Office Fuel
Bagram Resident Office Utilities
Mazir-e-Sharif Area Office
Mazir-e-Sharif Resident Office
Kunduz Resident Office
Feyzabad Project Office
Meymaneh Project office
Shank Area Office
Logar (Shank) Resident Office
Wardack Resident Office

The Afghanistan Engineer District—South consists of one district headquarters, four area offices, and 12 resident offices. It also has the following personnel involved with contract management: three Contracting Officers, four Administrative Contracting Officers (ACOs), three Area Engineers (two are ACOs), four Resident Engineers (none are ACOs), and 11 project engineers. The 17 offices where these persons work in Afghanistan are located as follows:

Afghanistan Engineer District – South Headquarters, Kandahar
Kandahar Air Field Area Office
Kandahar Air Field Resident Office
Southpark Resident Office
Helmand Area Office
Delaram Resident Office
Dwyer Resident Office
Tombstone Resident Office
Herat Area Office
Herat Resident Office
Qali Naw Resident Office
Farah Resident Office
Shindand Resident Office
Kandahar Area Office
Kandahar Vicinity Resident Office
Qalat Resident Office
Tarin Kowt Resident Office

The primary mission of the over 600 dedicated USACE civilian volunteers and Soldiers currently in Afghanistan is to deliver quality and timely engineering and construction products to the U.S Government and Afghan stakeholders.

3. Joint Contracting Command - Iraq/Afghanistan (JCC - I/A) - The Principal Assistant Responsible for Contracting in Afghanistan (PARC-A), appointed by JCC-I/A's Head of Contracting Activity (HCA), has authority and responsibility to execute contracts in Afghanistan; however PARC-A has no funding authority. The requiring activity is responsible to nominate the requirement and staff it through the required acquisition review boards (see attached slides)

IAW "The Money as a Weapon System – Afghanistan" (MAAWS-A). After the review board approves the requirement and resource management funds the requirement, PARC-A then executes contracts and obligates the dollars provided by the requiring activity. Sometimes the funding provided by the requiring activity is more than what was obligated on contract and sometimes the amount of funding is less than what was needed to award the contract. These variations are due to the contingency environment that we operate in. The contract executing authority is limited to the customers of JCC-I/A and does not include all contracting efforts as there are several other contracting entities in theater. Since PARC-A has no funding authority we can only speak to the dollars that we have obligated for our requiring activities.

PARC-A executed a total of $2.8B in contract actions in FY09 and $1.4B in FY10 to date. PARC-A executed $361M in CERP projects >$500K in FY09 and $2.5M in CERP projects >$500K in FY10 to date.

PARC-A contract oversight is conducted by 110 warranted Contingency Contracting Officers (CCO) located at 13 Regional Contracting Centers (RCC)s strategically placed across Afghanistan (Bagram, Camp Phoenix, Delaram II, Dwyer, Fenty, Herat, Kabul, Kandahar, Leatherneck, Mazar-e-Sharif, Salareno, Shank, and Sharana). Additionally, there are 855 (as of 30 Apr 10) active Contractor Officer Representatives (COR)s who are nominated for all service contracts exceeding $2,500 commercial and non-commercial, with significant technical requirements which require on-going advice and surveillance from technical/requirements personnel. CORs are located specifically where contract performance takes place to provide additional oversight on PARC-A contracts. CORs are utilized in accordance with *DFARS 201.602-2 and PGI 201-602-2, "Career Development Contracting Authorities and Responsibilities* "and *JCC I/A SOP 10-02 "Contracting Officer's Representative (COR) Program"*, dated March 2010.

The CORs are trained in accordance with *Deployed COR Handbook, 08-47,* dated Sep 08. Formal training is required prior to approval of COR appointment. At a minimum, each COR receives the following training (either pre-deployment or in theater):

1. Defense Acquisition University (DAU) CLC106 COR With a Mission Focus On-Line Course.
2. DoD Combating Trafficking in Persons On-Line Course.
3. Locally developed COR overview training.
4. Joint Ethics Regulation (DoD 5500.7-R)
5. Contract specific training that details the expected results of the contractor.

Recently, PARC-A received new guidance addressing COR requirements and training in a memorandum from the Under Secretary of Defense for Acquisition, Technology, and Logistics (AT&L), Subject "*DoD Standard for Certification of COR for Service Acquisitions*", dated 29 Mar 2010. Currently, we are reviewing our COR program to address this new guidance.

4. The Logistics Civilian Augmentation Program (LOGCAP) - With regard to LOGCAP, the Executive Director, LOGCAP, works with the customers (Combatant Commanders) to translate their requirements into statements of work for the development of task orders under the

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LOGCAP contracts. The Executive Director of the Rock Island Contracting Center (RICC) is responsible for ensuring that the acquisition tools and workforce of the RICC are adequate to meet workload requirements and ensure uninterrupted support to the Warfighters. The RICC reports that as of 26 March (for Afghanistan only):

LOGCAP-3 - $3,617,199,662.91 ($3.6B obligated) - $3,457,485,144.54 ($3.5B disbursed)

LOGCAP-4 - $1,620,700,243.67 ($1.6B obligated) - $695,512,536.00 ($700k disbursed)

Further information has been requested from Army Materiel Command and will be provided as soon as staffing is completed.

3) What is the pay scale for Afghan National Police personnel? What is the pay scale for Afghan citizens who perform work under the programs listed in question 2.

Answer: PARC-A conducted a review of 28 current and closed Armed Security Guard Contracts within RC-East and found that the range of monthly wages for guards was between US$63.00 and US$310.00. The average monthly wage was US$156.86 with the median monthly wage at US$142.50. Many of these contracts had the following stipulation "CJTF-76 policy is to ensure security guard pay is no more than Afghan National Army (ANA)/Afghan National Police (ANP) pay schedules. CJTF-76 Units shall not compete with ANA recruiting efforts." (Note: CJTF-76 was a subordinate unit to Coalition Forces Afghanistan. The organization has been inactivated and the structure changed to the current USFOR-A and CJTF structure.).

Effective October 2009, the new ANA/ANP pay schedules went into effect. The current monthly wage for a new recruit (enlisted with <3 years time in grade) is the equivalent of US$165.00. With each promotion and/or increase in time in grade the monthly wage rises.

4) CENTCOM has reported that, as of September 30, 2009, there were 104,101 Defense Department contractors in Afghanistan and analysts have predicted that this number may rise as high as 160,000.

Q. Is the Defense Department capable of completing the mission in Afghanistan without contractors?

Answer: The U.S. military has always relied on contractors to support its mission – from the Revolutionary War to Operation Enduring Freedom and all conflicts in between. The degree of contractor involvement depends on the operational scenario and the particular requirements for support as established by the Combatant Commanders. The logistics-community works in consultation with the acquisition- and operational-communities to accommodate mission requirements as specified by the Combatant Commanders. Given the current military resources, including numbers of support personnel and skill sets, it is not conceivable that the DOD could complete the mission in Afghanistan without the support and sacrifice of our contract team members.

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5) Various reports by GAO and agency Inspectors General have found that contracting oversight issues arise as often during the contract formation process as they do during the execution of the contract. The lack of oversight in the bidding, award and contract formation processes has resulted in wasteful and duplicative spending. For example, DOD spent $30 million to build a dining facility adjacent to an existing dining facility that is fully operational but is scheduled to be closed in a little over a year.

Q. What controls is the Defense Department implementing to ensure that it is not contracting for things that it does not need in Afghanistan?

Answer: PARC-A customers utilize Joint Acquisition Requirement Boards (JARB) for Commodities, Services, and Construction to vet requirements for Regional Contract Center (RCC)s. See attached slides describing process. This cross-functional forum enables the requiring activity to provide their technical knowledge and expertise to best describe their requirements. Contracting professionals support the requirements process by providing business advice to the requiring activity during development of the Statement of Work and Performance Work Statement. Additionally, PARC-A assigns a senior contracting official to the JARB to provide advisory and oversight from a acquisition perspective. Every contract has a contracting officer assigned to perform all administrative duties in accordance with the Federal Acquisition Regulation (FAR).

6) In 2008, in response to criticism about DOD's use of contractors, the Army Contracting Command (ACC) was set up within the Army Material Command (AMC), which also included the Expeditionary Contracting Command (ECC) as a subordinate of the ACC and there is also a Joint Contingency Acquisition Support Office.

Q. Please explain the responsibilities of these different entities and where the ultimate authority and responsibility for contract oversight and spending controls on contracts within the Department of Defense lies.

Answer: The Combatant Commander in theater is ultimately responsible for ensuring that Contracting Officer Representatives (COR) are provided for contract oversight throughout the theater.

The aforementioned entities support the Combatant Commander in the following manner:

The Army, through AMC/ACC/ECC, has reorganized its contingency contracting forces to better plan, train, equip, and execute operational contract support. The ECC has six active Contracting Support Brigades (CSBs). These CSBs are geographically aligned in order to provide responsive operational contracting support to the Army Service Component Commands (ASCCs) and provide the Army with greater flexibility to place contracting teams into areas to support Joint Force operations. This organizational alignment has proven effective in assisting the ASCCs in developing and synchronizing contracting support integration plans. In addition to training and equipping contingency contracting officers, the ECC has engaged the brigades deploying to Operation Enduring Freedom and Operation Iraqi Freedom to provide on-site

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training on COR responsibilities in a contingency operation, field ordering officer training, and Commander's Emergency Response Program project office training.

The Joint Contingency Acquisition Support Office, a component of the Defense Logistics Agency (DLA), maintains a trained, technically competent, deployable cadre of acquisition experts who remain operationally focused and are able to respond to a Combatant Commander upon order. It is a staff of military, civilian and contractor personnel with expertise in planning, contingency contracting, contingency financing, contract law and civil engineering.

7) DCAA recently suspended $14.2 million in costs billed by Fluor under LOGCAP IV. Please provide detailed reasons for DCAA's actions.

Answer: At one time DCAA actually suspended as much as $14.4 million in costs billed by Fluor. The suspended amounts are based on two Fluor costing issues.

First, on August 13, 2009, DCAA suspended $8.9 million related to the indirect rates (i.e., overhead and G&A rates) that Fluor was initially using to bill LOGCAP IV costs. Fluor had not adequately disclosed these rates to the Government nor had the rates been approved by the administrative contracting officer. In order to protect the Government's interests, 100 percent of the billed rates were suspended although not all the costs were disputed. Subsequently, DCAA worked closely with the DCMA contracting officer to establish provisional billing rates for Fluor. On November 3, 2009, the contracting officer issued a letter to Fluor approving the use of DCAA-recommended provisional billing rates. The provisional billing rates are lower than those initially billed by Fluor and adequately address all of DCAA's concerns. Fluor has retroactively adjusted prior billed costs based on the approved billing rates. Fluor's future public vouchers will use the rates established by the contracting officer. As a result, DCAA has withdrawn its suspension related to these costs. Although Fluor is using the revised provisional billing rates that exclude the disputed costs, the contractor does not completely agree with all the adjustments to its indirect rates and plans to revisit the provisional rates with the contracting officer in the future.

Second, on November 24, 2009, DCAA suspended $5.5 million related to excessive and unreasonable subcontract costs for dining facilities. Fluor awarded a subcontract for dining facility services to Supreme Food Service without adequate price competition or cost or price analysis. DCAA has decremented the subcontract costs until Fluor can demonstrate that the subcontract was awarded based on adequate cost or price analysis. Since November 24, 2009, an additional $800,000 of Supreme Food Service costs has been suspended.

In summary, as of February 5, 2010, DCAA continues to suspend $6.3 million ($5.5 million plus $800,000) of Fluor LOGCAP IV costs. All of the suspended cost is related to the excessive and unreasonable subcontract costs for dining facilities.

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Post Hearing Questions for the Record
Submitted by Mr. Charles North
From Senator McCaskill
"Afghanistan Contracts: An Overview"
Thursday, December 17, 2009, 2:00 P.M.
United States Senate, Subcommittee on Contracting Oversight, Committee on Homeland Security and Governmental Affairs

Question 1:
Some have raised concerns about the sustainability of projects that we are funding in Afghanistan. For example, USAID IG issued a report finding that the Afghan government could not initially afford to operate a U.S. funded power plant.

A.) Is the U.S. government flooding more money into Afghanistan than the country can absorb?
B.) How do you think the mission would be affected if we had to prioritize projects and fund them more carefully?

Response 1a.)
As I said in my testimony, I am aware of the audit report regarding the Kabul power plant, and I would like to provide some additional information. This plant, initiated at the request of the Afghan Government, is intended to provide back up, emergency, and peaking power for Kabul, particularly needed during the winter when hydropower is low. The plant is a more efficient source of power than the existing Northwest Kabul Power Plat or the thousands of individual generators in Kabul, and is not expected to run at full capacity for long periods of time.

The plant is part of a larger energy solution, which includes the North East Power System (NEPS) and power imports from the Central Asian neighbors. NEPS allows for reliable transmission of electricity to Kabul. Among many other power sector activities, USAID supports the Government of the Islamic Republic of Afghanistan to expand and coordinate NEPS and to structure increased power from its neighbors.

Since mid-October 2009, the Kabul plant has been dispatching power nearly every evening during peak demand periods from Block A generators. At 105 MW, the plant has the potential to reach over 600,000 residents of Kabul. USAID is working with the Government of the Islamic Republic of Afghanistan on concerns regarding the operations and maintenance of the plant and cost recovery associated with the purchase of fuel.

The issue of the capacity of the Government of Afghanistan to absorb large amounts of funding remains of concern to us. That is why USAID is working to build and strengthen capacity in Afghanistan at all levels of the government and civil society. One of the ways we are doing that is to provide certifications of Ministries that are able to directly receive USAID funding. A prime example of which is the Ministry of Public Health, which through strong Afghan leadership, has been certified as being able to handle in excess of $200 million of USAID funds.

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Response 1b.)
President Obama's strategy for Afghanistan and Pakistan lays out the priorities of the USG in both countries. Following the President's direction, USAID sets its priorities and related spending for Afghanistan. That being said, the interagency strategy on agriculture is one of our highest priorities. In 2009 and 2010, we have seen success in strengthening the agriculture sector through the generation of economic growth and jobs. An example is AVIPA Plus, the expansion of USAID's successful 2008-2009 emergency voucher program AVIPA (Afghanistan Vouchers for Increased Production in Agriculture). AVIPA Plus has been expanded to provide counter-insurgency stability programming in Helmand and Kandahar within an agricultural framework. We expect that the AVIPA Plus program will see a minimum of 125,000 farmers receiving vouchers for agricultural inputs, 166,000 young men employed full time through labor intensive cash-for-work projects, and small grants disbursed to farmer associations and agribusiness entrepreneurs.

Question 2:
As Senior Deputy Director, Afghanistan – Pakistan Task Force at the U.S. Agency for International Development, you are responsible for overseeing the management and performance of contractors in Afghanistan.

A.) What is the total amount of USAID funding for operations in Afghanistan to date and for FY 2010?
B.) What is the total amount of funding obligated for USAID contracts in Afghanistan since 2001? Please break this information out by fiscal year.
C.) Who has oversight authority and day-to-day responsibility for, and what is the total amount of, funding in Afghanistan for the USAID reconstruction and development contracts?
D.) Please provide a list of all USAID programs being executed in Afghanistan and the USAID entities responsible for coordinating funding obligations and outlays for these programs.
E.) How many contracting oversight personnel are currently being used in each of the above listed entities and agencies? What are their positions? Where (geographically) are they located?

Response 2a.) The total amount of USAID Operating Expenses (OE) funding for Afghanistan from 2001 to 2009 is $341.10million. The total amount of USAID OE funding for FY 2010 is $202.5 million.

(Please note that operating expenses are defined as funding operating costs, including travel, housing and offices, security, salaries and benefits.)

Response 2b.) Please see attached for obligation data (Tab 1).

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Response 2c.) The USAID Administrator delegates authority to the USAID Mission Director in Afghanistan for oversight of all USAID/Afghanistan programs. Likewise, the Director of the Afghanistan Pakistan Task Force has been delegated Assistant Administrator oversight authority from Washington D.C. Furthermore, in the field the USAID Mission Director has responsibility for the oversight of contracts funded by USAID. Under mission director authority, the locus of responsibility and oversight of contracts varies depending on the purpose of the contract. For example, construction of a road most likely will be the responsibility and oversight of the Director of the Infrastructure Office and his or her staff.

As of late December 2009, USAID disbursed $5.6 billion in reconstruction and development contracts.

Response 2d.) Please see attached for our status of major contracts and grants. This is broken down by office and to the project level (Tab 2).

Response 2e.) USAID/Afghanistan currently has 10 total contracting and agreement officers to cover the country portfolio. Eight are located in Kabul and two are in Bangkok. Additionally, every USAID agreement (contract, grant, cooperative agreement, etc.) has an Agreement/Contract Officer Technical Representative (AOTR/COTR) assigned to monitor and oversee the progress of a given agreement. There are currently 65 active AOTRs/COTRs all of whom are based in Afghanistan. We are also moving to place AOTR/COTRs outside of Kabul in provincial reconstruction teams, district support teams, and regional platforms. Likewise, we are also stationing senior officers at the regional platforms to provide increased oversight capacity at the local level.

Question 3:
Various reports by the GAO and agency Inspectors General have found that contracting oversight issues arise as often during the contract formation process as they do during the execution of a contract. The lack of oversight in the bidding, award and contract formation process has resulted in wasteful and duplicative spending. For example, DOD spent $30 million to build a dining facility adjacent to an existing dining facility that is fully operational but is scheduled to be closed in little over a year.

A.) What controls is USAID implementing to ensure that it is not contracting for things that it does not need in Afghanistan?

Response 3.
USAID maps out its efforts to respond to the needs of the Afghan people under the direction of the Afghan government's Afghanistan National Development Strategy (ANDS). All of our activities are aligned with the pillars of the ANDS and work to transition Afghans toward leadership of their own development.

With this as our starting point, USAID then works closely and consistently with our interagency colleagues both in Washington D.C. and in Afghanistan and the donor

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community to avoid duplication of effort and to actively coordinate our assistance efforts amongst ourselves and the Government of Afghanistan. Finally, we also engage in regular portfolio reviews with the Government of Afghanistan to monitor progress on achieving goals and benchmarks, allowing us to redirect activities for best efficacy.

I am aware that findings of our auditors (GAO, SIGAR and our own IG) have included recommendations regarding contract execution and oversight. USAID works conscientiously to address these issues through multiple mechanisms including: increasing the amount of training and enhancing the skill level of our contracting corps in Afghanistan; improving the training for our Contracting/Agreement Officer's Technical Representatives (COTR/AOTR); and, identifying alternative mechanisms for oversight when security situations do not allow for USAID staff to physically get to various project sites throughout the country.

We now have a total of 10 dedicated contracting/agreement officers who focus entirely on Afghanistan (eight in Kabul and two in Bangkok) with plans to bring one more aboard shortly. In addition to the contracting officers, we have a staff of contracting/agreement professionals currently totaling 13 with plans to increase this to 21. We also have two professionals in Bangkok and plan to hire two more individuals to support this work. These contracting support positions help us to conduct cost and price analyses, cover inventory issues, and help in awarding and administering agreements, closeouts, audit responses, and meeting information requests and requirements.

In Afghanistan, USAID also has a staff of COTRs/AOTRs who are designated by the Contracting Officer to manage and oversee the program for the successful implementation of projects. COTRs/AOTRs interact regularly through team meetings internally and externally to the Agency. (USAID recently enforced new standards for its training of USAID COTRs/AOTRs in order to strengthen our monitoring of programs overall. The training now combines principles for management of both acquisition and assistance-type instruments and more focused coursework on financial management.)

Despite the security challenges we face on the ground in Afghanistan, USAID works to identify alternative mechanisms of oversight when the security situations do not allow for U.S. staff to physically get to various projects. These include making stronger use of our Foreign Service National staff who have less restrictions on their freedom of movement throughout the country; reliance on our Field Program Officers and other U.S. technical staff who are located at various PRT locations as well as at regional platforms and have some ability to either directly monitor activities or work with the military and/or local community to monitor the progress of an activity; and limited use of third-party monitoring and evaluation contracts. Regular reports from these venues allows us to guard against unneeded activities within our program portfolio.

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Question 4:
During the hearing you stated that USAID has failed to include fully compliant records relating to any of its Afghanistan contractors in the SPOT database because of certain security concerns.

A.) What is unique about USAID's security concerns that do not otherwise apply to the Defense Department or other agencies which are including more information in SPOT?
B.) What steps does USAID plan to take to ensure full compliance with SPOT?

Response 4a and b)
During my testimony before the subcommittee in December. I stated that USAID had entered company level data into the SPOT database for Afghanistan. Since signing the Memorandum of Understanding (MOU) with the Departments of Defense and State in July 2008—per NDAA requirements—USAID has actively worked to apply the Synchronized Pre-Deployment Operational Tracker (SPOT). This was the database identified in the MOU to track the contracts and the number of contracting personnel in Iraq and Afghanistan. In implementing SPOT, we found that we had to format this pre-existing DOD system in order to meet USAID's business structure and development needs. Operational challenges seriously impeded implementation. With the assistance of DOD's SPOT team. we did move forward with SPOT implementation in Iraq by January 2009. For Afghanistan, SPOT implementation in Iraq was to serve as a pilot so USAID could draw upon lessons learned before moving forward with creating a viable system for more than 21,000 contracting and grantee personnel in Afghanistan.

Since the time of the hearing, USAID has worked with our interagency colleagues (Departments of State and Defense)—and in consultation with legislators. We have finalized plans to make the database operational, a move-forward plan so we can fully comply with NDAA legislation. for 2008, 2009, and 2010 and thereby report accurately on contracts/grants and number of contracting/grantee personnel through SPOT, as well as simultaneously address key concerns from USAID partners working on development efforts in Afghanistan.

Congress and USAID partners, both contractors and grantees. have expressed serious concerns related to the vulnerabilities to individuals imposed by the SPOT system. Efforts to build capacity and strengthen small and large government institutions by providing sustainable economic, education. and health capabilities require direct engagement with local actors. USAID engages with these local populations, as well as with NGO communities, directly through its contract and grant mechanisms. The nature of the work under these agreements differs greatly from other agencies that may support troop efforts in the combat arena.

Development programs, such as those for institutional capacity building and democracy activities during wartime, must have the necessary protections in place for those who are

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risking their lives and/or reputations in working with the U.S. government at the local level. Protection of lists containing these individuals' birth dates, names, and other identifying information has been and continues to remain a top security priority.

USAID is devoting extensive resources for the use of SPOT data from Afghanistan. This includes: appointment of an overall Senior SPOT Advisor; recruitment of a full-time Afghanistan SPOT coordinator; and, the development of SPOT, "USAID Business Rules." We are committed to moving forward to comply fully with the NDAA legislation for 2008, 2009, and 2010.

Attachments:

Tab 1 – USAID/Afghanistan FY 2002-2009 Obligation data.

USAID/Afghanistan FY 2002 - FY 2009 Budget (in millions of US dollars)

Updated: 1/12/2010

Sector	FY 2002 - FY 2007 Obligations								FY 2008 - FY 2009 Budget								
	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	TOTAL FY (02-07)	%	FY 08 NOA	FY 08 OWOT	TOTAL FY 08	%	FY 09 NOA	FY 09 Bridge SUPP	FY 09 Spring Supp	Total FY09	%
Agriculture (including Environment)	27	56	50	77	27	67	304	5%	55	-	55	3%	30	-	100	130	6%
Alternative Development	3	1	5	185	121	229	544	9%	111	65	176	11%	52	38	65	155	6%
Roads	51	142	354	276	250	365	1,438	24%	74	200	274	17%	68	61	-	129	6%
Power	3	-	77	286	86	195	626	11%	87	150	237	15%	69	65	-	134	6%
Water	2	1	27	21	1	2	53	1%	16	-	16	1%	16	3	-	19	1%
Economic Growth[1]	21	12	84	91	46	69	321	5%	69	7	76	5%	49	37	85	171	8%
Cash for Work	-	-	-	-	-	-	-	0%	-	-	-	0%	-	-	100	100	5%
PRTs (including Civilian Assistance Program - Leahy)[2]	-	11	56	85	20	126	298	5%	55	60	115	7%	84	55	106	245	11%
State PRT (ESF)							-	0%				0%			30	30	1%
Afghanistan Reconstruction Trust Fund (ARTF)	41	40	83	103	50	38	355	6%	20	50	70	4%	60	-	90	150	7%
National Solidarity Program (NSP)	-	-	10	15	10	15	50	1%	35	40	75	5%	-	20	70	90	4%
Support to GIRoA/Crosscutting[3]						19	19	0%	21	3	24	1%	9	-	35	44	2%
Democracy/Governance including Civil Society	22	34	132	89	17	82	375	6%	29	114	143	9%	82	72	75	209	10%
Election[4]						52	52	1%	20	70	90	6%	97	56	25	178	8%
StratComm (ESF)							-	0%				0%			50	50	2%
Rule of Law	4	8	21	15	6	10	64	1%	6	25	31	2%	8	15	10	33	2%
Education	19	21	104	86	51	63	343	6%	60	39	99	6%	88	6	-	94	4%
Health	8	56	83	111	52	113	422	7%	77	36	113	7%	61	27	5	93	4%
Program Support	5	8	17	18	4	35	83	1%	16	-	16	1%	29	-	15	44	2%
IDPs	108	23	10	-	-	-	141	2%	-	-	-	0%	-	-	-	-	0%
Food Assistance	159	51	49	57	60	-	376	6%	10	-	10	1%	47	-	-	47	2%
TOTAL	471	407	1,172	1,511	779	1,478	5,872	100%	762	859	1,621	100%	838	455	861	2,154	100%

1 = The FY 2009 Spring Supp request includes $20 million specifically for workforce development.

2 = After the FY 2008, PRTs/Stabilization also includes Civilian Assistance Program (Leahy Earmarked funds)

3 = Before the FY 2008, Support to GIRoA/Crosscutting is captured under ARTF. Cross-cutting activities includes gender, public outreach information systems, and evaluation and M&E (such as SUPPORT II)

4 = Before the 2007 Base, Elections is captured under Democracy/Governance

Post-Hearing Questions for the Record
Submitted to
Mr. Daniel Feldman
From Senator McCaskill

"AFGHANISTAN CONTRACTS: AN OVERVIEW"

Thursday, December 17, 2009, 2:00 P.M.
United States Senate, Subcommittee on Contracting Oversight,
Committee on Homeland Security and Governmental Affairs

1) Some have raised concerns about the sustainability of projects that we are funding in Afghanistan. For example, USAID IG issued a report finding that the Afghan government could not initially afford to operate a U.S.-funded power plant.

Q. Is the U.S. government flooding more money into Afghanistan than the country can absorb?
Answer: Afghan government capacity to absorb large amounts of funding remains a concern, which is why USAID is working to build and strengthen capacity in Afghanistan at all levels of the government and civil society. To answer this need, we have been working since early 2009 to certify Afghan ministries to receive direct funding from the U.S. Government. The Ministry of Public Health is a prime example of this practice. Through strong Afghan leadership, it has been certified as capable to handle in excess of $200 million in USAID funds for a specific set of activities, which are administered through host country contracting. The goal of this shift in our assistance is twofold: to encourage the development of Afghan institutions capable of administering budgets in support of development activities, and to build Afghan expertise that will make projects in Afghanistan sustainable in the long-term.

I am aware of the report on the U.S.-funded power plant in Kabul, and would like to provide some additional context. This power plant, initiated at the request of the Afghan Government, was intended to provide back up, emergency, and peaking demand for Kabul, particularly during the winter when hydropower output is low. While operating this plant is expensive, our long-term plan is to diminish its use through the completion of a robust power network to serve Kabul's needs. USAID is also working with the Government of the Islamic Republic of Afghanistan to address concerns regarding the operations and maintenance of the plant and cost recovery associated with the purchase of fuel.

Q. How do you think the mission would be affected if we had to prioritize projects and fund them more carefully?
Answer: Our programs in Afghanistan and Pakistan are already carefully focused and funding is allocated to achieve priorities identified in President Obama's strategy for Afghanistan and Pakistan. Afghanistan's needs are great, but by following the President's direction and carefully prioritizing our projects we achieved significant

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successes in 2009. As an example, since January 2009, we strengthened the agriculture sector through the generation of economic growth and jobs by expanding the AVIPA (Afghanistan Vouchers for Increased Production in Agriculture) Plus program, the USAID's successful 2008-2009 emergency voucher program. We expanded AVIPA Plus to provide counter-insurgency stability programming in Helmand and Kandahar within an agricultural framework. The AVIPA Plus program will provide a minimum of 125,000 farmers with vouchers for agricultural inputs, 166,000 young men with full time employment through labor intensive cash-for-work projects, and small grants disbursed to farmer associations and agribusiness entrepreneurs.

2) As Deputy Special Representative for Afghanistan and Pakistan, you are responsible for formulating broader policy and reviewing and approving contracts.

Q. What is the total amount of funding obligated for State Department contracts in Afghanistan since 2001? Please break out this information by fiscal year.
Answer:

Q. Who has authority and responsibility for, and what is the total amount of, funding in Afghanistan for the following:
- The Commander's Emergency Response Program (CERP);
- Joint Contracting Command – Iraq/Afghanistan (JCC – I/A);
- The Afghan National Police;
- The Afghan National Army; and
- The State Department, Bureau for International Narcotics and Law Enforcement (INL) programs and operations in Afghanistan?

Answer:

Q. To the extent that the above listed entities do not account for the entirety of contracting in Afghanistan, list the additional programs and entities along with their coordinate funding obligations and outlays.
Answer:

Q. How many contracting oversight personnel are currently being utilized in each of the above listed entities and agencies? What are their positions? Where (geographically) are they located?
Answer:

3) What is the pay scale for Afghan National Police personnel? What is the pay scale for Afghan citizens who perform work under the programs listed in question 2?

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Answer: In November 2009, the Government of Afghanistan and the Law and Order Trust Fund for Afghanistan (LOTFA) agreed to increase the pay scale for the Afghan National Police by both base pay and danger pay. The new pay scale provides an increase and ensures pay parity with the Afghan National Army (ANA) personnel - it applies to the ANP and ANA.

ANSF RANK		<1 to 3	>3	>6	>9	>12	>15	>18	>21	>24
GEN	ANP RECEIVES LONGEVITY PAY PER NEW SCALE	$945	$990	$1,005	$1,020	$1,035	$1,050	$1,065	$1,080	$1,095
LTG		$845	$890	$905	$920	$935	$950	$965	$980	$995
MG		$745	$800	$815	$830	$845	$860	$875	$890	$905
BG		$645	$700	$715	$730	$745	$760	$775	$790	$805
COL		$495	$530	$545	$560	$575	$590	$605	$620	$635
LTC		$445	$480	$495	$510	$525	$540	$555	$570	$585
MAJ		$395	$430	$445	$460	$475	$490	$505	$520	$535
CPT		$345	$350	$365	$380	$395	$410	$425		
1LT		$295	$310	$325	$340	$355	$370			
2LT		$275	$290	$305	$320	$335				
Chf NCO/SGM		$275	$310	$325	$340	$355	$370	$385	$400	$415
SNCO/1st Sgt		$255	$270	$285	$300	$315	$330	$345	$360	$375
SSgt/SFC		$235	$245	$260	$275	$290	$305	$320	$335	$350
Sgt/SSgt		$210	$230	$245	$260	$275	$290	$305		
1st Ptrlmn/Sgt		$180	$215	$230	$245	$260	$275			
2nd Ptrlmn/Sldr		$165	$200	$215	$230	$245				

The pay for Afghan citizens working under the programs listed below are:

- The Commander's Emergency Response Program (CERP): Afghan citizens bid for contracts .
  - o CERP is managed by DoD – please refer to DoD for further information.
- Joint Contracting Command – Iraq/Afghanistan (JCC – I/A);
  - o JCC-I/A is managed by DoD – please refer to DoD for further information.
- The Afghan National Police;
  - o U.S. contributions to the ANP are managed by DoD – please refer to DoD for further information.
- The Afghan National Army; and
  - o U.S. contributions to the ANA are managed by DoD – please refer to DoD for further information.

- The State Department, Bureau for International Narcotics and Law Enforcement (INL) programs and operations in Afghanistan;

The daily wage range for unskilled is $12-60, skilled $12-76, and professional $35-150.

4) Various reports by GAO and agency Inspectors General have found that contracting oversight issues arise as often during the contract formation process as they

do during the execution of the contract. The lack of oversight in the bidding, award and contract formation processes has resulted in wasteful and duplicative spending. For example, DOD spent $30 million to build a dining facility adjacent to an existing dining facility that is fully operational but is scheduled to be closed in a little over a year.

Q. What controls is the State Department implementing to ensure that it is not contracting for things that it does not need in Afghanistan?

Answer: During 2009, we reviewed all contracts and conducted a broader review not only of our objectives for delivering assistance, but also how we deliver assistance and how to best provide oversight to ensure our policy goals are met and waste is eliminated. The result is a more focused and effective assistance effort aligned with our core goal of disrupting, dismantling, and defeating al-Qaeda.

Ambassador Tony Wayne was appointed Coordinating Director for Development and Economic Affairs in Embassy Kabul in June 2009 to oversee all U.S. government non-military assistance to Afghanistan. In this position, he directs and supervises a wide range of Embassy sections, programs, agencies and offices in the field. Ambassador Wayne has responsibility for evaluating overall progress in our foreign assistance programs. Ambassador Karl Eikenberry has responsibility for the State Department's operations in Afghanistan, including all foreign assistance programs. Ambassador Holbrooke coordinates the interagency effort to advance the United States' strategic goals in Afghanistan and Pakistan.

The Department of State makes it a major priority to prevent waste and inefficiency in the delivery of U.S. assistance in Afghanistan, even though State/USAID assistance is relatively small compared to DoD's budget in Afghanistan. We will continue to work closely with SIGAR, the OIG, GAO, and others to ensure transparency and effectiveness and to minimize wasteful and duplicative spending in our assistance contracts.

5) In your written testimony, you stated that the State Department has determined to shift away from large U.S.-based contracts to smaller more flexible contracts with fewer subcontracts in an effort to become more effective and to better use taxpayer dollars.

Q. How does State plan to transition from its current large, U.S.-based contracts to smaller ones? What steps are being taken and planned to make this transition?

Answer: Our approach in Afghanistan is to support Afghan leadership, Afghan capacity-building efforts at all levels, sustainability, and increased local procurement. This approach is designed to ensure Afghans are in the lead to develop a secure and economically viable Afghanistan, in partnership with the U.S. In short, we seek a stronger and more effective Afghan-U.S. development partnership.

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To diminish our reliance on large, international contractors, we are changing the way we deliver assistance. At the national level, more U.S. assistance will be channeled through the Government of the Islamic Republic of Afghanistan (GIRoA) core budget. At the field level, we are increasing our focus on sub-national and local communities through establishment of regional platforms of operation.

Overall, U.S. assistance is shifting to smaller, flexible, and faster contract and grant mechanisms to increase decentralized decision-making in the field. These new contracts and grants will have rigorous annual reviews with the award of subsequent years depending on performance. Factors we consider prior to awarding contracts and grants include: 1) the degree to which Afghan content (labor and materials) is emphasized; 2) the bidder's track record; 3) anticipated results and impact; and 4) flexibility and agility. For example, contracts and awards will include an evaluation factor which allows for special consideration to offerors who propose procurement mechanisms to purchase more products and services locally.

We are also building from past successes and lessons learned, including working closer with our Special Inspector General for Afghanistan Reconstruction (SIGAR) and Regional Inspector General (RIG) colleagues to provide adequate oversight.

Q. How, if at all, will current larger US-based contracts be affected by the transition?

Answer: U.S. assistance is shifting to smaller, flexible, and faster contract and grant mechanisms to increase decentralized decision-making in the field. These new contracts and grants have rigorous annual reviews with the award of subsequent years depending on performance. Larger US and international firms will notice an increased reliance on Afghan local or regional implementers to deliver assistance to the country.

Q. How long do you anticipate this process will take?

Answer: This transition is already happening in the field and does not have a firm end date.

Q. Is State coordinating with other agencies to implement this initiative across other agencies? If so, please explain the coordination mechanisms and/or processes.

Answer: The vast majority of non-security U.S. assistance is administered by USAID. Other non-DoD agencies manage programs which are already small. However, the mission in Afghanistan is bringing organizational innovations to improve coordination and oversight.

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The Coordinating Director for Development and Economic Assistance (CDDEA) – Ambassador E. Anthony Wayne – oversees all USG civilian agencies that engage in reconstruction, development, and economic development. This office did not exist one year ago, and its establishment improved both oversight and interagency coordination between USAID, Treasury, DoJ, USDA, and others.

Q. What increased authority will personnel now have to direct corrective action for nonperforming contracts?

Answer: Field personnel, both USG direct hire and foreign service nationals are our eyes and ears for contract oversight and management. The level of authority given to each individual varies based on experience and background. Broadly speaking, qualified individuals (contract officers and financial management personnel) have the authority to stop an activity.

Q. Who will be responsible for managing and overseeing these contracts – State Department personnel or USAID personnel?

Answer: Different programs have different officers managing and overseeing the projects.

The USAID Administrator delegates authority to the USAID Mission Director in Afghanistan for oversight of all USAID/Afghanistan programs. In the field the USAID Mission Director has responsibility for the oversight of contracts funded by USAID. Under mission director authority, contract responsibility and oversight varies depending on the purpose of the contract. For example, construction of a road would likely be the responsibility of the Director of the Infrastructure Office and his or her staff.

USAID/Afghanistan currently has 10 total contracting and agreement officers that cover the country - eight Kabul and two in Bangkok. Additionally, every USAID agreement has an Agreement/Contract Officer Technical Representative (AOTR/COTR) assigned to monitor and oversee progress. There are currently 65 active AOTRs/COTRs, all of whom are based in Afghanistan. We are also moving to place AOTR/COTRs outside Kabul in provincial reconstruction teams, district support teams, and regional platforms. We are also stationing senior officers at regional platforms to provide increased oversight capacity at the local level.

The State Department's Bureaus for Population, Refugees, and Migration; Democracy, Human Rights, and Labor; and International Narcotics and Legal Affairs appoint State personnel to oversee their programs.

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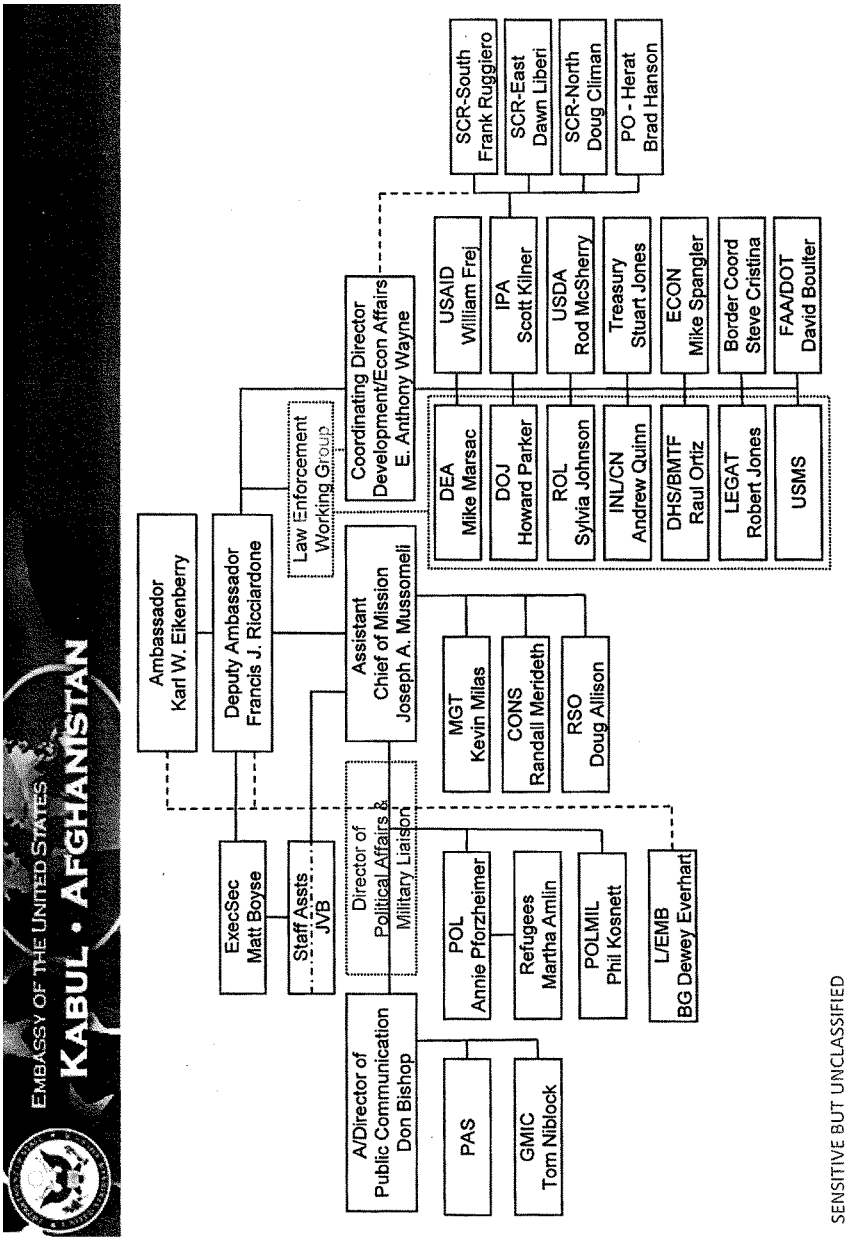
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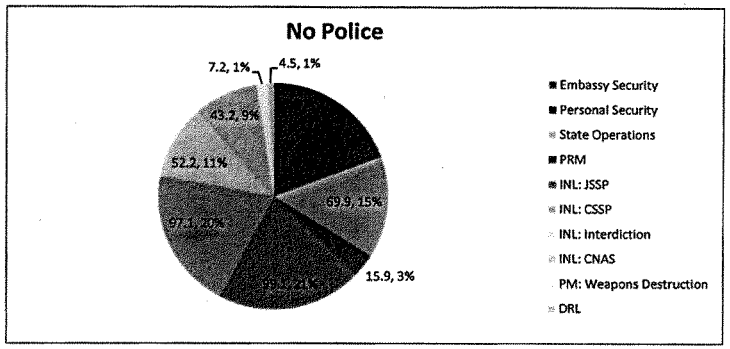
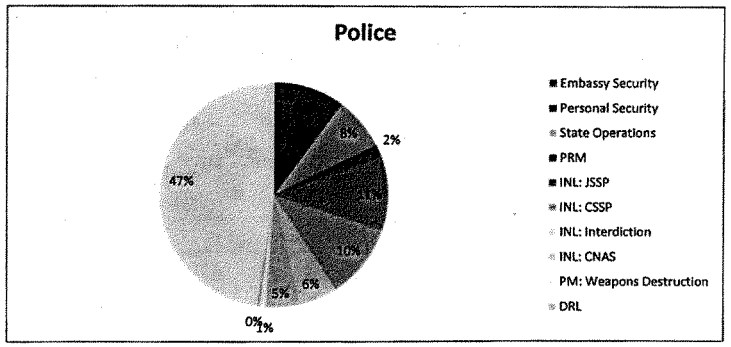
FAA/DOT
David Boulter
SCR-South
Frank Ruggiero
SCR-East
Dawn Liberi
SCR-North
Doug Climan
PO - Herat
Brad Hanson
SENSITIVE BUT UNCLASSIFIED

State Dol: ıounts

	$ in millions
Embassy Security	35
Personal Security	58
State Operations	69.9
PRM	15.9
INL: JSSP	99.1
INL: CSSP	97.1
INL: Interdiction	52.2
INL: CNAS	43.2
PM: Weapons Destruction	7.2
DRL	4.5
INL: Police Advisory	437.8
Total	919.9

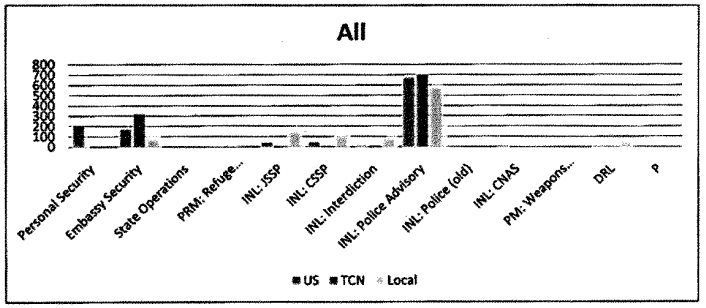
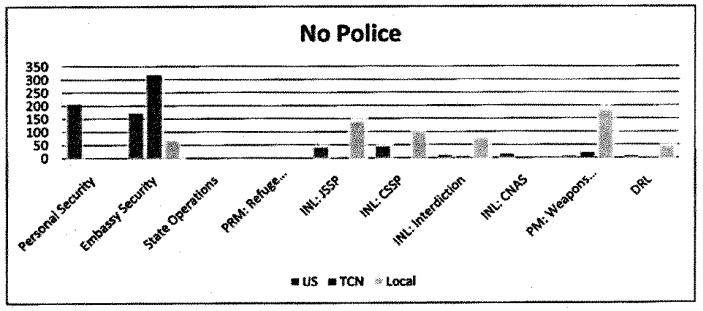
Obligations not yet disbursed





State P[illegible]el

	US	%	TCN	%	Local	%
Personal Security	207	18%		0%		0%
Embassy Security	172	15%	319	31%	69	7%
State Operations	0	0%		0%		0%
PRM: Refuge Integration	0	0%		0%		0%
INL: JSSP	39	3%	0	0%	140	14%
INL: CSSP	43	4%		0%	101	10%
INL: Interdiction	11	1%	7	1%	77	8%
INL: Police Advisory	670	57%	705	68%	572	57%
INL: Police (old)		0%		0%		0%
INL: CNAS	15	1%	3	0%		0%
PM: Weapons Destruction		0%		0%		0%
DRL	12	1%		0%	45	4%
P		0%		0%		0%
Total	1169	100.00%	1034	100%	1004	100%
Grand Total	36%		32%		31%	
3207						



	US		TCN		Local	
Personal Security	207	41%		0%		0%
Embassy Security	172	34%	319	90%	69	11%
State Operations	0	0%		0%		0%
PRM: Refuge Integration	0	0%		0%		0%
INL: JSSP	39	8%	0	0%	140	23%
INL: CSSP	43	9%		0%	101	16%
INL: Interdiction	11	2%	7	2%	77	13%
INL: CNAS	15	3%	3	1%		0%
PM: Weapons Destruction	7	1%	21	6%	181	30%
DRL	9	2%	3	1%	45	7%
Total	503	100%	653	100%	613	100%
Grand Total	34%		24%		42%	
1469