AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. Hrg. 111–944

CONTRACTS FOR AFGHAN NATIONAL POLICE TRAINING

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

SECOND SESSION

APRIL 15, 2010

Available via the World Wide Web: http://www.fdsys.gov

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

U.S. GOVERNMENT PRINTING OFFICE

57–325 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
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00001 Fmt 5011 Sfmt 5011 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

JOSEPH I. LIEBERMAN, Connecticut, *Chairman*

CARL LEVIN, Michigan
DANIEL K. AKAKA, Hawaii
THOMAS R. CARPER, Delaware
MARK L. PRYOR, Arkansas
MARY L. LANDRIEU, Louisiana
CLAIRE MCCASKILL, Missouri
JON TESTER, Montana
ROLAND W. BURRIS, Illinois
EDWARD E. KAUFMAN, Delaware

SUSAN M. COLLINS, Maine
TOM COBURN, Oklahoma
SCOTT P. BROWN, Massachusetts
JOHN MCCAIN, Arizona
GEORGE V. VOINOVICH, Ohio
JOHN ENSIGN, Nevada
LINDSEY GRAHAM, South Carolina

MICHAEL L. ALEXANDER, *Staff Director*
BRANDON L. MILHORN, *Minority Staff Director and Chief Counsel*
TRINA DRIESSNACK TYRER, *Chief Clerk*
PATRICIA R. HOGAN, *Publications Clerk and GPO Detailee*

AD HOC SUBCOMMITTEE ON CONTRACTING OVERSIGHT

CLAIRE MCCASKILL, Missouri

CARL LEVIN, Michigan
THOMAS R. CARPER, Delaware
MARK L. PRYOR, Arkansas
JON TESTER, Montana
EDWARD E. KAUFMAN, Delaware

SCOTT P. BROWN, Massachusetts
SUSAN M. COLLINS, Maine
TOM COBURN, Oklahoma
JOHN MCCAIN, Arizona
LINDSEY GRAHAM, South Carolina

MARGARET DAUM, *Staff Director*
ALAN KAHN, *Counsel*
MOLLY WILKINSON, *Minority Staff Director*
KELSEY STROUD, *Chief Clerk*

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00002 Fmt 5904 Sfmt 5904 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

CONTENTS

	Page
Opening statements:	
Senator McCaskill	1
Senator Brown	4
Senator Kaufman	5
Prepared statement:	
Senator McCaskill	41
Senator Brown	43

WITNESSES

THURSDAY, APRIL 15, 2010

Hon. Gordon S. Heddell, Inspector General, U.S. Department of Defense	7
Evelyn R. Klemstine, Assistant Inspector General For Audits, U.S. Department of State	8
Hon. David T. Johnson, Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State	10
David S. Sedney, Deputy Assistant Secretary of Defense for Afghanistan, Pakistan, and Central Asia, Office of the Assistant Secretary of Defense For Asian and Pacific Security Affairs, U.S. Department of Defense	12

ALPHABETICAL LIST OF WITNESSES

Heddell, Hon. Gordon S.:	
Testimony	7
Prepared statement	48
Johnson, Hon. David T.:	
Testimony	10
Prepared statement	67
Klemstine, Evelyn R.:	
Testimony	8
Prepared statement	63
Sedney, David S.:	
Testimony	12
Prepared statement	74

APPENDIX

Questions and responses submitted for the Record from:	
Mr. Heddell	78
Ms. Klemstine	83
Mr. Johnson	86
Mr. Sedney	94
Contractor Past Performance Evaluation submitted by Chairman McCaskill	101
Audit information submitted by Chairman McCaskill	104

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00003 Fmt 5904 Sfmt 5904 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

CONTRACTS FOR AFGHAN NATIONAL POLICE TRAINING

THURSDAY, APRIL 15, 2010

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 2:35 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Claire McCaskill, Chairman of the Subcommittee, presiding.

Present: Senators McCaskill, Kaufman, Brown, and Coburn.

OPENING STATEMENT OF SENATOR MCCASKILL

Senator MCCASKILL. This Subcommittee on Contracting Oversight will come to order today.

First, I obviously want to greet the new Ranking Member of the Subcommittee. Senator Scott Brown from the State of Massachusetts has joined this Subcommittee as its Ranking Member. I do not know what this says about the Subcommittee or me, but I have now gone through three ranking members in less than a year. I hope you hold up better than the last two.

Senator BROWN. I will stay as long as you have me, Madam Chairman. Thank you.

Senator MCCASKILL. No. I had a great working relationship with both Senator Collins, who was temporarily filling the role as things were getting sorted out and elections that really had not quite been decided yet, and then Senator Bennett did a great job for a period of time.

But we have had a chance to visit, and I think we will work together well, and I look forward to it, so welcome to the Subcommittee.

Senator BROWN. Thank you, Madam Chairman.

Senator MCCASKILL. Why are we here? Well, typically I try to start with self-effacing humor about how dry contracts are and how typically no one cares about this subject matter longer than the brief moment of outrage when they read a brief quote in a paper somewhere about some trouble that has happened in contracting. Honestly this is a little different.

We are now much more educated as a Nation about fighting counterinsurgency. We have learned hard lessons about fighting counterinsurgency. Lives have been lost. Families across this great Nation grieve as I speak for members of their families that have been killed fighting counterinsurgencies.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00005 Fmt 6633 Sfmt 6633 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

One thing we have learned is that it has become crystal clear that to successfully fight counterinsurgencies you have to be strategic and effective at making sure there is local rule of law. Why is that important? Well, that is important because counterinsurgency thrives on being able to substitute their rule of law for that of a legitimate government.

The Taliban has done so well in Afghanistan because they were providing police protection to impoverished communities many times through fear, many times through retribution. But the Taliban, it was a sheriff. And when the Taliban was not the sheriff there was rampant corruption and even when the Taliban was the sheriff there was rampant corruption.

We learned all of these lessons in Iraq as we tried to move into the country to get rid of a despot, a bad guy, that was destabilizing the region; and we learned the hard way that if we did not focus on establishing a rule of law, on not just going after the bad guys but leaving a military and a police presence that could stabilize the way of life that most people on this planet want. They want to be able to take their kids to school, feed their families, and not worry that they are going to be killed on the way to work.

So that is why this hearing is so important. Training the police in Afghanistan is part of our military mission. It is as important as anything else that we are doing in that Nation right now. It is as important as training the military. It is as important as hunting down the terrorists and killing them.

So what happened in that regard? And it is an unbelievably incompetent story of contracting. For 8 years we have been supposedly training the police in Afghanistan. Here is what we have done. We have flushed $6 billion. $6 billion.

Now, am I exaggerating? Let me quote the general in charge of training the police in Afghanistan. This is what General Caldwell said, "It is inconceivable but in fact for 8 years we were not training the police." He went on to say that essentially we were giving them uniforms.

No one had control of these contracts. No one agency. This has been a game of pass off. The ultimate recipe for disaster is not having one single agency with a clear line of authority in charge able to make sure the mission is accomplished with efficiency, effectiveness, and that money is not walking away. None of that happened for 8 years.

I will give you one anecdote. Early this year the Italians showed up. This has been an international, very unorganized but nonetheless an international effort. The Italians showed up. And the Afghan volunteers that had volunteered to be on these police departments were posting horrible scores on the shooting range. They were the gang that could not shoot straight. And there was this wringing of hands, what are we going to do about these Afghan police officers that we are training that cannot hit the side of a barn.

The first part of this year the Italian paramilitary came in and began looking at the problem. Are you ready for what the problem was? Nobody had checked the sites of the AK–47s and the M–16s they were shooting. They were out of line.

So we were paying somebody to teach these people how to shoot these weapons and nobody that we were paying had bothered to

check the sites as to whether or not they were in line. So these guys were using the sites that were not even in line with where they were shooting.

That is one example but I think it is pretty illustrative. These contractors, for whatever reason, did not have anybody who was saying, have you checked the sites when the scores were coming back bad year after year after year. Their scores have dramatically improved.

Do not get me wrong. There are major challenges here. These people are showing up to become police officers without being able to read or write. Most of them have only seen a role model of a police officer that is not the role model we are looking for. We are asking them to change many things about their culture and the way they operate. This is a hard job. And do not get me wrong. I get it. It is a hard job, all the more reason that we need a line of accountability.

We have an audit that is going to be the subject of the hearing to a large extent today. I want to make sure, as we talk about this, that we know that there are in fact reasons why people should be angry today. This new joint Inspectors General (IG) report that just came out in February, and we are going to talk about it extensively during the hearing, talks about the problem of this division of responsibility between the Defense Department and the State Department and how badly this has gone in terms of accountability and authority.

Now, if this frankly was the first time that we had heard this, then maybe we should not have a full-blown hearing. We have identified the problem. Now you can get to work. Here is the rest of the story:

- 2005—Government Accountability Office (GAO) reported that Department of State had not developed a plan for when, how, or what costs the training or equipping of the ANP would be accomplished.
- 2006—the Department of State (DOS) and Defense Inspectors General found management of the DynCorp contract to be problematic and required more effective coordination between the Department of State and CSTC–A, and I start talking in acronyms. That means I have been here too long. That is essentially the division of the military that is in charge of overseeing these contracts.
- 2008—GAO found State and Defense still had not developed a coordinated, detailed plan for completing and sustaining the ANP force, and the Department of Defense (DOD) IG reported that CSTC–A, the military department in charge, had not developed training programs.

How about contracting officers? In the Department of State, we found in this 2010 report that contracting officers were not providing adequate surveillance. Guess what? In 2005, they said that, and in 2006, they said that. SIGAR who frankly has not completed enough reports that are meaningful in terms of the oversight capacity of our government, they even found in 2009 there was a problem.

Curriculum. The current report says there is a problem with curriculum. Guess what? In 2006, they said the same thing. In 2006, the State Department and the DOD IG reported obstacles to establishing a fully professional Afghan National Police including literate recruits, a history of low pay, pervasive corruption, on and on and on.

In other words this is the third or fourth time that people who check into our government has said hello, it is not working. You are not doing a good job.

This does not compute. Essential to our mission, men and women dying for the cause, and we cannot get basic contract oversight of this function under control.

So this is going to be a tough one and there are going to be some tough questions because there is no excuse for this to go any further. There is no excuse.

I welcome all of your testimony. I apologize for the delay in the hearing. We got caught up in—I will not go into it because I do not want this to be a partisan exercise. Unfortunately we got caught up in some stuff that we could not have the hearing the last time. And, Ms. Klemstine, that is why you are here today. One up the food chain was going to be here the last time but was unable to come today. So thank you for being here today. I welcome all of you. At this point I would like to turn the hearing over for an opening statement to Senator Brown.

OPENING STATEMENT OF SENATOR BROWN

Senator BROWN. Thank you, Madam Chairman. I want to thank you for your nice welcome and the conversations we have had to lead up to this hearing. And I thought what you said was well said and I am not going to duplicate a lot of it but I will say as somebody who has been serving in the military for 30 years, presently holds the rank of a lieutenant colonel, and is familiar with contracting, being the head attorney for defense services in Massachusetts, these are things that I take very seriously.

And having recently come back from Afghanistan and seeing the nature of the challenge and the enormity of the challenge and the fact that I am just flabbergasted as a new member, but as an ordinary citizen prior to this as to the amount of money we are spending over there and seeing the clear lack of progress.

What does that mean? To me it means obviously dollars that cannot be spent here in the United States for services and other things that we come to know and expect.

It also more importantly comes down to lives. As the Chairman said about having our men and women going to a foreign country, fighting to protect the rights of a citizenry that sometimes appreciates us, sometimes does not, but with a police force that would be fully stood up and raring to go would take the pressure off of us to not only be a clearing force but now be a security force.

One of the things that I noted, as big as the problem is, when we first got into that country, Madam Chairman, the enormity of the problem is so big, it almost quite frankly feels like when I first got here I looked at the problems, the offices, the logistics, the hiring, it is just so big. By the time we left I actually had a real understanding of the plan that General McChrystal was trying to im-

plement when it comes to winning the minds and hearts of the Afghan citizens and also trying to implement a plan with the army and the police force to take the pressure off of our soldiers, our MPs in particular, for going in and securing an area.

Then when I read the *Newsweek* article and then when I have done my own due diligence and the research and read the reports I am like I do not get it. We are not talking about a couple of hundred million dollars. We are talking about $6 billion.

When I saw the police force, with all due respect, I mean I know we have young cadet corps that are more squared away. I know we are in a new chapter here. I know I am new here, Madam Chairman, but we have to have someone stop, take responsibility, have communication lines develop between the entities and the agencies and just solve the problem because I am not sure everyone here testifying and people listening know that we are in a financial mess, and it is not getting any better.

And for us to ask the American taxpayers and the taxpayers in my State to continue to contribute to an effort where there are wasted dollars, they do not buy it. I am somebody who believes in the value of a dollar. I want to know when my money goes somewhere that it is going to be spent properly. It is going to be fully accountable and that we are going to get a good value for our dollar.

Madam Chairman, based on your earlier statements, as I said, I am not going to repeat. I am very interested in getting to the bottom of who is responsible—identifying that and say, great, who is going to be responsible now? How are we going to solve this problem? How are we going to make sure that the tax dollars that we send overseas are going to be used effectively so we can bring our men and women home quicker? And we can stand up that force so they can protect themselves and allow their produce and their natural resources to be harvested so they can become self-sufficient and we get back to doing the people's business here in the United States.

So, Madam Chairman, I will turn it back to you. I thank you for your welcoming remarks and I look forward to participating.

Senator MCCASKILL. Thank you.

Senator Coburn, it is great to see you. Would you like to wait for questions?

Senator COBURN. Yes.

Senator MCCASKILL. Thank you.

Let me introduce the witnesses. First, Gordon Heddell has served as Inspector General for the Department of Defense since July—I am sorry. I did not see you, Senator Kaufman. You are so far away. We need to get you closer.

Thank you, Senator Kaufman, for being here. Would you like to make a statement before we begin?

OPENING STATEMENT OF SENATOR KAUFMAN

Senator KAUFMAN. Thank you, Madam Chairman.

I just want to say how much I support what both of you have said. This is so incredibly important. The No. 1 priority is our troops in harm's way in Afghanistan and one of the really very top

problems we have regardless of the waste which, as Senator Brown pointed out, is unacceptable under any circumstances. This is key.

Getting the police squared away is one of the really key things we need so, as Senator Brown said, we can come home and leave them to do their own security. There is nothing we are working on here—that is the reason I am here today—there is nothing we are working on that is more important than this right here.

How can we hold? We got to shape, we got to clear, we have to hold so that we can build, and the police are an important part of that. Right now, with the police, we are getting it squared away. It is not just a waste of money. They have been a negative. You talk about the rule of law. The rule of law in most of these areas is because the police are so corrupt. The people they are supposed to go to, to get the rule of law, are the things they are trying to stay away from.

So I cannot think of a more important hearing going on on the Hill today than this one right here.

Senator MCCASKILL. Thank you, Senator Kaufman.

Gordon Heddell has served as the Inspector General for the Department of Defense since July 2009. He served as Acting Inspector from 2008 to 2009. Prior to joining the Department of Defense in the Inspector General's office, Mr. Heddell served as the Inspector General at the Department of Labor.

Evelyn Klemstine is the Assistant Inspector General for Audits for the State Department. Ms. Klemstine previously served as the Assistant Inspector General for Audits at NASA and as the Program Director for the International Programs Division at the Defense Department, Office of Inspector General.

David Johnson has served as the Assistant Secretary for the Bureau of International Narcotics and Law Enforcement Affairs at the State Department since October 2007. In addition to numerous other distinguished posts with the Federal Government, Mr. Johnson served as Afghan coordinator for the United States from May 2002 to July 2003.

David Samuel Sedney is Deputy Assistant Secretary of Defense for Afghanistan, Pakistan, and Central Asia in the Office of the Assistant Secretary of Defense for Asia and Pacific Security Affairs. Previously Mr. Sedney served as Deputy Chief of Mission, Charge de Affairs and Deputy Chief of Mission at the U.S. Embassy in Kabul, Afghanistan.

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

Do you 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?

Let the record reflect that the witnesses answered in the affirmative.

Thank you all very much.

We will be using a timing system today. We would ask that your oral testimony be no more than 5 minutes. Your written testimony will be printed in the record in its entirety.

Mr. Heddell, we would ask you to begin.

TESTIMONY OF THE HON. GORDON S. HEDDELL,[1] INSPECTOR GENERAL, U.S. DEPARTMENT OF DEFENSE

Mr. HEDDELL. Chairman McCaskill, Ranking Member Brown, and distinguished Members of the Subcommittee. Thank you for the opportunity to discuss the joint audit that was performed by the Inspectors General of the Departments of Defense and State.

This audit examined the Administration and contract oversight of the State Department program to provide training to the Afghan National Police. This audit was conducted at the request of the Senate Committee on Appropriations, Subcommittee on Defense.

As you know, the training and development of the Afghan National Police to provide security in countering the insurgency in Afghanistan is a key element of the U.S. strategy. As such, it is critical that the Afghan police be trained to support the counterinsurgency mission along with community policing skills. Effective contract oversight is crucial to achieving these goals.

Prior inspection and assessment reports by this office, as you noted, the Chairman, have noted that adequate staffing of key contracting positions is absolutely essential for immediate and effective oversight. It has become very apparent that the insurgents in Afghanistan are increasingly targeting the Afghan police and that average annual death rates among these police officers have been steadily increasing.

As a result, contract requirements regarding training need to be modified to address this growing insurgency. This requires close interaction between the contractor and what is now known as NATO Training Mission/Combined Security Transition Command Afghanistan.

The current contract arrangement simply does not facilitate this close interaction because the Department of Defense is required first to coordinate all contract changes with the Department of State's Bureau of International Narcotics and Law Enforcement Affairs, at times a very cumbersome process.

Furthermore, in August 2009, the Chief of Mission in Afghanistan reported that the lack of a single unified chain of command sometimes created confusion and delays in enhancing the police training program. Accordingly, the Chief of Mission and the commander of the International Security Assistance Forces recommended the transfer of contractual authority to the Department of Defense for the training of the Afghan police.

To bring about the recommended transfer of responsibility, the Department of State planned to allow its current police training task order to expire and the Department of Defense planned to add police training to an existing contract.

However, a March 15 decision by the Government Accountability Office sustained a DynCorp protest of the planned action. In light of this decision, the State Department plans to make adjustments to improve the existing police training program, to include more direct involvement by the military in training the Afghan police and moving the contracting authority from Washington, DC to Kabul.

Furthermore, inadequacies in the Administration and oversight of the contract compound the challenges that exist in providing the

[1] The prepared statement of Mr. Heddell appears in the Appendix on page 48.

required training to the Afghan police. These challenges include weaknesses in quality assurance, review of their invoices, support for the billing and making of payments, defense contract audit agency involvement or lack of involvement, maintenance of contract files and accountability of government property. My written statement provides additional information on these deficiencies.

Our audit also questions the fact that the State Department still holds about $80 million in expired Department of Defense funds and that this needs to be resolved. The deficiencies identified in the Administration and oversight of the contract illustrate the larger challenges that are caused by the lack of sufficient contract personnel, geographic distance and the wartime environment all complicating this important matter.

My office will closely follow the efforts of the Department of Defense to oversee the future contract to train the Afghan police and to appropriately use the funds provided by Congress for that purpose.

I look forward to continuing our strong working relationship with this Subcommittee and with all oversight organizations engaged in the important work that is being carried out in Afghanistan and in Southwest Asia generally.

And this concludes my statement.

Senator MCCASKILL. Ms. Klemstine.

TESTIMONY OF EVELYN R. KLEMSTINE,[1] ASSISTANT INSPECTOR GENERAL FOR AUDITS, U.S. DEPARTMENT OF STATE

Ms. KLEMSTINE. Thank you, Chairman McCaskill and Ranking Member Brown, for the opportunity to present our joint audit on the national police training program contract in Afghanistan with the Department of Defense Inspector General.

Deputy Inspector General Geisel sends his regards but he is in Baghdad this week.

We conducted this joint audit in response to a congressional request with an objective determining the ability of the Afghan National Police (ANP), training program to address Afghan security needs. We also reviewed contract management activities and the status of Afghan Security Forces (ASF), funds provided by DOD to the State Department.

In 2006, when the security environment in Afghanistan was more stable, DOD decided to use the State Department's existing Civilian Police program (CIVPOL), contract to implement the ANP training program. The contractor, DynCorp International, was awarded two task orders valued in excess of $1 billion.

These two task orders directed DynCorp to provide personnel, life support, and communications for the training program. The State Department was responsible for procuring services, overseeing the contract, and managing and reporting on funds transferred from DOD.

We found under the CIVPOL contract DOD did not have the authority to direct the contractor thereby restricting DOD's ability to rapidly modify ANP training to respond to the rising insurgency and the changing security situation in Afghanistan.

[1] The prepared statement of Ms. Klemstine appears in the Appendix on page 63.

While the State Department was focused on training the ANP to be an effective police force after security in Afghanistan had been stabilized, DOD was focused on the survival and tactical training of the ANP to counter the growing insurgency.

In addition, while the foundation has been laid for an effective women's police training program, there has been inadequate progress in training a sufficient number of Afghan women. The lack of trained women's police corps members has limited the effectiveness of law enforcement in Afghanistan.

We recommended correcting these deficiencies by clearly defining ANP training program requirements, increasing the training facility capacity for women police members and enhancing efforts to recruit women training instructors.

In response to the draft report, management provided a detailed description of the requirements for the training program and agreed to provide additional resources for training policewomen.

In overseeing CIVPOL contract, we found the State Department contracting officials did not assign sufficient numbers of contract oversight personnel to the ANP task orders and did not prepare a quality assurance surveillance plan to ensure that the contractor met the performance requirements of the statement of work.

In addition, those contracting personnel who were assigned to monitor the task orders did not provide adequate oversight to ensure that all goods and services were received.

Specifically the following internal control weaknesses were identified. One, government furnished property was not adequately accounted for. Two, contract files were incomplete and not always available. Three, deliverables were not always matched to receiving reports, and four, procedures for reviewing contractor invoices to determine whether costs were proper were not followed.

As a result of these internal control weaknesses, State Department personnel could not ensure that funds allocated by DOD for the program were expended in accordance with DOD requirements.

We recommended that the number of contract personnel responsible for contract oversight be increased, that a complete inventory of government property be performed, that the contract officers maintain complete and accessible contract files, and that goods and services be matched against invoices.

In addition, we recommended that the Defense Contract Audit Agency (DCAA), perform an audit to determine whether all expenditures were allowable, allocable, and reasonable, and request reimbursement from DynCorp for any payments DCAA determines to be improper.

In response to the draft report, management generally agreed to increase the number of oversight personnel going forward and strengthen internal controls and undertake an audit.

In addition to identifying various internal control weaknesses, we also requested contract invoices and other supporting documents for $217 million in ASF funds already expended.

Unfortunately, the State Department financial managers did not provide detailed transaction data until after the draft report was issued. As a result, we could not determine whether the Department had expended the funds in accordance with congressional intent.

However, we did ascertain that $80 million in funds transferred from DOD remained unexpended well after the end of the availability period established by appropriations law. We recommended that the State Department determine the status of ASF funds and that any excess funds, to include the $80 million in expired funds, be returned.

In March 2009, the President announced a comprehensive new strategy for Afghanistan which included an emphasis on training and increasing the size of Afghan security forces.

The State Department and DOD are committed to providing a stable and secure environment for all Afghan citizens. This requires that we effectively train and mentor Afghan forces, monitor our contracts effectively, and ensure that taxpayers' money is spent appropriately.

Finally I would like to note that this audit was conducted in 6 months. Given the scope of work which took place in the United States and six locations in Afghanistan, the short time for the successful completion is a tribute to the professionalism of the audit co-directors Mark Ives from DOD IG and Jim Pollard from the State Department OIG and their teams.

Once again I thank you, Chairman McCaskill and Senator Brown, for the opportunity to appear today and I am ready to answer your questions.

Senator MCCASKILL. Thank you very much and thank you to the staffs. That is quite an accomplishment, 6 months for this audit. I know a little bit about that. That is amazing. Congratulations to your teams.

Mr. Johnson.

TESTIMONY OF THE HON. DAVID T. JOHNSON,[1] ASSISTANT SECRETARY, BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS, U.S. DEPARTMENT OF STATE

Mr. JOHNSON. Thank you, Chairman McCaskill, Ranking Member Brown, and Senator Kaufman. We appreciate the opportunity to appear before the Senate Subcommittee today.

The topic of today's hearing, Contracts for Afghan National Police Training, is both urgent and it is important. As we all know, President Obama aims our military to begin transitioning out of Afghanistan in the summer of 2011. That is premised on the expectation that Afghan security forces can provide security for the Afghan people to support their self-governance.

Since 2003, the State Department has provided a variety of training and assistance to the Afghan National Police. Since 2005, our training programs have supported the United States military in its responsibility to develop the overarching Afghan national security forces which includes both the army and civilian police.

As you know, Madam Chairman, from your Subcommittee's oversight record, building civilian capacity in a conflict zone like Afghanistan where civil institutions had been largely destroyed over 20 years of conflict is incredibly challenging.

The State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) undertake these assignments to ad-

[1] The prepared statement of Mr. Johnson appears in the Appendix on page 67.

vance our broader national security and foreign policy objectives. Our expertise in law enforcement and criminal justice programs is widely recognized.

Building on the recommendations for improvement from the oversight community and from this Subcommittee, we hope soon also to be recognized for our agility and proficiency in contract management and oversight.

Where our OIG colleagues have identified that we have fallen short is in how we have adapted our contract oversight to challenges of operating in theaters of war where military operations and complex security requirements limit our on-the-ground staffing and our staff's ability to travel to the sites where training takes place.

As stewards of increasingly more taxpayer dollars for critical national security and foreign policy objectives, we must effectively adapt to this battlefield environment so that we craft procedures and methods that allow our contract management and oversight activities to be fully carried out.

The report discussed here today identifies a number of recommendations with which we fully agree and are working to address. For example, INL's current oversight team has already been enhanced. Our team now consists of 33 staff, 12 program officers in Afghanistan and Washington, seven in-country contracting officers' representatives (ICORs) now provide oversight in Afghanistan while the contracting officer's representative and 13 of his staff address contract oversight and Administration in Washington.

The increased ICOR staffing enables us to strengthen our asset management and inventory reviews processes. More ICORs are in various stages of the hiring process and will be in Afghanistan beginning in May. By September we will have 22.

We will implement fully standardized contract management operating procedures and guidelines by June 30 of this year. Standing operating procedures and a Web-based contracting officers representative file fully accessible to staff worldwide around the clock will be in place by the end of May. Along with more frequent reviews, this will further strengthen our internal controls.

We have engaged DCAA to audit our Afghanistan task order with two audits in process and they are preparing to audit the task orders that are the subject of the OIG report. To date, INL has rejected 17 percent of police training invoices for Afghanistan resulting in 16.3 million in the denied claims.

Many of INL's police training accomplishments are not easily represented in a chart. Capacity building is a long-term process even in stable post-conflict areas but Afghanistan which continues to face an active insurgency is a special case.

For example, our police training programs are designed to empower Afghan civilians, many of whom lack basic literacy with the core skills needed to mobilize as police officers and respond to the direction of their local commanders.

Embedded in a *Washington Post* story on February 27, was an Afghan police training success story. While the news sadly communicated the grim tale of yet another suicide bombing attack, the report indicated that after multiple bomb detonations police officers assembled at the scene rather than retreating and remained until

they had covered their fallen colleagues, a scenario which would likely have been different only 2 years ago.

This is one instance but it is descriptive not only of the challenging environment in which Afghan National Police operate but of the kinds of actions and operations their training has made them capable of undertaking.

Madam Chairman, the Department takes very seriously the need to safeguard the public's trust in managing programs and contracts that support our national security objectives around the world. It is after all through these programs that our partners worldwide develop the bedrock of civil society, a safe, secure place where people can live free from fear.

Thank you for the opportunity to discuss INL's contract oversight. I will do my best to address your questions.

Senator MCCASKILL. Thank you, Mr. Johnson.

Mr. Sedney.

TESTIMONY OF DAVID S. SEDNEY,[1] DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR AFGHANISTAN, PAKISTAN, AND CENTRAL ASIA, OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE FOR ASIAN AND PACIFIC SECURITY AFFAIRS, U.S. DEPARTMENT OF DEFENSE

Mr. SEDNEY. Thank you very much, Chairman McCaskill, Senator Brown, and Senator Kaufman. Thank you for the opportunity to appear today with my interagency colleagues.

As you know, the President's strategic review of Afghanistan and Pakistan recommend that heightened efforts to increase the quantity and quality of Afghan national security forces as part of a strategy to enable the eventual transfer of responsibility for security to the Afghan government. This is not an exit strategy. It is a transfer strategy.

Improving the capacity of the Afghan National Police is particularly important as police are the primary link to the Afghan government for many Afghans particularly in rural areas.

Moreover, the Afghan police are on the front lines of the fight against the Taliban and its affiliates. The Afghan National Police are situated in areas where no coalition or Afghan national army forces are and are often the target of much greater attacks. Casualty rates are higher in the Afghan National Police than in the army. It is two to three times more dangerous to be a policeman today in Afghanistan than to be a soldier in the Afghan national army.

The effort to train the Afghan National Police as you pointed out, Chairman McCaskill, has been under resourced, under prioritized, and under carried out. One of the priorities of this Administration when it came in was to refocus our efforts with the renewed leadership, with greater resources, but more importantly than the number of resources, more targeted and more effective resources aiming at building the quality of the entire Afghan national security forces in an integrated effort with the Afghan national army and in a combined civil/military campaign plan that will enable us to carry out the transition that I described.

[1] The prepared statement of Mr. Sedney appears in the Appendix on page 74.

As part of this revision, we, along with our NATO colleagues, have transitioned to the NATO training mission Afghanistan which General Caldwell, who you mentioned in your opening statement, is now the commander of, of course dual-hatted also as the commander of CSTC–A. The NATO International Security Assistance Force (ISAF) and our non-NATO partners have made progress towards growing the end strength and quality of ANP.

In December 2009, the ANP achieved its end strength goal of 96,800. In January 2010, the Joint Coordination Monitoring Board, the international board charged with ensuring the international and Afghan ministerial plans aligned with the goals of the Afghan government agreed with the Afghan government's plan supported by ISAF and the U.S. Government increased the size of the ANP to 109,000 by October 31, 2010, and to 234,000 by October 31, 2011.

The increase in 2010 will consist of approximately 5,000 Afghan border police, 5,000 Afghan national civil order police which is the mobile gendarme force that is equipped to act as a light infantry role throughout the country, and 2,000 Afghan uniformed police as well as other specialized police and enablers.

At the end of March 2009, the Afghan Ministry of Interior reported that the total ANP will be equal to 102,138, slightly above the February goal of 99,261.

However, increases in the size of ANP forces must come with a commitment for improvement in the quality of the force. Initiatives to improve the quality of the force include improvements in the training infrastructure, increased pay equal to that of the Afghan national army, better equipment, expanded literacy training, and embedded partnering and mentoring.

In addition, we are working hand in glove with the Department of State to build rule of law structures and processes to support that ANP. As part of our effort to improve the police training process, the ambassador and the commander of U.S. Forces in Afghanistan, as my colleagues earlier mentioned, recommended in an August 2009 cable that management of the Defense-funded, State-managed police training contract should be shifted from the Department of State to the Department of Defense. The Department of State and the Department of Defense subsequently approved this recommendation.

Due to the operational need to quickly award a new contract and the respective organizations subject matter expertise and experience utilizing the respected subject organizations expertise and experience in support of Afghanistan operations, the commander of CSTC–A selected the counter narcoterrorism and technology program office through the U.S. Army space and missile defense command of the Army strategic forces command to oversee the development of an appropriate acquisition strategy for the ANP program.

The strategy called for procuring the required services through the issuance of a task order under existing multiple award indefinite delivery, indefinite quality contracts with CNTPO. The task orders for the training of ANP and ANP programs logistics requirements were to be competed among five holders of an existing MAIDIQ contract.

However, before orders could be issued, on March 15, the Government Accountability Office, as the Inspector General earlier mentioned, sustained the protest by DynCorp International. The GAO determined that the task orders for the ANP program were outside the scope of the MAIDIQ contracts.

As a result, the ANP training effort will not be awarded under that contract. DynCorp will continue performance under the current State Department contract which has been extended to July of this year while the Department of Defense in conjunction with the Department of State weighs options to ensure the ANP program requirements are met in an expeditious manner in consideration of this development and in compliance with the GAO recommendations.

It is important that any contractor DOD selects be responsible and perform within the strict rules, regulations, performance expectations, and acceptable ethical and business practices that we demand.

Please be assured that we take seriously any allegation that a contractor fails to meet these expectations and requirements. The selection of DOD contractors responsible and capable to meet our requirements to assist in training and development of the Afghan National Police is no exception.

I hope you find this information helpful. Thank you and I look forward to your questions.

Senator MCCASKILL. Thank you very much.

Just to make sure I am respectful of my colleagues, if staff would run the clock for 7 minutes for each member. We will take as many turns as we need to get all the questions out. I have a tendency to go on and I want to make sure I do not go on too long without being respectful of Senator Kaufman and Senator Brown's time.

So let me start with you, Mr. Sedney. What really happened here is the commanders over there decided that when they were telling DynCorp they needed this, DynCorp was telling their folks, well, be careful just because the military is telling you to do it does not mean we are going to get paid for it because the State Department is making those calls.

So somebody finally figured out that it would be a good idea to have the people in charge of military mission be in charge of the contracting over an essential leg of a three-legged stool as it relates to that mission in Afghanistan.

Is that a fair characterization?

Mr. SEDNEY. Yes, along with the Inspector General's report, the lack of unity of command in the police training effort. Clearly it was inhibiting what we were trying to do and I would repeat what was said earlier. The shift in environment where the security situation was getting worse and the police were being called upon to do more and different things than envisioned originally when the decision was made to utilize the State Department contract made clear that we needed that flexibility and that ability to have that unity of command.

There were multiple examples from the small to the large of where that lack of unity of command was inhibiting what we were able to do, and that is why our new commander and our new am-

bassador out there made this decision to recommend what I mentioned before in that cable that they sent on August 11.

Senator MCCASKILL. I certainly spent a lot of time when I was in Afghanistan with the ambassador and with General McChrystal and with General Caldwell. I completely agree that was the right thing to do but it is important to note that happened in August 2009, and we have no contract and we are not even close to having a contract.

So I need to know today what is the plan? How are we going to get contractors committed and over there with jurisdiction and the supervision of the Department of Defense and the military to train Afghan police officers?

Mr. SEDNEY. We do not have a final answer for you on that, Chairman McCaskill.

Senator MCCASKILL. That is unacceptable.

Mr. SEDNEY. However, I can tell you what we have done in the months since the GAO decision and where we are working to go to.

Senator MCCASKILL. Let me make sure the record is clear here. The complaint was filed in December. This is a really important part of the mission. There is a chance anybody who knows anything about these contracts and anything about complaints, and believe me if anybody knows about this it is the Pentagon, about challenges to contracting, they know that GAO has an important role to play.

At the moment that the complaint was filed, all hands on deck should have been looking at this at the Pentagon to say what is plan "B". If this objection is upheld by the GAO, what is plan "B"?

The President had already announced that this strategy was just until July 2011. The clock is ticking. So we know in December of last year that there could be a problem with transitioning this contract under the military control and you are telling me today, what, December, January, February, March, April, you are telling me 5 months later you do not know what you are going to do.

Mr. SEDNEY. No, Chairman McCaskill, I am not telling you that we do not know what we are going to do. I am saying we have not decided the final form of what we are going to do. But as I said, if I could lay out where we are, what we are moving towards.

Senator MCCASKILL. OK. What I want to hear is a decision has been made and we are going to get on it. That is what I want to hear but I am open to listening to what you want to say.

Mr. SEDNEY. You are correct that once the contract protest was filed, we should have been and we were aware that we needed to start making alternate plans. Those alternate plans had to of course cover a wide range of possibilities of the contracting, and as I understand it, I am not a contract lawyer, but as I understand it, I was advised that there are some things that we had to be careful to do that in terms of preparation could not go beyond actions that could then lead to further protests so we have to be careful what we did legally.

On March 9, 2010, we received a joint message from our military and civilians in the field, and this was a result of work that we had leading up to that, pointing out some of the areas that we need to work on, and what were some of the alternate ways forward.

Since the GAO decision, my department, myself, Assistant Secretary Johnson, his department, have met. The current DynCorp contract is an extension of a contract which had expired and that extension runs until July of this year.

We determined we had several possible ways forward at the current time. We could, in conjunction with the GAO report which very strongly came out in recommending that we do a full, fair, and open competition of the contract, while we could have appealed that decision or contested that decision and asked for reexamination of that decision, we decided not to because even if we felt that our position was right and the GAO decision was wrong, further contesting of that decision would just lead to a longer period of time with uncertainty.

So we are going to go ahead in full conformance with the GAO recommendation of a full and open competition.

A full and open competition of that contract requires that we have the requirements put in place, that we follow all the steps of the contracting process, and the Department of Defense is moving forward in an expeditious manner, in a speedy manner, as fast as we can go, but this is not a process that in and of itself is ever fast as I am sure you know, Senator.

Senator MCCASKILL. I do know. I will make a bold prediction. DynCorp will be extended again and DynCorp will be there doing this until a decision is made as to what extent our level is going to change in terms of our commitment in Afghanistan sometime next year.

The lesson that probably needs to be learned here is that shortcutting the process through existing task orders and contracts is what generally speaking the Pentagon likes to do.

The military has very little patience with the process of full and open competition. It is a process that has a number of required steps. But they are there for good reason. If there is anyplace that I think the American people have figured out that we have got to have some help on full and fair and open competition, it is the hiring of security forces and the training of security forces because I mean I do not know how many other companies in America are as well known as Blackwater, and it is not for good reasons.

So circumventing that full and fair, in hindsight, I just want to say that the moment the decision was made to try to move it out of the State Department, it seems to me that full and fair open competition would have been the most efficient way to move forward rather than trying to shoehorn this into something else in order to take a shortcut. It turns out that the shortcut was not so short.

My time is up for this round, and I will turn it over to Senator Brown.

Senator BROWN. Thank you, Madam Chairman. I am going to actually, as a courtesy, extend my time to Senator Kaufman. He has a few questions, and then if I could reserve and come back that would be great.

Senator KAUFMAN. Thank you very much. I want to associate myself with the Chairman's remarks.

Look, I have been to Afghanistan three times in the year and a half I have been a Senator. I have sat through 70 briefings in preparation before and after leaving on those trips.

I had no idea we spent $6 billion. I have not had a single person in any one of those briefings refer to the Afghan National Police as anything except a big problem. Not a problem to get them well, a problem just the way they sit. They are purveyors of corruption from one end of Afghanistan to the other to, as the Chairman so well put it, the rule of law.

If we are going to build, clear, hold, and build, we have to have the rule of law. No rule of law. The police are the ones who man the barricades and on the highway stop people. Just read the stories about what went on in Marjah and why the people were so upset with us because of the former government.

The other thing I want to say, look, the four of you are doing a great job. I mean I really applaud you for what you are doing. This is incredibly difficult. So what I am saying is not referring to you. You happen to be, unfortunately, the messengers sent to sit here at the table.

But I think what the Chairman says is compelling. If we do not do something, we are in dire shape over there. I mean that is not a deep, dark secret. The key to it is we cannot go into places and clear and hold, we cannot hold if we do not have the police to do it and we surely cannot build and we surely cannot transfer.

So we have to come up with something in the next 6 or 8 months. As the Chairman said, this is not a decision, we are talking about June, starting to draw down troops. We are talking about making a decision this December on whether we are going to win or not.

And I will tell you what. At the top of my list, not the No. 1 thing, but the No. 2 thing is where do we stand with the Afghan National Police? The attrition rates were out a bit. They are getting out of control.

So really what I would like you to do if you could, and I know I have sat here and listened to you mention the deteriorating condition, lack of unity of command, and some of the things that have been said but this is catastrophic.

This was not something that you can just go around the edges. It is a deteriorating condition so we have no police. And we knew what the literacy of the police are. But they are saying the same things now after $6 billion. We have this incredible problem with the literacy of the police.

So, what I would like, if each of you would kind of—and I know you are under constraint. What are the one or two things that you really believe you could spend $6 billion on, and end up with practically no where—what are the two or three things?

I got the unity of command and I got deteriorated conditions. What are the one or two things that we can do, and what is the one thing you think could best help us reach the point the Chairman said, so that we can move ahead and actually have progress on the ground so we can reach this 134,000 trained troops?

I will start with Mr. Heddell.

Mr. HEDDELL. I will say, just for starters, just about everything that could go wrong here has gone wrong. And looking back to November 2006, it was relatively clear to my office, Senator Kaufman,

that the training that was being provided was already inadequate. The needs of the Afghan police training were already out of date, so to speak, and it was pretty apparent that there was not enough management on the ground in-country overseeing the contract.

You are asking for a couple of things here. But I spent 28 years in Federal law enforcement so I cannot come up with two things because there is at least 10 things and they all need to be addressed.

The fact is, aside from the need to increase the size of the total Afghan National Police force just to address the counterinsurgency and to protect civilian population, they need to start at the very beginning.

Recruiting is a tremendous challenge over there, finding the right people for this kind of work, and then retaining them, paying them what they need to be paid to live and then training them on the force. Of course we talked about the dangers and the fact that the death rate for Afghan National Police officers, by our records, has gone up four or five times what it was.

Senator KAUFMAN. The total now is 129, in my briefing.

Mr. HEDDELL. The average death rate per month for Afghan National Police officer in the last 4 years, we think, has gone up from 24 a month to about 125.

Senator KAUFMAN. OK.

Mr. HEDDELL. Those figures are approximate, but they are dramatic. The fact of the matter is we need to change the training curriculum to be able to address the counterinsurgency. We need to be able to teach survivability over there. They need to know that they can go out on the street, do their work and survive.

They need tactical skills aside from the basic community policing skills that any police official would need to have. We need better trainers. The example that Madam Chairman gave with the Carabinieri Italians, I mean what a simple but yet an unbelievable situation that they had not sighted the weapons.

Most of all, Senator Kaufman, they need leadership. They need police officers who can lead. If there is one single thing they probably need more than anything else, it is that.

And the second thing, if I had to give you two items, would be find a way to dismiss so many corrupt police officials in-country. I met, last November, with Minister Wardak, the Minister of Defense, and he talked for almost an hour and most of it was about the corruption.

Corruption undermines everything that we are trying to achieve in that country and particularly with respect to police officials.

Senator KAUFMAN. My point is you know there is an old definition of insanity in doing the same thing over again and expecting different results. And what the Chairman said is what are we going to do in that 6 months, and the folks in there that have been doing this, I mean you say there are not enough contract oversight.

Part of this has to be what were the contractors doing? What you laid out was a problem we knew in 2001. Everything you said you did not have to have a Ph.D. to figure out that those were the 10 or 12 things that we had to do.

We are now here 9 years later, and we are exactly at the same spot. You basically laid out the questions I have. And, Wardak and

Minister of the Interior Atmar, they say all the right things, but what they say is there is no training going on.

I am saying briefing after briefing after briefing was this is just where the police are. What I am trying to do is get at the answer to the Chairman's question. I guess, what the problem is, you pretty well laid it out.

Does anybody have any ideas what to do in the next 6 months so that when we come up for review in 7 months, we have a realistic opinion of where the police are and how we can move forward?

Mr. HEDDELL. If we have to wait for a contract, a new contract, we are not going to do very much. The Department of Defense is working with the Department of State, I know that, to make an interim fix. The fact of the matter is it needs to be fixed right now. And I can tell you you do not train a police officer in a year. It takes 2, 3, and 4 years to get there.

Senator KAUFMAN. But here is the thing, and I agree with you about that and people talk about us going out in June and we cannot go out in June. We do not have enough time.

We do not have to have all the answers but we have to make progress. We have to be able to say we are moving in the right direction. We got to be at some point like in December where we do not have a list of the 12 things you said that are wrong, which I totally agree with everyone of the them, that there is maybe six on the list. We are making progress on two of them.

Mr. SEDNEY. I would hate to think we have to wait to get a contract on-board to start training police officials to survive.

Senator KAUFMAN. Can someone else give a suggestion? What is it that we should do? I get back to the question the Chairman raised. What can we do so that we do not have to wait, so we come in December, we will have a good idea of whether we really can actually train police and get them out there on the job. Isn't that the question?

Ms. KLEMSTINE. If I could.

Senator MCCASKILL. I think Mr. Sedney wants to also but go ahead both of you briefly or all three of you go ahead and then we will go to Senator Brown.

Ms. KLEMSTINE. Briefly I would say that I would put them into three areas. The first thing that we really need to do is we need to adequately define our requirements. Every contract starts on the requirements side.

My past experience on the contract side has shown that the requirements are never well defined. We have to do that. Then we have to have adequate performance measures by which to reevaluate the contractors. Without any accountability, it does not make any difference. That was one of the things that the joint report pointed out that there was not performance measurements in this contract to hold the contractor accountable for what needs to be done.

And then the third area we need to do is an adequate job of overseeing the contract. But in terms of overseeing the contract, things will have to be a little bit different than what we institutionally know as contract oversight just because we are in a war-type zone.

So we have to develop standard operating procedures and adequate ways to do these type of contract oversight in areas of contingency operations.

Mr. JOHNSON. I think I would agree on a couple of the points and make one further. The basic measures that would improve the recruitment and retention direct, more direct pay, direct pay for all, better and longer training programs focused on literacy.

But with due respect to General Caldwell, we have trained many people in Afghanistan. Under his leadership, we trained 3,000. Under General Formica, we have trained almost 16,000. Under General Cohen, we have trained almost 30,000. Under General Durbin, we trained almost 66,000.

So there has been a great number of people trained, and the end strength now is about 100,000. But we have not been able to retain them the way we need to. As the DOD inspector general mentioned, it takes a longer time than a 6- or 8-week training program to get the kind of police officer that you need. So retention is a key part of this.

I would also join the Ms. Klemstine. A clear statement of work so that we can move out on new training whether it is under the contract that we manage or if we are able to move it over to DOD more rapidly, to do it that way.

But those sorts of things would allow us to proceed as rapidly as possible. Thank you.

Mr. SEDNEY. I would offer that there are a lot of things that are happening now and have been happening over the past year that are moving us very much in the right direction.

We do not have to start from today to do things right and do things better. We already have started and already have done things better. There are continuing changes and improvements underway.

Senator McCaskill, you mentioned recruitment. Recruitment for the Afghan National Police has been sharply improving over the last several months due to a series of improvements including a recruiting training command, a more focused effort on recruitment and improved pay for the Afghan National Police.

The recruitment is also up because we recognize the issue of leadership that everyone has mentioned. General McChrystal in his campaign strategy has focused on a key measure to improve performance and leadership in both the Afghan Nation army and Afghan National Police and that is through intensive partnering with the Afghan National Police by U.S. forces and coalition forces, throughout all of Afghanistan.

Implementing that partnering is ongoing now. There are already police units that are being partnered. Units such as the Afghan national civil order police which had never been partnered before is going to be partnered now by elements of a special forces under ISAF.

That partnering will help provide a bridge for the leadership.

Senator MCCASKILL. Is that the same thing as ANCOP?

Mr. SEDNEY. Yes.

Senator MCCASKILL. That is the new name for ANCOP?

Mr. SEDNEY. Afghan National Civil Order Police. The acronym is ANCOP. I try to avoid acronyms.

Senator MCCASKILL. OK. I have never heard it called anything other than ANCOP which, for the record, ANCOP is the special police force that roams the country. They are not assigned to a province. They are not assigned to a jurisdiction. They are the elite police force. They were designed to be the elite police force.

Mr. SEDNEY. Their performance has been very high. They have also suffered from the highest attrition, attrition meaning people who either leave before their contracts, attrition meaning people who leave before their contracts are up and the lowest retention meaning the fewest number of people who sign on for a repeat contracts.

That is due for a number of reasons. One of them is high operational tempo. Another is lack of leadership which is mentoring and partnership. Another is because many of them are recruited by higher paying private security firms to provide private security services in Afghanistan which is a separate program.

But let me go back to what is going right, Senator Kaufman. On Sunday and Monday of this week, I was in Afghanistan with General Petraeus and Ambassador Holbrook for their review of the concept drill, in other words an intensive look with the Afghans and our civilian and military leadership on our combined civil and military efforts in Afghanistan.

The Minister of the Interior, Mr. Atmar, and Minister Mongol, the Deputy Minister of the Interior, both participated in that. The Afghan police and the performance of the Afghan police was a major subject of discussion during that.

Minister Atmar pointed out that not only had we trained many police, as Assistant Secretary Johnson pointed out, there are many police who are performing well. He also admitted there are many police that are not performing well.

Whether it is a *Newsweek* article or another forum where you focus on the problems, Minister Atmar asked us, and I am going to comply with his request, to highlight that there are also thousands, and in his words, tens of thousands of Afghan National Police who are doing a good job, who are not corrupt, who are being killed at the rate of 125 or 129 a month, and they are staying on the job. They are not fleeing the job. Some do but many more do not.

They are committed to their country, and they often do not have the right resources, they do not have the right training, whether it is ineffective sights, ineffective equipment, whether they are using unarmored vehicles instead of armored vehicles in areas where IEDs are the biggest killers of people.

So these are people on the Afghan side who are working hard to defeat an enemy that has been growing in strength.

The message I took away, and I have spent several years living and working in Afghanistan as well as visited there about 10 times over the last year, is that General McChrystal's strategy of blunting the rise and the improvement that the Taliban had is succeeding.

The next step of course is to reverse that. Every step of the way the Afghan National Police is central to that. So we are building a better police force. We are training a better police force.

The partnership is helping us to put in place a police force that is going to perform better. We have a better story today than when you Senator and you Senator were there in the last several months and it will be better next month.

Will it be dramatically improved everyday, no. But it will be significantly improved on a month to month basis. I feel very highly confident of that.

In terms of the contract, the work that Assistant Secretary Johnson and I have done over the last several weeks, we want to make sure that we do not make any of those mistakes that you referred to, Senator McCaskill, in terms of the contracting process because more mistakes will lead to an even longer gap before we have a permanent contract.

We do also need to find a way to bridge to a permanent contract. I agree with your prediction that the most likely, we both agree that the most likely outcome will be an extension. I hope I did not say anything a lawyer will find problematic with that.

Senator MCCASKILL. Just say I made you answer the question.

Mr. SEDNEY. Thank you, Senator.

But we have also communicated to the State Department new requirements. I agree with Inspector General Klemstine that we need to be clear about requirements. These new requirements that will address the problems that were laid out by Mr. Heddell on the areas that we need different kinds of performance in the police contract and we are working now to see how we can have that contract, how we can accomplish those goals through a possible extension of existing contract.

There might be some other options but we will continue to work through that. We expect to have a resolution within the next 2 weeks. I hope even sooner in terms of that extension or our other possibility.

But as we are doing that, we are continuing to train. We are adding trainers for the police in other ways. The police contract is not the only way we are training. We have brought an additional coalition of military trainers. Other countries have put in more trainers. There are more both third country military trainers and third country police trainers that are already in Afghanistan than there were before as part of an effort through NATO and through our partner nations to increase training.

For example, the Germans in the north who had been focusing their efforts on deployed military are now transitioning to trainers and a greater focus on training in the north and that is happening in many other areas as well.

So while we focus, and I agree with you, Senator McCaskill, in your criticisms of the process. We have made mistakes. We are going to fix them. But there are many things that are going right, Senator Kaufman. I would be happy to go on at greater length.

I apologize for taking up your time.

Senator MCCASKILL. I am just self-conscious about getting to Senator Brown.

Senator BROWN. Thank you. Madam Chairman, and through you to the witnesses.

I had a whole host of questions but in just listening I wanted to shift gears and then I will come back to my original line of ques-

tions. One of the things that I am just getting through the conversation is that the contract transition and the 5-month delay in awarding the contract quite frankly is putting our troops at risk.

I am flabbergasted sometimes at the slow pace of government at a time when we need quick reaction and quick action on moving forward. So whatever tools and resources you need to get the job done, I would encourage somebody in your respective departments to start to get moving because my sense being in the military and also recently visiting is that we have a serious problem. We have to stop pointing the finger and going back and forth and just get the job done.

With regard to who do we hold ultimately accountable, I am a little confused still. I know we have a contract. I have been reading. I understand it. I get it but my concern is now we are extending a contract that has not worked. People who have received $6 billion.

There has been very little training and now we are looking to extend it because we do not have the ability to enter into another contract because we used something that we felt would get it done quicker when in fact it delayed us so we are more time behind the eight ball.

But I am hopeful that when you do the new contract there is going to be a way to hold the trainers responsible for delivering what they said they were going to deliver because as somebody who is just so fed up with overspending and over budgeting, at what point do we hold contractors, people that we hire to do a job, responsible for doing that job and getting our money's worth?

That is something I would like to ultimately leave for just someone to ultimately speak about.

I will start with you, Mr. Sedney. You did say in the beginning you will need greater resources and you have not received the trainers. You need more trainers.

I know in speaking to the appropriate authorities in Afghanistan, the United States is the only country that has provided the requested amount of trainers. The other countries have not supplied the appropriate trainers.

Who in the food chain is responsible for trying to get the other countries to provide the appropriate amount of trainers?

Mr. SEDNEY. Senator, first of all, let me say in response to the first part of what you said. I agree with you entirely and I can tell you I share your impatience and I can pledge you my greatest efforts to make both the quickest and the most effective response because sometimes speed works against effectiveness.

On the issue of trainers that you raised, the U.S. forces, the U.S. military has provided the requested trainers under the NATO request because this is a NATO mission. We have a number of countries that have responded well to the combined joint statement of requirements——

Senator BROWN. But they have not fulfilled their obligation.

Mr. SEDNEY. There are a number of countries we continue to work with and the overall number of unfilled spaces under the NATO combined joint statement of requirements is in the several hundreds, well over 400 when I checked this morning.

That certainly will be a major area of discussion with our colleagues both at NATO and also in the upcoming NATO ministerial in Estonia.

At the same time as we are looking for other countries to step forward within the NATO context, we have also had a number of discussions and am not going to name the countries for reasons of the diplomatic confidentiality but a number of countries which have not yet been involved in Afghanistan have shown interest in contributing trainers.

We are working aggressively with them because they see the challenge that instability and extremism in Afghanistan poses to their own national security. So we are not being limited by the past. We are actually looking into new and different areas, and again I would be able to do that in a more confidential setting because I do not want to put countries on the spot while we are in the middle of diplomatic negotiations.

But I believe there are a number of areas of hope there. At the same time I want to stress what I said in response to Senator Kaufman, we are training police. The coalition and we, the United States, are training police and moving forward. This is an area where we are going to succeed.

Senator BROWN. Thank you very much and I appreciate that. And I know who is helping and who is not and I would encourage the Administration to strongly encourage them to do what they said they would do.

We all know about the $6 billion that has been spent and fewer than 12 percent of the country's police are capable of operating on their own.

We know about the lack of respect that the police get in Afghanistan based on their corruption and lack of training, etc. So considering all those problems, I guess I would defer this question to the IGs. Considering all these problems which have been apparent for a while who ultimately is responsible in saying how do we not fall into this rut again.

Mr. HEDDELL. I will be glad to try, Senator Brown.

Two areas, one is simply the training of police officers and doing it in the right way with the right trainers, with the right curriculum. The second part of that is managing and oversighting a contract worth billions of dollars.

In both categories, if we are going to do it and we are going to do it obviously, we have to do it right. Under each of those categories, there are things that we need to do.

I mean, under the management oversight of the contract, for instance, we need to have oversight and management in-country looking at the contracting officer representatives on the ground in-country.

With regard to the contract itself, we have to have performance measures. We have to specifically say what we expect that contractor to do. Then we have to measure that contractor's performance.

With regard to property, DynCorp spent millions and millions of dollars on property and we did not do inventories. We did not know what we had or what we did not have many times.

Senator BROWN. Right. Well, there is no property management. There is no accountability. There are no hand receipts. There is nothing.

Mr. HEDDELL. That is correct.

Senator BROWN. How does that happen?

Mr. HEDDELL. Because there were no managers on the ground.

Senator BROWN. What are they getting paid for? Why is that? When they are getting paid to do a job, there has got to be a chain of command. There has got to be a natural flow chart. Here is the boss. Here is the subordinate. Where is the break down? I am missing it.

Mr. HEDDELL. I can tell you what happened.

Senator BROWN. Where is the breakdown?

Mr. JOHNSON. As I mentioned in the statement that I made, the oral statement, in adapting the procedures that we had to working in a wartime environment, we developed what we thought were effective compromises, sometimes in consultation with our OIG colleagues, so that for example the contracting officers' representatives' files were retained in Washington.

It was, therefore, a 24-hour delay, due to the shape of the globe, before someone on the ground in Kabul would have access to that material.

They always had access to the material 24 hours later but it is not the same as being able to have the materials in the front of you.

We did this because we were working in an environment where we were seeking to manage our risks, having no more people on the ground than we thought we had to. I think in retrospect, having more, taking some risks in the hiring process and having places doubled-billeted or triple-billeted going through the clearance process would have made more sense.

I am anxious to come before you at some point, and the Chairman call me down for having so many people on the ground that I have lost the concept of materiality in auditing.

Senator MCCASKILL. I will not do that.

Mr. JOHNSON. I am aiming for it. But that is where we are trying to head.

We did do some things in order to compensate for that by making all of the payments for the contract provisional in nature so that we can claw them back if they need to be and we have when we found issues that need to be addressed.

As the Inspectors General pointed out, any delay in doing that, though, represents potential for lost documents, for lost memory, and reconciling that process over time is not nearly as efficient and effective as doing it at the time payment is made even though it does protect the government.

So we are moving as rapidly as we possibly can in the direction of having more and more people on the ground.

Senator BROWN. Thank you. I have run out of time, Madam Chairman.

Senator MCCASKILL. Let me first ask about the 2006 audit. Let me ask who did this before we started contracting this? Special forces?

Mr. JOHNSON. When the effort was first made to train police to do security sector reform, as it is called in diplo-speak, in Afghanistan in the early part of 2002 there was a division of labor among members of the G–18.

The United State took responsibility for the Afghan national army for reasons which I think were intuitive to everybody in the room.

The Germans who had a latent program that existed before the Russian invasion and before the Marxist coup that took place before that wanted to take the police responsibility on. They did but their approach was a very long-term approach.

Senator MCCASKILL. Right.

Mr. JOHNSON. And so we step in, the State Department did, and began a very modest training program in order to try to get people on the ground as quickly as possible.

But as you may or may not recall, the diplomatic theory at the time was to have a relatively light foot print. We do not have ISAF outside of Kabul. We were still operating only Operation Enduring Freedom efforts outside of that.

This has grown over time as we have seen and this is one of the issues that I think we need to take into account here. It is not so much that people did not do what we wanted them to do. It is that both our objectives and the situation on the ground has evolved and sometimes in unexpected and marked ways during this period of time.

Senator MCCASKILL. Let us just assume. We had this requirement to train local police during a counterinsurgency in Iraq. We now have the mission to train police during a counterinsurgency in Afghanistan.

I do not think it is beyond anyone's imagination that if we are fighting a counterinsurgency that that is going to be something that is going to have to be a core competency of our military as far as the eye can see.

Would anybody disagree with that? That training local police in a counterinsurgency is something that should be a core competency of our military for as far as the eye can see.

Mr. Sedney, would you disagree with that?

Mr. SEDNEY. I personally would not disagree with that. In terms of just how we are going to allocate the division of responsibility in the government for future counterinsurgencies in terms of training police I believe that is still a matter that we have not fully come to closure on but I take your point and I would say I personally agree.

Senator MCCASKILL. I will tell you this. That is what I would like to see come out of this hearing. In the volumes of information that I have consumed on this, there is no question that the trading back and forth, the fact that after 2006, you had an audit report that said you needed in-country CORs, and there were years that you maybe had one on a task force and they were not really doing any on-site checking because of the security risks.

I mean it is unacceptable that—you know, I think I have a couple of documents that by the beginning of 2008, nearly 675 million was obligated without any evidence of an ICOR functioning in Afghanistan. That comes directly out of the report.

Prior to June 2009, there was only one in-country contracting officer's representatives on the main ANP task order. That is not going to work.

Anybody who is doing contract oversight will tell you that the kind of presence in-country in this kind of environment is woefully inadequate.

So if we are going to be operating in the counterinsurgency as we do this local police training, it seems to me that it is imperative that somebody step up and say this has got to be a military COR competency and stop this, well, the State Department was not doing it. Well, we got to get it back under the military because the State Department contractors are not paying attention to us. State cannot really get out in the contingency because of the security risks.

I mean if you look at this back and forth over the last 4 or 5 years, you can say all you want to how many have been trained.

But I think if we are honest about how many are currently operating at an effectiveness level in the country of Afghanistan, Americans have not gotten a good deal on their investment.

So I am trying to get someone to come to the table and say it is time that people at the very top of the State Department and the very top of the State Department and General Petraeus acknowledged that this needs to come to defense and it needs to stay there.

Is it not true that there is a plan already in place to not only—we are trying to transition it to defense but we cannot get it done because it was not done right and there is already planning going on on how to transition it back. Is that not true?

Mr. SEDNEY. There certainly is discussion about what will follow after a transition to Afghan security lead so I am aware that there are discussions. I am not aware of a plan along the lines that you discussed but I have to confess I will not be able to speak for every plan in the Department of Defense. But I personally am not aware of such a plan, Madam Chairman.

Senator MCCASKILL. I think there is a chance that we will be doing police training in counterinsurgency operations in other places besides Afghanistan. That is something clearly if you understand the security threats around the world whether it is Somalia, whether it is Yemen, this is something that is going to be ongoing. It is my understanding that prior to the State Department taking this on that this had been a special forces function, the training, before it went to private contractors.

Mr. JOHNSON. That is not my understanding. The special forces were operating as part of Operation Enduring Freedom. They had many liaison relationships throughout the country as part of that.

But the police training which began after hostilities were concluded formally, if you will, was the responsibility first of our partners and then we began taking on more and more of that.

If I might say while I have the floor, I think we are going to find that we need more than one solution to this problem because there are going to be places in the world where a defense-led effort will be both more appropriate and more effective and acceptable, and there are going to be places in the world where if only for reasons of acceptability from our partners, having a civilian-led effort is going to be also needed to be in this mix.

Senator MCCASKILL. My reference to special forces was worldwide. It had been special forces prior to the State Department. You are referring to Afghanistan. There was a time that the State Department was not involved in this and it was purely military that did training of local police under these circumstances.

Mr. JOHNSON. My earliest recollection of this comes in our initial effort to assist the training of the police force in Haiti in the early 1990s and that was a State-Department led effort. I understand that before that when there were needs there may have been special forces training programs which bled over to civilian police but it has not been the civilian lead at least over the course of the last couple of dozen years.

Senator MCCASKILL. OK. Did you want to add something, Mr. Sedney?

Mr. SEDNEY. No.

Senator MCCASKILL. No. OK. Senator Kaufman.

Senator KAUFMAN. You are doing great. Keep going.

Senator MCCASKILL. Why do you not take another round, Senator Brown, and then I will probably come back for one more.

Senator BROWN. Thank you, Madam Chairman. I appreciate it.

This has been very interesting. I wanted to just touch on the civilian training verses military style paramilitary training. Although the primary reason for change certainly is sensible, the Afghan police are suffering inordinate casualties in the field compared to their counterparts in the army based on this new emphasis on military style training, I think precipitated by the several debates between the State Department and DOD.

The State Department and DOD inspectors' report that we have been obviously cited the delay in changing the curriculum to emphasize the paramilitary skills as the problem in the current DOD-State Department management.

Did this delay stem from the resistance by the State Department to buy into this change or resistence from DynCorp or basic bureaucratic problems or for some other reason?

Mr. JOHNSON. There is no resistance to this on our part. We will respond to the defined requirements. If it requires additional or different trainers, that is what we will seek. If it requires skills that are outside the scope of civilian trainers, we will inform our military colleagues that we are not in a position to provide that service.

Senator BROWN. Do you wish to comment on that, sir?

Mr. HEDDELL. Yes. There is actually something I think to be learned from your question, Senator Brown, in the sense that the original contract required that there would be this joint relationship between the Department of State and the Department of Defense.

And that in order for the Department of Defense to make a change, for instance, in the training curriculum, it was required that DOD provide at least 120 days notice before that change could be effective.

What we found when we interviewed staff from the State Department, they indicated on average it took 6 months to actually execute a change.

It brings us to the heart of the issue which is that the Department of Defense needs in this particular case to be able to talk directly to the contractor. That was really the heart of the problem.

The bureaucracy was holding us back and the lack of contracting management on the ground to effect these changes and bring about a new curriculum and to do the things that DOD needed to have done, the structure was not in place to do it.

So what we learned from that is that we should not have this intermediary where DOD has to go through another entity to make changes.

And we do not want to build a contract where it takes 120 days to make a rapid change when the insurgency is making rapid changes every day that we have to adjust to.

Senator BROWN. I think that is accurate. I just want to shift gears just a minute. When we talk about the training, and I asked these questions in Afghanistan, it has gone from 8 weeks to 6 weeks.

Do we really think that is adequate enough to instill professionalism and ethics in that police force, into the trainees, and is that enough time to actually filter out those trainees to determine if they in fact have the ability to be professional and ethical?

I think that is probably an IG question.

Mr. HEDDELL. I would be glad to give you my opinion on that, Senator Brown. From the standpoint of basic training, no, 6 weeks, in my own opinion, is not enough.

Senator BROWN. Especially since you do not have all the trainers you need as we referenced.

Mr. HEDDELL. The fact of the matter is that 6 weeks or even 8 weeks or even 16 weeks is not enough for anyone if you do not have some follow-up because, as I said earlier, it takes years, not weeks, not months but years to develop a police officer just to be at the acceptable level.

So I presume that the reason that it went from 8 weeks to 6 weeks is to get more police officers through the training.

But once they get through the training, they need mentoring. They need advanced training. They need follow up. There is so much more to it than simply putting through a 6- or 8-week course.

So I do not necessarily think that whether it is 6 or 8 weeks is right or wrong. I think what is important is that there has to be a long term plan here for development.

Senator BROWN. So are we asking for contractors to put too much of an influence on the quantity of trainees versus actual quality or ethical responsibilities and professionalism? Do you think we should maybe go to a different standard of some kind?

Mr. HEDDELL. Well, I cannot answer the question. It is probably more for the Department of Defense or Department of State. But it would appear to me that the way we were doing it was just not going to work.

Senator BROWN. So saying that and referring it over, what is the solution? How do we change from quantity to quality to get the value for our dollars?

Mr. SEDNEY. We are currently working on addressing both and we are very aware of the challenges that you laid out, Senator Brown.

To address the specific question of the 6 weeks versus 8 weeks training, yes, we have transitioned to 6 weeks training in order to be able to make maximum use of the police training facilities and produce more police.

But those 6 weeks of training are better than the 8 weeks before. There is not less contact hours. There are more contact hours in those 6 weeks. It has gone from, we have shortened a rather long lunch period to a shorter lunch period. The training is longer days. One day off has now become a day of training.

So the actual contact hours over 6 weeks is greater than the 8 weeks.

Senator BROWN. Right. I am aware of that.

Mr. SEDNEY. So it is not a lesser training.

However, I agree with Mr. Heddell. This is not a weeks or months long process. It is a year's long process. The key here is not just continued training but also modeling, and that is where the intensive partnering that General McChrystal has put in in both the army and the police is so important because in order to instill those ethics that you talked about, the Afghan trainees, the Afghan policemen have to see them in operation. They have to see that they work.

In the past we would train people and put them out into a corrupt society. No matter how well you train them, whether it was 8 weeks, 6 weeks, 16 weeks or 60 weeks, if you just stuck them out with no mentoring and training they were going to become more corrupt.

We have realized that. Now we are working to change that. We also have developed and are going to be putting more emphasis on continued and repeat training, as Mr. Heddell mentioned, because again you have to keep bringing people back on.

Senator BROWN. I am sorry. I do not mean to interrupt. I understand that. We got fully briefed as to what it is.

I guess at least in my second question, so how much is it going to cost? I mean what is the number that the American people are ultimately going to be responsible for next year and the year after and the year after? What type of dollars are we talking about to once again to come up with?

Mr. SEDNEY. I do not know the exact figure for what we have requested in the supplemental. I will be happy to get that up.

Senator BROWN. Do you have a general idea if you do not have an exact number? Do you have a general number, an approximate number?

Mr. SEDNEY. I understand and my staff is always willing to come up, is going to give me an exact number. I was going to say about $6 billion.

Senator BROWN. For a year?

Mr. SEDNEY. Yes, $6 billion for this year.

Senator BROWN. Just to stand up a police force, it is going to be $6 billion a year?

Mr. SEDNEY. The Afghan police and national army is together about $11.6 billion in fiscal year 2011 request. That is the Afghan National Police and army together.

Senator BROWN. So $11.6 billion is to basically uplift the police and army in Afghanistan.

Mr. SEDNEY. And continue to train them, pay them.

Senator BROWN. Equip them. The whole nine yards.

Mr. SEDNEY. Right.

Senator BROWN. I will save my remaining questions for follow up. Thank you.

Senator MCCASKILL. I have several questions I want to get to so I will try to limit my editorial comments because I know I am the biggest offender. If you all will try to help me by keeping your answers brief.

I want to make sure I get a couple of documents in the record. The first has to do with the State Department's ability to oversee contractors. Without objection, if there is an objection just let me know, I want to enter into the record the contractor past performance evaluation document that deals with the evaluation of Blackwater in Iraq.[1]

This is a dollar value on a contract of $1.2 billion. This occurred after the killing of 17 Iraqi citizens in Nisor Square. That is why it is important to remember the time frame here, that this was around the problems of that.

When you read this document, the question is asked, would you recommend the contractor be used again, the answer is yes. It states that, this is the quote that is used in reports, "incidents cause the program officer to lose confidence in Blackwater's credibility and management but concludes that new personnel have improved confidence in the contractor that, it is expected that next past performance evaluation will be substantially improved."

I would like to place that in the record.

Senator BROWN. No objection, Madam Chairman.

Senator MCCASKILL. The second thing I would like to place in the record is the DCAA DynCorp audit. This audit is an audit that came out in November of last year. As of last November, these are some of the findings of the audit of DynCorp. Keep in mind this is the contractor we are stuck with now. We are going to have this contractor for the indefinite future since we are going to a full and fair open competition which means it will likely be at least a year from now before there would be a new contract.

These are some of the findings. Inadequate controls to ensure contract briefs contain adequate information for the billing department to prepare current, accurate, and complete those vouchers. Inadequate control to verify pay rates were authorized and accurate. Failure to prepare adequate budgets which may result in significant over or understatement of proposed costs. Failure to notify the government upon awards of subcontracts.

This is problematic from an auditing standpoint because this is all the documentation that is necessary, all the oversight that is necessary to make sure that they are not walking away with our money and not performing the work.

So I want to make sure that we enter that audit into the record.[2]

Tell me where the $80 billion is now, Mr. Johnson, that was found in the audit. Has it been returned?

---

[1] The contractor past performance evaluation submitted by Chairman McCaskill appears in the Appendix on page 101.

[2] The information about the audit submitted by Chairman McCaskill appears in the Appendix on page 104.

Mr. JOHNSON. It has not been returned. The monies have been obligated against a task order and the reconciliation is ongoing on that task order. As soon as that is completed and we determine how much should be returned, we will do so immediately.

Senator MCCASKILL. Could you respond to that, Mr. Heddell or Ms. Klemstine? Is it true they were obligated? I thought you found in your audit they were unobligated.

Mr. HEDDELL. What we found, Madam Chairman, is that the Department of State improperly kept $80 million that had been transferred from the Department of Defense even though the funds had expired.

The money we are talking about was used specifically, was supposed to be used for Afghan National Police training. It came in three separate appropriations and each appropriation had an estimated availability period. And, as of December 2009, the Department of State was still holding $80 million, and the availability period for that $80 million on the first one expired, $56.8 million expired in September 2007, and $23.2 million expired in September 2008.

As of January of this year, that was our understanding.

Senator MCCASKILL. Do you disagree with that finding, Mr. Johnson?

Mr. JOHNSON. I do not disagree that it would have expired had it not been obligated but it has been obligated and has to be reconciled against these billings so that we return the proper amount.

Senator MCCASKILL. I assume you are saying it was obligated during the audit period or it was obligated after the audit period?

Mr. JOHNSON. It was obligated prior to the audit period. What the Inspector General is referring to is that had it not been against a task order which was during the period of time the money was available to be spent, had it been fully reconciled, any monies left over should and would have been returned to the Treasury Department or to DOD depending on the date at which it became available.

We are doing our best efforts to complete that process so that we return exactly the right amount.

Senator MCCASKILL. Mr. Heddell.

Mr. HEDDELL. Madam Chairman, it was obligated but the money had expired and it was not expended. The money, as far as we know, has never been returned to the Treasury Department.

Senator MCCASKILL. So what you are saying is the obligation makes no difference if the time period expires and it is not expended.

Mr. HEDDELL. That is my understanding.

Senator MCCASKILL. I think that is something that I would like to writing an answer with somebody's signature that you all disagree with that because $80 million is a lot of money.

Mr. JOHNSON. I would be pleased to provide you with that.

Senator MCCASKILL. DCAA told the Subcommittee that the State Department did not engage them to perform real-time reviews. Why have you not used DCAA for this type of review? And second, in the audit it was reported that the State Department had canceled an audit. The contracting officer had canceled an audit. I would like an explanation on both of these, why DCAA is not being

used for real-time reviews and second why you would ever cancel an audit.

Mr. JOHNSON. We are using DCAA and we are very pleased with their assistance to us.

Senator MCCASKILL. Great.

Mr. JOHNSON. We had a point of confusion between us and them about the request that we hade made of them. We were ongoing and worked on a request for a transfer of funds to pay for this audit on two other task orders and those were ongoing.

And for reasons having to do with the way that payment was processed, one of those requests under one of those task orders was accidentally canceled. We were unaware of that. When we became aware of it, we began re-engaging with DCAA on that specific task order. Those discussions are ongoing. We intend for them to come and work for us and we intend to pay them for it.

Senator MCCASKILL. OK. Since we are going to have a State Department-run contract on police training in Afghanistan for the foreseeable future, are your in-country CORs getting out in the field as we speak? Mr. Johnson, are they conducting regular site visits to the training sites at this point in time?

Mr. JOHNSON. They are getting out and they are conducting regular site visits. I do not think they are there yet because the numbers are not up to what we want them to be conducting as regular and frequent site visits as I think we want and I think as our oversight colleagues would like but we fully intend to remedy that.

Senator MCCASKILL. I would certainly like, I mean we will follow up with some of these questions. We want to be notified how many you have on the ground every quarter and we want to know how many site visits are going on, how many of them are regularly scheduled and how many of them are unannounced.

The unannounced site visits are crucial in a contract like this. That is when you find people doing things I mean I hate to bring back bad memories of another hearing. But when you have craziness going on with the security force at an embassy which also happened in Afghanistan, those unscheduled site visits are incredibly important.

Mr. JOHNSON. In my checkered past I was a bank examiner.

Senator MCCASKILL. You know about showing up unannounced.

Mr. JOHNSON. Right.

Senator MCCASKILL. Let me turn it over to Senator Brown for a few follow up questions.

Senator BROWN. I just want to go on that line of questioning, Madam Chairman, and then I will go back.

On the $80 million issue we were talking about, is there an enforcement arm of any kind that says, hey, listen your time has expired. You have the money. You have not used it. It is time to come back to the Treasury Department.

Is there any mechanism that you have because I have to be honest with you, it seems like it is political doublespeak in terms of you know the money has not been used. It was back in 2007 and 2008. We are in 2010. And then you say, well, it was not allocated before the audit. Well, if not, then when was it allocated because it is 2010, and the time expired. Was there an amendment of some sort that went into effect? Is there an agreement with the appro-

priate authorities to extend it out to another period of time to give you the authority to continue to retain that?

Mr. JOHNSON. If I poorly communicated, I am sorry. My understanding is the monies were obligated against an ongoing activity. As soon as all the reconciliation of the billings which took place during that time period, not billings which will take place later——

Senator BROWN. It has been what? Three years now. When does the reconciliation take place?

Mr. JOHNSON. It is ongoing. We are running at about a 2-year delay from conclusion of the task order.

Senator BROWN. That is 2009, if we were in 2007. So it is longer than that obviously. We are in 3 years now, right?

Mr. JOHNSON. I am not certain but I will work that time line for you, yes, sir.

Senator BROWN. I guess what I am trying to say is you know I am a firm believer in contracts and dates. As it is the rule of law, we have a date. We perform. We fulfill. If we do not, it goes back.

There seems to be a slippery slope here that we are going down in that you know we allocate money, taxpayer money, hard-earned taxpayer money for certain purposes. It does not get used. It should go back to be re-allocated, to be reused.

We could use it right now for unemployment insurance to find another way to pay for that. I am hopeful, Madam Chairman, that we can get a reasonable answer, like why was not the reconciliation done right away, when are we going to have it done, and when if at all and how much money is actually going to be actually returned?

I would also like to have that in writing for us to review.

Do you have the ability, sir, to delegate the site visit responsibilities to the military or any other entity to assist you until you get up to speed, because I hear you? I understand. I was there. I get it now. I see how big it is.

But if you are not up to speed and you cannot account, we are giving billions of dollars to people, is there anything that I can do, make a recommendation to the President or to the Majority Leader, anybody who is dealing with this issue to give you the tools and resources you need to either delegate or get this job done quicker and more efficiently?

Mr. JOHNSON. In terms of some issues, for example, inventories, we have worked with the military to assist us in those. I think though that there is no substitute to have contracting office representatives who know the contract, who are trained to do this type of work there on the ground and getting out to do those things. That is the aim that we have.

One of my kind colleagues pointed out to me that the monies that were appropriated for fiscal year 2007, could have been expended on things through September 2009. So we have a little while where we need to make sure we paid all our bills before we give the money back.

Senator BROWN. OK. I would appreciate that in writing.

Madam Chairman, I forgot and I am wondering if you will accept my modified opening statements for the record, if possible.

Senator MCCASKILL. Your opening statement will be made part of the record.

Do you have anything else?

Senator BROWN. I do but I will allow you to get back to your line.

Senator MCCASKILL. That is OK. Why do you not finish up because I only have one or two more questions? See if there is anything else you want to cover.

Senator BROWN. Just some general questions. As you know, the Afghan culture is largely tribal and locally based. I wrestled with this when I was there when I was getting back.

Does it make sense to have a national police force that basically the tribal leaders do not recognize, they do not know. Some of the individual citizens do not even recognize the uniforms. Does it make sense to have a one-size-fits-all strategy in Afghanistan?

Mr. SEDNEY. The kind of security force that we should have in Afghanistan is one that has been discussed and the question that you raise is an excellent one, Senator Brown, and there are people who have felt very strongly for all sides of a question that has many answers.

There are certainly areas of Afghanistan where a national police force, a uniformed police force, large cities. Kabul has well in excess of 4 million people there now. For example other major cities.

In some of the rural areas, Afghan justice is very much in the hands of traditional justice systems.

One of the problems however is that over the years, especially as the result of the occupation by the Soviets during the civil war a lot of those traditional structures have either been destroyed or been seized by small, powerful, maligned actors who pervert the local systems so that they do not work effectively.

So there are a number of activities that are going on looking at restoring those local activities in a way that is acceptable to the broad expanse of people while at the same time building national police in areas where they are most able to be effective.

The latest polling I saw on that was of rural people in eastern Afghanistan where 38 percent of the people said they preferred local gurkhas to national police. Fifty percent of the people said they preferred national police to local gurkhas.

So you have a fairly significant split but the people thought very strongly on both ways.

It is a country in transition, and we are working on all those areas. But I would say that in terms of the kind of order that is required in the midst of an insurgency, the police have played, continue to play a very important role.

In many ways, the acceptability of the police depends upon their performance. You and Senator Kaufman just mentioned the areas where there have been problems of the performance of the police.

Minister Atmar has developed a program called the personal asset inventory that is designed to combat corruption. He believes that the increased prosecution of corrupt police through efforts by the major crimes task force we put in place are already having significant improvements in that area.

We support Minister Atmar in those efforts and look forward to continued qualitative improvements in the police force.

Senator BROWN. I have a whole host of questions but in the interest of time I will narrow it down to the top three at this point. They are not too difficult. Is that OK?

Senator MCCASKILL. Absolutely. We will take as many questions as you have for the record and we will keep that open for a week so that any additional questions we did not get to today because I have the same problem.

Senator BROWN. Thank you.

Senator MCCASKILL. If we stayed here with all my questions, it would not be good.

Senator BROWN. Would you like to go?

Senator MCCASKILL. No. Go ahead. You finish up.

Senator BROWN. Thank you.

I found it fascinating and so did our team. 500 meters from our forward operating base there are poppy fields all over the place. I know the reasons why. I get it.

But is there, and I guess it would be directed to either one of you. Is there a plan? Are we going to eradicate? Are we going to allow it? Are we going to transition? Are we going to give them time lines? Listen, we know you are doing it, we know why you are doing it. But listen you only have another year to do it and then we are going to transition you into a different crop. And if you do not, then we are going to just eradicate it, because I have to be honest with you, seeing all those poppies—flying in those choppers for 3 days everywhere we went—in full bloom, I just thought about how that transitions into lives in our country and young people and others using drugs.

Any thoughts?

Mr. JOHNSON. You are correct in that we have had a rather expensive and not very effective eradication program in the past where we attempted to provide the ability of the central government to have the eradication capability.

Seeing the expense involved and the relative inefficiency, practically in the areas where you were where poppy growing is indeed an agribusiness, Ambassador Holbrook has determined that we should focus instead on seeking an alternative livelihood-based approach where we find more and more opportunities for these individuals to grow a legitimate crop.

I think that program is just barely getting underway. It could have significant impact over the course of the next year or two.

Outside of the area where you were the area of Afghanistan is largely poppy free. In Helmand and in Kandahar, it is a basic business though.

The other issue is we are focusing much more clearly on an interdiction effort. The Drug Enforcement Administration's deployment in Afghanistan is the largest on the planet. It is working very hard in concert with the capabilities that we are helping to develop, my colleagues and I, of the Afghans to have their own counter narcotics police.

Those have been quite effective over the course of the last several months. The seizures are up. But this very much remains a work in progress.

Senator BROWN. Well, it is interesting. The seizures are up but then the growing is up too in certain regions.

Getting back to policy a little bit I have two more short questions. How many companies are currently capable of providing po-

lice services such as the ones in the contract? Who are they and do they have a fair opportunity to compete for the business?

And then how would re-bidding for the contract of Afghan police forces impact America's ability to win and perform our mission the next couple of months, and years, I should say?

Mr. JOHNSON. The current indefinite quantity, indefinite delivery contract that we work under for the civilian police program in the State Department has three participants.

DynCorp is one, Pacific Architects and Engineers is the second one, now a division of Lockheed Martin, and the third is Civilian Police International, that I think is a division of L–3.

We have, just this week, put on the street a request for proposals that we hope will provide us a much broader number of companies who are willing and able to provide this service. We anticipate the program will close in terms of the bids being due I believe in June and we will have a period of time in the summer to evaluate.

It is my goal, and I have been working on this for some time, to broaden that contractor base because I think there are more companies and more opportunities out there than we have had in the past.

Senator BROWN. Thank you, Madam Chairman. I will defer to you.

Senator MCCASKILL. Thank you, Senator Brown.

Mr. Heddell and Ms. Klemstine, do you think that the State Department has added enough in-country contracting representatives with the acronym of ICOR, do you think they have added enough to provide adequate oversight to this contract?

Mr. HEDDELL. Madam Chairman, what I know from January of this year I would say no. Unless something has occurred in the last 30 days, I am not aware of it. But I would say no.

Senator MCCASKILL. Ms. Klemstine.

Ms. KLEMSTINE. I would reiterate that answer being no. However, I do think that there are plans in place to increase the number. I think if they get up to that number they will probably be in pretty good shape at that point.

Senator MCCASKILL. What is that number?

Ms. KLEMSTINE. I believe it is 33.

Senator MCCASKILL. In-country?

Ms. KLEMSTINE. Yes.

Senator MCCASKILL. Is that correct, Mr. Johnson?

Mr. JOHNSON. There are not 33 presently in-country. There are seven currently in-country. Our aim by September is to get to 22.

Senator MCCASKILL. Is 22 enough, Ms. Klemstine?

Ms. KLEMSTINE. I would have to go back and re-evaluate that. I do not know that off the top of my head.

Senator MCCASKILL. I think if you are working toward 22, as soon as we could possibly get the input of your agency that did the audit whether or not you think that is an adequate number. I would hate for us to have a goal of 22 and get there and still know we do not have enough to adequately keep track of what is happening with this contract.

It is my understanding the people you are hiring to do this are in fact contractors?

Mr. JOHNSON. Madam Chairman, the individuals who have traditionally done this are what are known as personal services contractors.

I know I could read you from the FAR what that means and how it is virtually the same as an employee but I also know that it would not answer the mail for you.

We are in the process of using an opportunity we have under the law of so called 3,161 employees. We plan to convert as many of these individuals as possible to that employment status so that they will be direct employees of U.S. Government.

I have the opportunity in Afghanistan but I do not have it globally. I will be looking for other ways to provide direct employees who are performing this service because I recognize the demand that you made that we have them not just be the functional equivalent of direct employees but actually be so.

Senator MCCASKILL. Mr. Sedney, if you all take it back, does that mean you have the CORs ready and available to oversee this contract?

I have spent an awful lot of time talking to people in uniform about contracting representatives over the last 3 years. Would it be your plan to try to utilize the individual personal service contracts that the State Department is going to execute over the next 6 month to oversee this contract?

How do you envision the contract oversight working if you all in fact enter into a contract as opposed to the State Department?

Mr. SEDNEY. In terms of the complete and open competition that we are looking for, the numbers of contracting representatives will be part of that process. We are in the process of determining what that will be now.

In terms of what the contracting officer representatives that Mr. Johnson was talking about having in place, our people out in the field have helped to contribute to the request for additional contracting office representatives.

In terms of one of the requests that we are making of the Department of State if we were to extend the current contractor with DynCorp beyond that time, additional contracting office representatives are one of the areas that we have agreed is important and would like to see move forward.

I do not have the figures on the exact numbers that we think would be necessary and we can get back to you on that.

Senator MCCASKILL. I think it is really essential. I will be shocked. It will be like winning the lottery if we end up with anybody other than DynCorp through the time period in which the President has indicated that we are going to have this increased presence.

In that case, if there is by a chance to transition, it will be terribly counterproductive if you have CORs in-country that are there and have made the commitment to be there for all of a sudden then get pulled back because now we have switched again.

It would be unconscionable to switch contractors and not have a CORs force ready to go to oversee that contract because we could go a year without anybody in-country essentially like we have had on this contract.

For parts of the time there has been really almost nobody home. So we have to make sure that happens and I am going to depend on the two of you to communicate and figure out how to work that out. And if you need help above you, you need to speak up if there is going to be an issue because I do not want the contracting representative COR to go down anytime while we are making this kind of financial commitment for police training in Afghanistan.

The last thing I wanted to cover on this subject matter is that the GDP of Afghanistan is about $13 billion a year. Sustaining what we are building, it is $11 billion in the supplemental for the army and the police, sustaining it, not building it but sustaining is $6 billion a year.

I think it is pretty obvious that Afghanistan is not going to be able to afford to sustain what we are building for them. They cannot take over half of their GDP just to do local police and military.

So that means the American people have probably made some kind of multi-billion-dollar commitment for many years forward. Certainly not at the level that we are this year and next year but certainly billions of dollars which means we are going to need contractors over there for many years.

I just want to make sure that we get a sense of urgency about getting it right as quickly as possible because this has gone on way too long, way too long.

I want to ask a favor before we close the hearing. We will have questions for the record for all of you. I want to as always thank the auditors, the Inspector General's offices, for your great work. It is brave. Your people went in-country and the services of the auditing community are not valued enough in our government and I hope you all know the deep respect for that work.

I also want to thank both of you. This was not an easy hearing. But this is hard stuff. It is a hard thing we are trying to do and the contracting in this area has certainly not been anything that any of us should be proud of.

We are going to have a hearing, Mr. Johnson, in a few months on the contracting for counter narcotics in South America.

We gave plenty of notice for documents. We have had difficulty getting documents out of the State Department. We were able to do this hearing without a lot of the documents we requested from the State Department.

But it will be impossible for us to have the oversight hearing that we need to have on these contracts in South America without the cooperation of the State Department giving us the documents.

So I would like to implore on the record today that you spend some time—I think this is under your silo at the State Department—if you would work to help us get the documents we need for that important hearing.

I do not think we have ever had an oversight hearing on the expensive contracts that we issue on counter narcotics in South America and I would like it to be a full and complete hearing and it will not be without your cooperation.

Mr. JOHNSON. Thank you, Madam Chairman. We have gathered the documents. They are going through the clearance process now. I will endeavor to push that as quickly as we can.

Senator MCCASKILL. That would be terrific.

I want to thank everyone for being here. I especially want to thank Senator Brown for his participation.

This hearing is adjourned.

[Whereupon, at 4:39 p.m., the Subcommittee was adjourned.]

APPENDIX

HEARING ON CONTRACTS FOR AFGHAN NATIONAL
POLICE TRAINING
April 15, 2010

Claire McCaskill Opening Statement

Today is the Subcommittee's third hearing on contracting in Afghanistan. We will focus on the Afghan National Police.

This hearing was originally scheduled for just over two weeks ago. On the day of the hearing, one of my Republican colleagues used a procedural mechanism to prevent us from holding the hearing. This partisan action succeeded only in postponing oversight of one of the most important elements of our strategy in Afghanistan.

The importance of our hearing today is all the more heightened by its delay. So let us begin.

The United States has been training the Afghan police since 2004. To date, the United States has spent more than $6.2 billion on training and equipping the Afghan police.

More than $1.2 billion has been spent under just two task orders awarded to DynCorp under the State Department's massive CIVPOL contract for worldwide police training. And from the beginning, this contract has been plagued by mismanagement and abuse.

From 2005 on, GAO and agency inspectors general have identified the same problems over and over again. There hasn't been a plan for when, how, or how much it will cost to train and equip the police. There hasn't been adequate contract oversight. And the police force faces a host of challenges, from low literacy rates to drug abuse among recruits to endemic corruption.

Today, we will hear from the Inspectors General for the Defense Department and State Department, who issued a report in February about the management and oversight of the DynCorp contracts. They found that the State Department can't account for hundreds of millions of dollars that was spent to train and equip the police and that they failed to conduct proper oversight.

The Inspectors General concluded that the DynCorp contract doesn't meet the Defense Department's needs in developing the Afghan police to provide security in Afghanistan.

In other words, what the government has been doing for the past six years is fundamentally flawed. We've spent billions of taxpayer dollars to enrich DynCorp while not actually achieving the goal of a trained, capable police force.

Last summer, the State and Defense Departments decided to make a change and transfer the management of the contracts to the Defense Department. Unfortunately, the Defense Department then decided to use an umbrella contract administered by an obscure office of the Army Space and Missile Defense Command, the Counter-Narcoterrorism Technology Program Office (called "CNTPO"), to award new contracts for police training.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00045 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.001

Last year, President Obama told federal agencies to improve transparency and competition in government contracting. At the Subcommittee's hearing in October, Chief Performance Office Jeffrey Zients told the Subcommittee about new federal guidelines to help agencies choose the best contracting vehicle to maximize competition.

Instead of allowing all the qualified bidders to compete, however, the Defense Department chose to effectively dole out a monopoly contract to Blackwater, the only company on the CNTPO vehicle with any experience in police training.

On March 15, GAO issued a decision sustaining DynCorp's protest of the Defense Department decision to use this CNTPO contract vehicle. GAO told the Defense Department it had one of two options: compete the contract or find another (legal) way to avoid competition.

Meanwhile, we are faced with a police training contract marked by five years of government audits that detail a host of uncorrected problems. The State Department finally claims to be taking some steps to increase its oversight of the contract. Instead of using government employees, however, the State Department is hiring contractors to oversee the contracts. I am not impressed.

Lack of oversight, poor contract management, avoiding competition, and using contractors to oversee contractors aren't new. These are the same problems that we know had a devastating impact on our efforts in Iraq.

Today we must seek answer to why the same problems are happening in Afghanistan.

On the eve of the original date scheduled for this hearing, Newsweek published an in depth story about the failures of the Afghan police training program. The article paints a picture of an Afghan police force that is woefully incompetent, corrupt, and mistrusted by the Afghan people.

These accounts are an indictment of the State and Defense Department's management of the program. According to General Caldwell, who is now the top U.S. official in charge of police training, the United States hasn't been doing any police training for the last eight years. "All we did was give them a uniform."

Here is the bottom line: the U.S. government has spent more than 8 years and $6 billion to train the Afghan police. But today, the Afghan National Police are nowhere close to being able to carry out their mission. The government cannot even account for hundreds of millions of dollars spent under these contracts. And I am simply staggered by the waste of time and money.

I welcome the State and Defense Department Inspectors General, who will discuss their continuing work on the police training contracts in Afghanistan. I also welcome the officials from the State and Defense Departments, who will help us understand the full story.

I would also like to take this opportunity to apologize to all of our witnesses for the inconvenience of rescheduling today's hearing. I particularly apologize to Inspector General Geisel of the State Department, who was no longer able to join us, and welcome Ms. Klemstine, who will be appearing in his place.

I would also like to welcome the new Ranking Member of the Subcommittee, Senator Scott Brown, who will bring a fresh and independent perspective to our ongoing oversight. I look forward to working closely with him in the future.

April 15, 2010

Subcommittee on Contracting Oversight

U.S. Senate Homeland Security & Governmental Affairs Committee

Senator Scott Brown

"Contracts for National Afghan National Police Training"

It is an honor to be here with Chairman McCaskill at my first hearing as Ranking Member of the Subcommittee. Contracting has become a major part of the federal government in areas stretching from counterterrorism to health care. Sometimes this is for the better, and sometimes not. Madam Chairman, you have been diligent in exploring issues in this subcommittee that go to the core of how our government conducts business. I look forward to tackling these complex issues, asking the tough questions, and saving taxpayer dollars.

After just returning from a Congressional Delegation mission to Afghanistan and Pakistan, I can think of no more important issue than the one we are addressing today. Being on the ground and seeing the situation showed the incredible importance of our efforts in a region that lies at the intersection of terrorism, radical Islam and nuclear proliferation. Obviously, the highlight of any trip like this is seeing our young American service members in action. Under General McChyrstal's leadership, they are performing magnificently and it was a privilege to meet many from my home state. I want to see them succeed so that we can defend our citizens from threats emerging in the areas that spawned 9/11. Success will also mean more of our troops can come home as we can hand off key missions to the Afghan people. However none of these goals can be achieved in the long run without a strong, capable Afghan National Police force that is able to operate independently of coalition forces.

57325.003

Yet our efforts so far have been called a "scandal" and a "disaster" by a recent front page story in Newsweek. The State Department's top Ambassador for Afghanistan and Pakistan called the Afghan police "an inadequate organization, riddled with corruption." After spending $6 billion dollars the American people deserve to know what went wrong. Even more importantly, our troops deserve for us to get this right so that their incredible efforts are not undermined by a failure of the Afghan police to hold hard-earned gains.

As a young enlisted man, I learned very early on that mission drives operations. In government contracts, the statement of work must provide this clear, coherent vision of the mission and informs agencies when they determine which companies can best provide the service or product that is needed in the field.

Yet U.S. efforts to train Afghan police have lacked a clear, coherent strategic vision. Some of this is due to changing conditions in the field, such as providing more of a counterinsurgency focus when the Afghan police suffered disproportionate casualties at the hands of insurgents. The State Department and Department of Defense's reaction to those changing conditions, however, were too often ad hoc and incomplete. GAO and the Defense and State Department Inspectors General reports cite a range of poor contracting practices by both agencies.

The audit report released by the State and Defense inspectors general casts a bright light on State's poor management of its "CIVPOL" contract; the contract used to train the Afghan police. The report also cited an almost complete lack of contracting personnel in Afghanistan to administer the program, which led to limited front-line oversight and delayed critical modifications to the contract that were requested by the Department of Defense.

These contract management deficiencies appear to be a persistent problem for the State Department. On January 25th of this year, the Special Inspector General for Iraq Reconstruction (SIGIR) noted that there were similar, widespread deficiencies in the $2.5 billion police contract in Iraq. In an audit by Special Inspector General for Afghanistan Reconstruction (SIGAR) it was determined that a $404 million contract to provide training and training support for the Afghan National Security Forces had only one contracting officer's technical representative in Afghanistan to provide contract oversight, who had limited contracting experience and training, and was unable to make field visits to monitor contractor performance.

In the past year, the Department of Defense has tried to move the task orders of the police training to its own contract. Unfortunately, this solution bypasses the free and open competitive process required from a new contract. Instead, they tried to roll $1 billion of task orders into an existing contract for counternarcotics that had a limited and pre-established pool of contractors. In the GAO decision on a bid protest that preempted this action by the Department of Defense, it was said that even contemplating the justification for moving the training work to their counternarcotics contract would: "eviscerate the requirements of the Competition in Contracting Act."

The excuse that has been given for even attempting these contracting acrobatics is that it was "expeditious" and would avoid the twelve month process of creating a new contract. The Army has been the lead since 2006, so I am curious why they found themselves in a situation where an expedited contracting process was necessary. Again, I suspect a lack of strategic vision was the underlying cause.

57325.005

I realize that this is a war and that war is dynamic. There will always be administrative deficiencies and changing priorities on the ground. In this case, however, the contract management has fallen short on a mission so critical that we cannot accept the status quo.

After almost 30 years in the National Guard, I immediately recognize the importance of this training initiative. Success in Afghanistan is currently defined as creating a stable society which honors the rule of law, rather than the strong arm of the Taliban. Without a professional force that safeguards the rights and property of the Afghan people, there is little hope of establishing more advanced goals of economic development, education, public health, and ultimately, a country that is no longer a "failed state" and a safe haven for terrorists.

We must get some clear, direct answers about the underlying problems in this program so we can then start to address some of the higher-order questions that still need to be resolved such as:

- After $6 billion in spending over almost a decade—what went wrong and where did the money go? Who should be held accountable?
- For America's troops and civilians serving in Afghanistan—how do we fix this critical mission? What resources, oversight, or new capabilities are need to make the police training mission succeed? How do we ensure that the Afghan police are integrated into a broader strategies—such as counterinsurgency and building the rule of law--so that we can prevent the return of terrorist safehavens and allow the Afghan police to take over from our soldiers?
- What contracting or other reforms are needed so that American can respond to future challenges without the risk of waste, fraud, abuse or overall failure to achieve vital national security missions?

57325.006

We are all aware of the vocabulary of Washington oversight, and I do not think they need to be recycled here. We need to take a fresh look and explore some simple truths about where the departments have fallen short, and how we can avoid those mistakes again going forward. I am confident that this panel is up to that task and I appreciate your efforts in bringing these issues to light.

April 15, 2010

Expected Release

2:30 p.m.

Gordon S. Heddell

Inspector General
Department of Defense

before the

Senate Committee on
Homeland Security and Governmental Affairs
Subcommittee on Contracting Oversight

on

"Contracts for Afghan National Police Training"

Chairman McCaskill, Ranking Member Brown, and distinguished members of this subcommittee, thank you for the opportunity to appear before you this afternoon to discuss our oversight of the joint effort between the Department of Defense and Department of State for police training in Afghanistan.[1] Specifically, I will discuss our concerns regarding the management and oversight of the Department of State's Civilian Police (CIVPOL) Program contract in support of the Combined Security Transition Command-Afghanistan (CSTC-A). In addition, I will discuss challenges created by joint administration and responsibility of this contract. Finally, I will describe actions that CSTC-A planned to undertake once the contract has migrated to Department of Defense (DoD), which, if properly implemented, should address our concerns.

I want to emphasize that the DoD Office of the Inspector General (DoD IG) recognizes that the training of the Afghan National Police (ANP) is a key part of the U.S. strategy for Afghanistan. It is critical that training of the ANP and oversight of the training program be carried out in an effective manner with transparency, accountability and measurable results to show what has been accomplished.

BACKGROUND

At the request of Chairman Inouye and Vice Chairman Cochran of the Senate Committee on Appropriations, Subcommittee on Defense, my staff in collaboration with the Inspector General of the Department of State, conducted an audit from June 2009, through January 2010, of the status of Afghanistan Security Forces funds the DoD provided to the Department of State (DOS) for the training of the ANP. The Senators requested we review contract documents and invoices to ensure they complied with Federal regulations and to determine if the contract met the needs of the DoD. The Senators also requested we review contractor invoices to determine whether the claimed costs were allowable, allocable, and reasonable.

---

[1] "DOD Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police," DOSIG Report No. MERO-A-10-06, DODIG Report No. D-2010-042, February 9, 2010

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00053 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.009

To address the Senators' request, we reviewed the contract, task orders, statements of work, and related modifications to ensure they complied with Federal regulations and met the needs of the DoD. We visited the DOS Bureau of International Narcotics and Law Enforcement Affairs (INL) in Washington, D.C., the U.S. Embassy in Kabul, Combined Security Transition Command – Afghanistan (CSTC-A) Headquarters at Camp Eggers, six of the nine ANP training centers in Afghanistan, and DynCorp facilities in the U.S. and Afghanistan. At INL's offices, we met with contract management and financial management staff to determine whether they adequately managed and oversaw the contract and whether they effectively managed ASF funds provided by DoD. In Afghanistan, we met with CSTC-A police development staff and DynCorp staff to determine the effectiveness of the ANP training program. At the U.S. Embassy in Kabul, we met with INL contract oversight staff to evaluate their contract oversight procedures.

PRIOR INSPECTION AND ASSESSMENT REPORTS

In order to better understand the context in which we conducted the 2010 joint audit, it is worth noting that the DoD IG previously conducted oversight projects and provided similar recommendations relating to the ANP and the INL. On November 14, 2006, this office issued a joint report with the DOS OIG, "Interagency Assessment of Afghanistan Police Training and Readiness" (Report No. IE-2007-001). At that time, our offices jointly noted that readiness requirements for the ANP had already expanded beyond the scope of the training that was being provided. The assessment characterized the ANP readiness as being "far from adequate" and recommendations were made to CSTC-A and DOS for enhancements to the management and execution of the training program. Of particular note, the assessment contained a recommendation that INL assign a qualified contracting officer's representative (COR) on a permanent basis to Embassy Kabul to improve program management of the police training contract in support of CSTC-A. As outlined further below, the concern about the adequacy of INL staffing for oversight and contract management raised in our 2006 report is also a key finding of our January 2010 report.

On September 30, 2009, the DoD IG, Office of Special Plans and Operations, issued its findings relating to another DoD IG assessment involving the ANP, "Report on the Assessment of U.S. and Coalition Plans to Train, Equip, and Field the Afghan National Security Forces" (Report No.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00054 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.010

SPO-2009-007). In identifying key "Areas of Concern," the report noted that there was a lack of appropriate oversight support for contract administration. Specifically, the report stated that there was an insufficient number of experienced and trained contracting officer and CORs in-country to provide appropriate contract oversight. The report also noted that there was an insufficient number of Defense Contract Management Agency personnel directly supporting CSTC-A to monitor performance on contracts.

The report examined other matters regarding the ANP instruction program itself, which at the time called for eight weeks of instruction – now reportedly being reduced to six weeks of instruction in order to more quickly achieve goals of increasing the overall size of the ANP. Our report found that the eight week instruction course was deficient in the area of civil policing and rule of law instruction. With regard to overall size and capability of the ANP, our report noted that the number of ANP personnel authorized at that time did not enable it to accomplish the broad scope of both the counterinsurgency and community policing challenges.

ANP TRAINING CONTRACTS

The training and mentoring of the ANP is currently provided under the DOS CIVPOL contract with DynCorp International. This is an indefinite delivery/indefinite quantity contract managed by INL with several task orders, two of which specifically provided support for the training and mentoring of the ANP. At the time of our audit, the total value of the CIVPOL contract was $1.36 billion, with the two ANP task orders making up $1.27 billion of this amount. Since 2006, DoD has transferred $1.04 billion of the funds appropriated for the Afghanistan Security Forces to INL to support the ANP training program, and in January 2010, DOS reported that they had expended $780.3 million of these funds. The first of the ANP training task orders expired in October 2009, while the second has been extended until a new contract is issued.

Under the CIVPOL contract, DoD did not have the contractual authority to direct the contractor. This negatively impacted the U.S. Government's ability to effectively train the ANP to address the changing security environment. In addition, the inadequate contract oversight and financial management by DOS presented significant challenges.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00055 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.011

Challenges with the DOS ANP Training Contract. The DOS CIVPOL contract did not meet DoD's needs in developing the ANP to provide security in countering the growing insurgency in Afghanistan because the contract did not allow DoD to make rapid changes in ANP training as the security situation in Afghanistan changed. In 2006, the security situation in Afghanistan was more suitable for a civilian police force whose mission was to enforce laws. This contributed to DoD's decision to use the existing CIVPOL contract to train, mentor, and equip elements of the Afghanistan Ministry of Interior, which include the ANP. Since that time, the security situation in Afghanistan has changed significantly as the insurgency has grown. The current CIVPOL contract no longer meets DoD's needs in developing the ANP to provide security in countering the insurgency in Afghanistan.

ANP average monthly death rates have steadily increased in the last 4 years, from 24 in 2006 to 123 in 2009. As the insurgency threats escalated, the need for additional ANP personnel with enhanced combat skills increased. To address this, the ANP needed increased training capacity, changes to the training curriculum, and more police mentor teams to develop the new ANP forces. Because of these increases in violence and the rising death rates among ANP, CSTC-A leadership stated that the focus of ANP training should have included more counterinsurgency and tactical skills training, which more resemble military training than civilian police force training.

In March 2009, the President announced a comprehensive new strategy for Afghanistan, which included an emphasis on training and increasing the size of Afghan security forces. According to CSTC-A senior officials, to effectively train and mentor the new ANP members, DoD needed the authority to direct the contractor to construct new training facilities to accommodate the increases in ANP forces, develop a new security-focused curriculum, and mentor ANP members in combat tactics. The Chief of Mission stated that despite excellent coordination between the U.S. Embassy and CSTC-A, the lack of a single, unified chain of command has sometimes created confusion and unnecessary delays in enhancing the program. Under the current CIVPOL contract, DoD must coordinate any changes through INL, which delays implementation and hampers the ability of DoD and the ANP to quickly respond to the rapidly changing security environment. For example, the current MOA between DOS and DoD states that DoD must provide updated training requirements 120 days in advance; however, according to INL

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00056 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.012

personnel, on average, it took 6 months to fulfill these requirements. CSTC-A officials stated they believe new program requirements can be implemented faster if DoD has contractual authority and is not required to coordinate program changes through another agency. Efficiency is necessary in order to rapidly respond to the changing Afghanistan security environment.

Planned DoD ANP Training Contract. In August 2009, DOS and DoD jointly proposed DoD assume responsibility for the basic ANP training and field mentoring and INL retain responsibility for advanced ANP training. DoD and DOS officials told us the training CSTC-A will provide under this proposal is designed to meet the current threat in Afghanistan. As such, the training will focus on survivability and tactical maneuvering in order to better prepare ANP to defend themselves and Afghan civilians against insurgent threats. The INL will continue training the ANP in traditional community policing methods.

In response to our draft audit report, the CSTC-A Deputy Commanding General provided a detailed description of the requirements for the ANP training program. The Deputy Commanding General also included the goals to simultaneously: reform and expand the ANP; provide resources to train and reform the police; increase recruiting, improve retention, and reduce attrition; and improve leadership and dismiss corrupt police officials. If properly executed, these efforts by CSTC-A should improve the ability of the ANP to address the growing insurgency and the planned growth to 134,000.

DoD planned to award a new task order for ANP training through a multiple-award schedule contract through the DoD Counter Narcoterrorism Technology Program Office, a component of the Army Space and Missile Defense Command. On March 15, 2010, the Government Accountability Office (GAO) sustained a pre-award protest of this action filed by DynCorp International. GAO recommended the Army cancel the task order requests for proposals and either conduct a full and open competition for these services, or prepare the appropriate justification required by the Competition in Contracting Act of 1984 to limit the competition. As part of contingency planning in case GAO sustained the DynCorp protest, INL and CSTC-A proposed several adjustments to the existing ANP training program to minimize disruption of training activities. These included adjusting the curriculum to focus more on counter-insurgency operations and combat survival skills, modifying the role of trainers, phasing in more U.S.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00057 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.013

government and international trainers, and moving the contracting authority from Washington, DC to Kabul.

We should not immediately assume transferring the contract to DoD resolves the contract management and oversight challenges in the DOS ANP training effort. As we reported last year, the DoD Counter Narcoterrorism Technology Program Office has many of the same systemic weaknesses we identified in the DOS ANP training effort.[2] Later this fiscal year, we plan to start an audit of the ANP contract transitioned to DoD. We plan to review whether DoD officials are managing and administering the contract in accordance with Federal and DoD policies. The audit is needed because of the critical importance of the ANP to the U.S. exit strategy in Afghanistan.

CHALLENGES IN CONTRACT MANAGEMENT

We identified several challenges in the DOS management and oversight of the ANP training contract. The challenges included insufficient number of oversight personnel; inadequate quality assurance; inadequate accountability of government furnished property; inadequate contract files; inadequate invoice reviews; inadequate information to support billing and payments; and the lack of DCAA support.

Insufficient Contracting Officer Representatives. DOS did not assign enough contract oversight personnel to the ANP task orders. Although the two ANP task orders were valued at over $1.2 billion and DynCorp provided goods and services throughout Afghanistan, no full-time COR staff were assigned to oversee DynCorp's performance of the ANP task orders. The DOS assigned eight CORs to oversee task orders that included poppy eradication, drug interdiction, Justice Sector support, and Correction Sector support, and ANP training. Only three of the CORs were stationed in Afghanistan at the time of our fieldwork for the audit.

According to the three CORs stationed in Afghanistan, they did not have enough staff to sufficiently monitor contractor performance. These three CORs stated that due to the number of

[2] "Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office," Report No. D-2009-109, September 25, 2009

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00058 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.014

task orders under their purview, they spent only approximately 20 percent of their time on the two ANP training task orders, and most of that time was spent reviewing contractor purchase order requests and receipt of items in excess of $3,000. The CORs stated that they did not have time to perform other required tasks, such as quality assurance and overseeing Government-furnished property.

In response to our report, the Deputy Commanding General for CSTC-A stated that, based on the lessons learned from the previous contracting strategy, 184 contracting staff will be assigned to oversee the contract, and a COR, along with 20 quality assurance personnel, will be stationed in Afghanistan. In addition, an O-6 military officer will be assigned to each ANP training center.

Inadequate Quality Assurance. DOS contracting and INL program officials did not develop a Quality Assurance Surveillance Plan for one of the ANP training task orders, and did not update the Quality Assurance Surveillance Plan for the other task order, to include requirements established in 10 Statements of Work issued after the surveillance plan was implemented, as required by Federal Acquisition Regulation Subpart 46.4, "Government Contract Quality Assurance." As a result, contract surveillance may not be conducted consistently among a rotational staff of CORs in Afghanistan. A Quality Assurance Surveillance Plan is an important control technique for contractor oversight. It describes the procedures the Government will use to ensure the contractor's performance meets the Statement of Work requirements. The Federal Acquisition Regulation states a Quality Assurance Surveillance Plan should be developed in conjunction with the performance work statement and should include a description of all work requiring surveillance, location of inspections, and the method for accepting the goods or services.

In response to our report, the Deputy Commanding General for CSTC-A stated that CSTC-A and the Counter Narcoterrorism Technology Program Office developed contractor performance standards with input from the contract bidders. He added these standards include measures of performance and effectiveness and will be incorporated into the Quality Assurance Surveillance Plan.

Inadequate Accountability for Government Furnished Property. There were inadequate controls over Government-furnished property under this contract. DynCorp procured

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00059 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.015

millions of dollars of property under the two ANP training task orders. Neither DOS nor DynCorp maintained an accurate inventory list of property paid for by the U.S. Government.

We could only verify 27.6 percent (34 out of 123 items) of the property that we randomly sampled to review at three of the ANP training centers we visited. Our random sample included both sensitive items [weapons and night-vision devices] and non-sensitive items such as communication equipment, electronics, and office equipment. During our site visit to the Kandahar training center, we were able to locate 2 of the 89 non-sensitive items in our sample. DynCorp staff reported that many of these items had been destroyed or relocated during floods in past years. In addition, we determined that nine weapons, including pistols and rifles, that the DynCorp inventory reported as being at the Kandahar training center armory, had actually been issued to contractor personnel out of the armory at DynCorp's administrative facility in Kabul. We successfully verified all sampled items at the Bamyan and Herat training centers.

Inaccurate inventories resulted from minimal oversight of Government-furnished property and indicate a deficiency in the internal controls of both DynCorp and INL. This can lead to an environment with higher risk of theft. DynCorp staff at these training centers stated that the CORs did not conduct regular site visits and never conducted an inventory of Government-furnished property.

The lack of sufficient numbers of CORs in Afghanistan contributed to the inability of DOS to properly oversee the contract. Had the CORs visited the training camps regularly, they could have discovered the destroyed equipment at Kandahar and learned that the contractor did not report it immediately as required by the statement of work. Without accurate inventory lists, the COR has no means of determining whether all Government-owned property has been properly accounted for. In response to our draft report, the CSTC-A Deputy Commanding General stated that INL and DynCorp had completed an inventory of over 91,000 property items, and the Defense Contract Management Agency will provide property management oversight and review the awarded contractor's property management system.

Inadequate Contract Files. When we reviewed the ANP training contract files maintained by the CORs in Afghanistan in August 2009, they lacked the most basic information needed to administer the contract. We were unable to locate statements of work, copies of

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00060 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.016

invoices, correspondence with the contractor, documentation of acceptability of goods and services, and documentation of site visit results. Since CORs stationed in Afghanistan rotate frequently and are entitled to 2 months rest and relaxation away from their post each year, the availability of contract and oversight information is important. Without this information, incoming or acting CORs lack the information and institutional knowledge they need to properly administer the contract.

In comments to our final audit report, the CSTC-A Deputy Commanding General stated that the Counter Narcoterrorism Technology Program Office will ensure contract documents are maintained in an electronic file sharing system that will be available to all CORs under the planned DoD contract.

Insufficient Review of Contractor Invoices. DOS personnel did not sufficiently review hundreds of millions of dollars of invoices. These invoice reviews were necessary to ensure that the government received the goods and services, to determine whether the contractor was entitled to payment for submitted invoices, and to prepare and maintain the supporting documents necessary to show contractor entitlement to payment. INL performed only high-level reviews, which consisted of verifying 10 basic items, such as the vendor name, invoice number, and contract number. Even though this review was in accordance with the Prompt Payment Act, it did not address whether DynCorp's invoice costs were allowable, allocable, or reasonable.

The DOS Foreign Affairs Handbook, the DoD Financial Management Regulation, and the Federal Acquisition Regulation address the topics of reviewing contract payments and invoices to ensure that costs are allowable, allocable, and reasonable. The COR should review invoices to determine the validity of the costs claimed and relate total expenditures to the progress of the contract.[3] This is particularly important under cost-reimbursement contracts where contractor's vouchers may indicate performance problems and that corrective actions or additional oversight is required. However, vouchers alone do not provide sufficient information for tracking financial

[3] Under FAR 31.201, a cost is allowable only when the cost is reasonable, allocable, and conforms to the terms of the contract. A cost is allocable if it is (a) incurred specifically for the contract; (b) benefits both the contract and other work, and can be distributed to the contract and other work in reasonable proportion to the benefits received; or (c) necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown. A cost is reasonable if, in its nature and amount, does not exceed that which would be incurred by a prudent person.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00061 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.017

progress. Therefore, the Government is entitled to ask the contractor for additional information that is necessary to understand whether the charges billed are allowable, allocable, and reasonable–the basic tests contractor's costs must pass to be reimbursed.

Both the contracting officer and the COR responsible for approving the contractor invoices recognized the invoice reviews were insufficient. The contracting officer signed a modification to the CIVPOL contract, which stated all invoices were to be treated as provisional and subject to subsequent reviews, audits, and appropriate adjustments. Furthermore, the COR wrote a caveat on the invoices he signed that referenced this modification.

DOS established a separate Invoice Reconciliation Team to review previously approved invoices. At the time of our audit, the Invoice Reconciliation Team had not reviewed invoices under the two ANP training task orders; however, their reviews of other contract invoices identified $322 million that was approved, even though the costs were not allowable, allocable, or reasonable. Furthermore, the Invoice Reconciliation Team estimated that approximately 50 percent of the approved invoices had errors. Invoice reviews years after the fact are very inefficient because documents are missing, memories are faded, and key contract staff are no longer available. The Special Inspector General for Iraq Reconstruction recently reported[4] the DOS invoice reconciliation process for the Iraqi police training contract with DynCorp that has been ongoing since October 2006, will take 3 to 5 years to complete and only 5 of 10 invoice reconciliation team members remain to complete the review. The reconciliation is adversely affected not only by a shortage of personnel to examine invoices, but by a high error rate on invoices and missing support documentation.

Inadequate Information Supporting Billing and Payments. The CORs did not prepare or maintain documents supporting the payment of invoices in accordance with the DOS Foreign Affairs Handbook. Specifically, the CORs did not prepare or maintain receiving or inspection reports to document whether contractors were entitled to receive payments because they did not accept delivery of goods and services. They also did not perform site visits to

---

[4] "Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program," Report No. 10-008, January 25, 2010

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00062 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.018

validate the existence or completion of goods and services. Instead, the COR accepted DynCorp's invoices as the Government's approval of goods or services accepted by the contractor.

Approving contractor invoices without assurance that the Government received what it paid for is not allowable. DOS's reliance on DynCorp's invoices causes us even greater concern given that, in April 2009, the Defense Contract Audit Agency (DCAA) identified significant internal control deficiencies in the system DynCorp uses to generate these invoices.[5]

The U.S. Government has the right to "disallow" costs and not reimburse the contractor for costs that are unreasonable in nature or amount. The right to exercise this power should encourage the contractor to manage efficiently. The planned increase in COR and quality assurance staff for the new contract should allow DoD to ensure that the contractor is entitled to payment.

Lack of Defense Contract Audit Agency Oversight. In November 2007, four years after the contract began, INL requested and authorized the DCAA to provide oversight of the DOS CIVPOL contract. However, the DCAA did not perform the proposed audits because the DOS contracting officer canceled the authorization on October 24, 2008.

In response to our draft report, the DCAA, Assistant Director for Integrity and Quality Assurance, stated that DCAA should have been reviewing the billings submitted to the DOS under these two task orders. Therefore, the Assistant Director recommended that DCAA be delegated the authority to review and authorize interim vouchers for reimbursement and be provided funding to accomplish these tasks.

The Assistant Director also stated that DCAA will include the follow-on contract in its established pre-payment and post-payment sampling and review plans. As a result, DCAA will review and provisionally approve interim vouchers submitted and the progress or milestone payments. The Assistant Director also recommended DOS engage DCAA to perform post-award audits of initial task order award proposals and subsequent task order modifications to ensure the Government's interest is protected.

---

[5] "Report on Audit of Billing System," Report No. 03181-2009D1101001, April 23, 2009

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00063 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.019

The Acting Assistant Secretary of State, INL, agreed with our recommendation that DOS request audit support from DCAA to determine the allowability, allocability, and reasonableness of invoices submitted under the two ANP training task orders. The Acting Assistant Secretary also stated that INL intends to take appropriate actions once DCAA presents its findings and recommendations.

QUESTIONABLE FINANCIAL MANAGEMENT

The DOS used questionable financial management practices. Specifically, expired funds were not transferred back to the U.S. Treasury and DOS did not provide necessary accounting details for audit testing.

Expired Funds. DOS improperly kept $80 million of funds transferred from DoD even though these funds had expired. The money used to fund the ANP training program came from three separate appropriations made for the Afghanistan Security Forces Fund. Each of these appropriations established availability periods for the use of these funds. As of December 2009, DOS was still holding $80 million of funds that were no longer available to be used. The availability period ended in September 2007 for $56.8 million of these funds and in September 2008 for the other $23.2 million. We recommended DOS return the $80 million of unexpended funds to the U.S. Treasury.

Accounting Details. In addition, DOS did not provide necessary accounting details for us to determine the validity of over $200 million in expenditures for ANP training during our fieldwork. One of our planned audit tests was to review a sample of disbursement transactions to determine if they were supported by contractor invoices and represented costs that were allowable, allocable, and reasonable. Over our six months of fieldwork, we repeatedly requested that DOS provide a list of all disbursements of DoD funds made for the ANP training program. In September 2009, DOS provided a partial list of the disbursements that totaled only $387 million of the $604 million they had reported making. It was not until January 2010 that they provided a complete list of all disbursements. Because we received this additional data after we issued the draft report, we were unable to adequately test those disbursements to determine whether DOS had properly accounted for all of the ASF funds provided by DoD.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00064 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.020

INADEQUATE TRAINING FOR WOMEN AFGHAN POLICE

During the audit, we also reviewed the adequacy of the Afghan women's police training program. Only 131 women were trained for the ANP in the last four years, in spite of reports issued by DOS and DoD during the past three years that have identified the need for an Afghan women's police force. An interagency assessment of Afghanistan's police training and readiness was conducted jointly by the DOS and DoD. The report of November 2006 found that there were only 91 low-ranking female police personnel in Afghanistan–a country of approximately 28 million people. The report further stated the number of female police should increase substantially because in a Muslim country, only female police can closely interact with female suspects, respond to domestic disputes, and search women at border crossings.

The first INL-funded women's police training program was conducted at the Herat training center in July 2007. Planning for a dedicated Women's Police Corps facility began in February 2008. Following the planning and construction phases, the first Women's Police Corps training class was held in Kabul in November 2008. According to Deputy Commanding General, CSTC-A, the Women's Police Corps training facility in Jalalabad opened in November 2009 and it has the capacity to meet requirements for an additional 1,389 female police members. Both the Kabul and Jalalabad facilities were designed to train 30 women recruits over an 8-week training cycle. The Kabul Women's Police Corps has trained 20 to 42 female police per class through its first four training cycles since November 2008.

While we believe the U.S.-funded ANP program has laid the foundation for an effective women's police training program, progress made so far is not adequate. At the time of our audit, only one women's training facility in Kabul was in operation, whereas there were eight training centers for male police officers in Afghanistan. According to statistics provided by DynCorp, 172,130 ANP have completed basic and advanced training courses but only 131 are women.

According to the information provided by INL, approximately $6.6 million was provided to construct and operate the Women's Police Corps facilities in Kabul and Jalalabad. This amount is insignificant compared to the total funding provided by the U.S. Government for the ANP training program.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00065 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.021

CLOSING & PLANS FOR ADDITIONAL CONTINGENCY OPERATIONS OVERSIGHT PROJECTS

The DoD Office of the Inspector General recognizes that the training of the Afghan National Police is a key part of the U.S. exit strategy for Afghanistan. We will be following closely the Department's efforts to provide training. We plan to initiate an audit of the Afghan National Police contract later this year, after it has transitioned to DoD. In addition, we plan to return to Afghanistan in the August – September 2010 timeframe to continue our on-going initiative to assess the U.S., International Security Assistance Force-North Atlantic Treaty Organization and Coalition efforts to train and equip the Afghan National Security Forces.

Oversight of U.S. contingency operations in Southwest Asia is a top priority of the DoD IG. As the principal oversight agency for accountability within the Department of Defense, the DoD IG is committed to providing effective and meaningful oversight in Southwest Asia. Our priority is to assist DoD and the Congress in identifying and deterring waste, fraud, and abuse of taxpayer monies; and, most importantly, ensuring the brave men and women serving in Southwest Asia are as well equipped and led as possible. We will continue to coordinate and integrate our efforts within the oversight community to minimize duplication and ensure oversight coverage is as comprehensive and effective as possible.

We thank the Subcommittee for the opportunity to discuss our work in Afghanistan and look forward to continuing our strong working relationship with the Congress and with all oversight organizations in Southwest Asia.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00066 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.022

REMARKS OF EVELYN R. KLEMSTINE

ASSISTANT INSPECTOR GENERAL

AUDIT

U.S. DEPARTMENT OF STATE AND

THE BROADCASTING BOARD OF GOVERNORS

BEFORE THE

UNITED STATES SENATE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON CONTRACTING OVERSIGHT

ON

DOD OBLIGATIONS AND EXPENDITURES OF FUNDS PROVIDED TO THE DEPARTMENT OF STATE FOR THE TRAINING AND MENTORING OF THE AFGHAN NATIONAL POLICE

APRIL 15, 2010

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00067 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.023

Thank you Chairman McCaskill and Ranking Member Brown for the opportunity to present our joint audit on the national police training program contract in Afghanistan with the Department of Defense (DoD) Inspector General.

We conducted this joint audit in response to a Congressional request, with an objective of determining the ability of the Afghan National Police (ANP) training program to address Afghan security needs. In addition, we reviewed contract management activities and the status of Afghanistan Security Forces (ASF) funds provided by DoD to the State Department for ANP training.

In 2006, when the security environment in Afghanistan was more stable, DoD decided to use the State Department's existing Civilian Police Program (CIVPOL) contract to implement the ANP training program. The contractor, DynCorp International, was awarded two task orders, valued in excess of $1 billion, under the CIVPOL contract. These two task orders directed DynCorp to provide personnel, life support, and communications for the ANP training program. The State Department was responsible for procuring services related to the ANP training program, overseeing the contract, and managing and reporting on ASF funds transferred from DoD.

We found that under the CIVPOL contract, DoD did not have the authority to direct the contractor, thereby restricting DoD's ability to rapidly modify ANP training to respond to the rising insurgency and the changing security situation in Afghanistan. While the State Department was focused on training the ANP to be an effective police force after security in Afghanistan had been stabilized, DoD was focused on the survival and tactical training of the ANP to counter the growing insurgency. In addition, while the ANP program has laid the foundation for an effective women's police training program, there has been inadequate progress in training a sufficient number of Afghan women. The lack of trained women's police corps members who would be able to carry out duties more appropriate for females has limited the effectiveness of law enforcement in Afghanistan.

In order to provide a more stable and secure environment for Afghan citizens, we recommended correcting these deficiencies by clearly defining ANP training program requirements, increasing the training facility capacity for women police members, and enhancing efforts to recruit an adequate number of women training instructors. In response to the draft joint report, management provided a detailed description of the requirements for the ANP training and agreed to provide additional resources for training women police.

In overseeing the CIVPOL contract, we found that State Department contracting officials did not assign sufficient numbers of contract oversight personnel to the ANP task orders and did not

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00068 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.024

prepare a Quality Assurance Surveillance Plan to ensure that the contractor met the performance requirements of the statement of work. In addition, those contracting personnel who were assigned to monitor the task orders did not provide adequate oversight to ensure that all goods and services were received. Specifically, the following internal control weaknesses were identified:

(1) Government-furnished property was not adequately accounted for,

(2) Contract files were incomplete and not always available,

(3) Deliverables were not always matched to receiving reports, and

(4) Procedures for reviewing contractor invoices to determine whether the costs were proper were not followed.

As a result of these internal control weaknesses, State Department personnel could not ensure that funds allocated by DoD for the ANP program were expended in accordance with DoD requirements. We recommended that the number of contract personnel responsible for contract oversight be increased, that a complete inventory of Government property be performed, that the contracting officer maintain complete and accessible contracting files, and that goods and services be matched against invoices. In addition, we recommended that the Defense Contract Audit Agency (DCAA) perform an audit to determine whether all expenditures were allowable, allocable, and reasonable and request reimbursement from DynCorp for any payments that DCAA determines to be improper. In response to the draft joint report, management generally agreed to increase the number of oversight personnel going forward and strengthen contract administration internal controls.

In addition to identifying various internal control weaknesses, we also requested contractor invoices and other supporting documents for $217 million in ASF funds already expended. Unfortunately, State Department financial managers did not provide detailed transaction data until after the draft report was issued. As a result, we could not determine whether the Department had expended ASF funds in accordance with Congressional intent. However, we did ascertain that $80 million in ASF funds transferred from DoD remained unexpended well after the end of their availability period established by appropriations law. We recommended that the State Department determine the status of ASF funds and that any excess funds, to include the $80 million in expired funds, be returned to DoD.

In March 2009, the President announced a comprehensive new strategy for Afghanistan, which included an emphasis on training and increasing the size of Afghan security forces. The State Department and DoD are committed to providing a stable and secure environment for all Afghan

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00069 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.025

citizens. This requires that we effectively train and mentor Afghan forces, monitor our contracts effectively, and ensure that the taxpayers' money is spent appropriately.

Finally, I would like to note that this audit was organized and conducted in six months. Given the scope of the work, which took place in the United States and six locations in Afghanistan, the short time for its successful completion is a tribute to the professionalism of the audit co-directors, Mr. Mark Ives from DoDIG and Mr. Jim Pollard from the State Department OIG, and their teams.

Once again, I thank you, Chairman McCaskill and Senator Brown, for the opportunity to appear today, and I am ready to answer your questions.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00070 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.026

Testimony

of

Assistant Secretary David T. Johnson

Bureau of International Narcotics and Law Enforcement Affairs

U.S. Department of State

before the

Senate Committee on Homeland Security and Government Affairs

Ad Hoc Subcommittee on Contracting Oversight

Thursday, April 15, 2010

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00071 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.027

Thank you Chairwoman McCaskill, Ranking Member Brown, and other distinguished Members of the Subcommittee. I am grateful for the invitation to appear before you today to testify about the Department of State's programs to train the Afghan National Police (ANP).

The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL), which I have the honor to lead, has supported the Government of the Islamic Republic of Afghanistan with assistance for ANP training since 2003. The Department of State has constructed seven Regional Training Centers in provincial centers throughout Afghanistan as well as a Central Training Center in Kabul.

In 2005, the Department of State's civilian police training efforts were re-configured to support the Department of Defense's (DOD) umbrella responsibility for the development of Afghan National Security Forces (ANSF), which includes both the Afghan National Army and the Afghan National Police. Since 2005, the Department of State has worked in partnership with – and under the authority of – the United States military to provide training in essential core policing skills. INL's international police advisors – all individuals with extensive law enforcement experience on American streets – teach Afghan trainers how to conduct basic training, oversee their work, and then provide feedback to those Afghan trainers so they can further improve and adapt their teaching methods as well as the curriculum that they teach. This train-the-trainer approach builds the capacity of the ANP to provide its own, sustained basic training in the future. The Department of State has also embedded civilian police advisors with U.S. military Police Mentor Teams at more than 40 Forward Operating Bases (FOBs) to provide post-training support and mentoring to the ANP in the course of its daily operations.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00072 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.028

In support of the United States military for nearly five years, INL has been responsive to emerging and often urgent program demands made by our uniformed colleagues. The Department of State has been able to rapidly deploy police advisors within Afghanistan to support Focused District Development and other priority programs such as training of the Afghan Gendarmerie (formerly the Afghan National Civil Order Police). Additionally, INL developed and launched a Women's Police Corps program in 2008 to train women in a single-gender environment and to enable the Ministry of Interior more easily to recruit female police officers. As needs have been identified and to better meet the demands of the environment in which the police operate, we have developed and implemented specialized programs, such as medic training for ANP and embedded subject matter experts to provide guidance to Ministry of Interior officials. To address the systemic problems of illiteracy, drug use and "ghost police", we have incorporated elementary literacy training as part of our basic training instruction, we are drug testing all recruits upon enrollment at the Regional Training Centers, and we are collecting data for the issuance of police ID cards. This will allow U.S. and Afghan officials, as well as Afghan banks, to accurately identify police personnel, a step which will improve financial accountability as well as service discipline.

Throughout our partnership, INL and DOD have consistently worked together to address the many and evolving challenges facing Afghanistan in establishing a professional police corps. INL deployed and continues to support approximately 650 U.S. civilian police advisors who train and advise the ANP, as well as Afghan Ministry of Interior (MOI) officials. The U.S. civilian police advisors are recruited nationwide from state and local law enforcement agencies. They bring a range of expertise that includes, but certainly is not limited to; field training instruction, criminal investigation, domestic violence prevention, traffic control, and first

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00073 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.029

responder training. Right now, our several hundred civilian police advisors are embedded with military units to improve assistance to local level police in their efforts to reach self-sufficiency.

OVERSIGHT AND MANAGEMENT

In April 2006, INL established an integrated business model to manage and oversee our police training programs for Afghanistan. In conjunction with the contracting officer, this model involves three main components: program officers; contracting officer's representative (COR) and COR staff; and in-country contracting officer's representatives (ICORs). INL's contact management oversight team consists of 34 staff, including 12 program officers between Afghanistan and Washington. They provide program direction and policy oversight and they monitor the contractors' performance. Seven ICORs in Afghanistan now provide contract oversight in the field and the COR and thirteen COR staff in Washington are dedicated to conduct contract oversight and contract administration from the U.S. This hybridized arrangement – with Washington providing much greater and more involved support than we would in a peacetime environment – was developed to deal with the unique challenges of ramping up capacity while conflict continued.

INL ICORs are tasked with substantive oversight of the police training contract. Most of them have been in-country for several years. They provide operational continuity, expertise, and historical insight. ICORs are required to keep their certification current through training every five years as required by the Department. ICORs also are encouraged to take advantage of every State Department COR course offered via distance learning platforms.

As INL has progressively refined our contract oversight, we established a bilateral contract modification that allows us to make provisional payments to contractors in order to

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00074 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.030

comply with the Prompt Payment Act as well as demand and immediately receive prompt payment back for any questionable goods or services when they are discovered in the course of INL's intense invoice review and reconciliation process.

This post-payment practice has been very successful. It has resulted in a seventeen percent rejection rate of police training invoices for Afghanistan, including $16.3 million in denied claims from service providers and $5.7 million in collected refunds. Further to standard audit and reconciliation processes external to the Bureau, this system of provisional payments protects our resources from human error and it minimizes the risk of fraud, waste, and mismanagement to American taxpayers.

As INL has refined our contract management oversight, we have strengthened Statements of Work (SOW) with additional contract accountability tools. For example, INL is applying on the ground in Afghanistan from our own lessons learned a Quality Assurance Surveillance Plan. This plan allows us to evaluate whether contract deliverables and performance comply with the contracted statements of work. We do this through site evaluations, inspections, and representative sample reviews.

INL conducts annual inventories in Afghanistan to account for government property in the custody of the contractor, and we require our police training contractor to use an accredited and automated inventory system to account for property purchased by contract personnel.

INL's ICORs in the field verify the contractor's use of the automated inventory system and its functions. INL has taken several steps to continually improve our processes and plans to enhance our efforts even further with additional staffing.

INL has advanced in contract management oversight through a variety of methods since our initial arrival in Afghanistan, including working closely with the OIG and DCAA

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00075 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.031

community. As a result, we recognize and value the many recent oversight reports concerning our police programs.

Specifically in response to the recent joint OIG reports by the State and Defense Departments, INL is taking steps rapidly to increase our ICOR accessibility to contract files through web-based tools and we are fully standardizing the duties and responsibilities of ICORs. We also recognize the staffing gaps pointed out by the OIG and DCAA and are taking steps to increase the number of ICORs in Afghanistan from seven to fifteen. Our goal is to do this by July 31, 2010. With respect to the report's recommendations regarding DCAA audits, we are working to resolve an administrative error that resulted in a pre-mature suspension of one of these programs and fully plan to implement the OIG and DCAA recommendations. To increase the opportunities and recruitment for female police in the ANP, INL established the first Women's Police Corps training facility in Kabul in late 2008 and a second in Jalalabad in late 2009. The Women's Police Corps provides the same basic training that their male counterparts received, only in a single-gender environment. Since 2008, 138 women have graduated from the WPC and the Ministry of Interior recently announced, as part of the ANP's 2010 Strategic Development Plan, it would seek to recruit 1,000 women this solar year (March 2010 – March 2011).

Madam Chairwoman, the Department of State takes very seriously the need to safeguard the public's trust in managing programs and contracts that support our national security and foreign policy objectives around the world. It is, after all, through our programs that our partners around the world have developed the bedrock of civil society, a safe and secure place where people can live free from fear. In Afghanistan; however, our programmatic objectives have been challenged by the high tempo of military operations, a very challenging security environment,

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00076 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.032

and limitations on the size of our staff on the ground. I offer this candid assessment as testimony to the importance of our work, the challenges we have faced, the successes we have had, and the direction of further improvements we seek to achieve. As stewards of increasingly more taxpayer dollars for critical national security and foreign policy objectives, we need consistently to review, adapt, and improve our programmatic contract management, and oversight requirements. We recognize this critical objective and have increased our financial oversight staffing substantially, though not enough as of yet, to match the growth in resources that have been entrusted to us. Enhancing this capacity is a critical objective of mine, that, with your support, I fully aim to achieve.

Thank you for the opportunity to discuss INL's contract oversight activities for the police program in Afghanistan. I look forward to addressing your questions.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00077 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.033

TESTIMONY

DAVID SEDNEY
DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR AFGHANISTAN, PAKISTAN AND CENTRAL ASIA

BEFORE THE SUBCOMMITTEE ON CONTRACTING OVERSIGHT

SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENT AFFAIRS

Contracts for Afghan National Police Training

April 15, 2010

Chairman McCaskill, Members of the Committee; thank you for the opportunity to appear today with my interagency colleagues.

As you know, the President's strategic review of Afghanistan and Pakistan recommended heightened efforts to increase the quantity and quality of the Afghanistan National Security Forces as part of a strategy to enable an eventual transfer of responsibility for security to the Afghan Government.

Improving the capacity of the Afghan National Police (ANP) is particularly important as the police are the primary link to the Afghan Government for many Afghans, particularly in rural areas.

Moreover, the Afghan police are in the front lines of the fight against the Taliban and its affiliates. ANP are stationed in places where there is no Coalition or Afghan National Army (ANA) forces and are often the primary insurgent target. Based on

57325.034

casualty rates, it is two times more dangerous to be a policeman today in Afghanistan than to be a soldier in the Afghan army.

The North Atlantic Treaty Organization (NATO) International Security Assistance Force (ISAF) and our non-NATO partners have made progress towards growing the end-strength of the ANP. The ANP achieved its previous end-strength goal of 96,800 in December 2009. In January 2010, the Joint Coordination Monitoring Board (JCMB), the international board charged with ensuring that international and Afghan ministerial plans align with the goals of the Afghan National Development Strategy (ANDS), agreed with the Afghan Government's plan, supported by ISAF and the U.S. Government, to increase the size of the ANP to 109,000 by October 31, 2010 and to 134,000 by October 31, 2011. The increase in 2010 will consist of approximately 5,000 Afghan Border Police (ABP); 5,000 Afghan National Civil Order Police (ANCOP), the mobile gendarme force that is equipped to act in a light infantry role throughout the country; and 2,000 Afghan Uniformed Police (AUP) and other specialized police and enablers. At the end of the March 2010 Afghan Ministry of Interior reporting period, the total ANP equaled 102,138, which was slightly above the overall February goal of 99,261.

Increases in the size of the ANP forces must come with a concomitant improvement in the quality of the force. Initiatives to improve the quality of the force include: improvements to the training infrastructure; increased pay equal to that of the Afghan National Army (ANA); better equipment; expanded literacy training; and

57325.035

embedded partnering and mentoring. In addition, we are working hand in glove with the Department of State to build the rule-of-law structures and processes to support the ANP.

As part of our effort to improve the police training process, the U.S. Ambassador to Afghanistan (Amb. Karl Eikenberry) and the Commander, U.S. Forces – Afghanistan (Gen. Stanley McChrystal), recommended in an August 11, 2009 cable that management of the Defense-funded and State-managed police training contract used to hire civilian police trainers should be shifted from the Department of State to the Department of Defense (DoD) to provide unity of control and command. The Department of State and DoD subsequently approved this recommendation.

Due to the operational need to quickly award a new contract and the respective organizations' subject matter expertise and experience in support of Afghanistan operations, the Commander, Combined Security Transition Command-Afghanistan, selected the Counter-Narcoterrorism and Technology Program Office (CNTPO), through the U.S. Army Space and Missile Defense Command/Army Strategic Forces Command (USASMDC/ARSTRAT), to oversee the development of an appropriate acquisition strategy for the ANP program.

The strategy called for procuring the required services through the issuance of task orders under existing Multiple Award Indefinite Delivery/Indefinite Quantity (MAIDIQ) contracts with CNTPO. The task orders for the training of the ANP and ANP program logistic requirements were to be competed among five MAIDIQ holders.

57325.036

Before orders could be issued, on March 15, the Government Accountability Office (GAO) sustained the protest by DynCorp International LLC. GAO determined that the task orders for the ANP program were outside the scope of the MAIDIQ contracts. As a result, the ANP training effort will not be awarded under the MAIDIQ contracts. DynCorp will continue performance under the current Department of State contract while DoD weighs options to ensure the ANP program requirements are met in an expeditious manner in consideration of this recent development.

Finally, it is important that any contractor DoD selects must be responsible and perform within the strict rules, regulations, performance expectations, and acceptable and ethical business practices we demand. Please be assured that we take seriously any allegations that a contractor fails to meet these expectations and requirements. The selection of DoD contractors responsible and capable to meet our requirements to assist in the training and development of the ANP is no exception.

I hope you find this information helpful. Thank you for your interest in this very important matter. I look forward to your questions.

Post-Hearing Questions for the Record
Submitted to
Mr. Gordon S. Heddell
From Senator McCaskill

"CONTRACTS FOR AFGHAN NATIONAL POLICE TRAINING"

Thursday, April 15, 2010, 2:00 P.M.
United States Senate, Subcommittee on Contracting Oversight,
Committee on Homeland Security and Governmental Affairs

1) Regarding the $80 million that the Defense and State Department Inspectors General testified as expired, you testified that an obligation makes no difference if the time period expires and the money is not expended.

Q. Does this contradict the State Department's claim with respect to these funds? If so, please explain the contradiction and support your statement.

Response: During the hearing I indicated that it was my understanding that because the time period had expired, the monies needed to be returned regardless of whether the State Department had obligated some of the funds. Upon further research and analysis, I find that this would apply after 5 years have passed as explained in further detail in response to the second half of this question (see below). However, with regard to the $80 million being questioned in this instance, it is the view of this agency that it is highly unlikely that the contractor has any outstanding invoices requiring payment from the Department of State. The State Department witness indicated, "I do not disagree that it would have expired had it not been obligated. But it has been obligated and has to be reconciled against these billings so that we return the proper amount." The State Department witness recognized that during the period of time the monies were available to be spent, some of the monies had not been applied against task orders or fully reconciled against billings. The State Department witness acknowledged that monies that are obligated but not expended in payment of billings have to be returned either to the Treasury or to DoD, depending on the date at which the monies became available. Additional information on the applicable statutes relating to this question follows.

A time-limited appropriation is available to incur an obligation only during the period for which it is made. However, it remains available beyond that period, within limits, to make adjustments to the amount of such obligations and to make payments to liquidate such obligations. In this connection, 31 U.S.C. § 1502(a) provides:

> *"The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law."*

57325.038

An obligation is considered properly chargeable to the account if it is for goods or services that correspond with the purpose of the appropriation and those goods or services are delivered during the availability period of the appropriation.

DoD transferred the funding to the State Department under the authority of 31 U.S.C. § 1535, also known as the Economy Act. Under 31 U.S.C. § 1535(d), an order placed or agreement made under the Economy Act obligates an appropriation of the ordering agency or unit. Under 31 U.S.C. § 1535(d), the amount obligated is de-obligated to the extent that the agency or unit filling the order has not incurred obligations before the end of the period of availability of the appropriation; in providing goods or services; or making an authorized contract with another person to provide the requested goods or services.

The majority of items included in the two Afghan National Police (ANP) training task orders, and the associated modifications, required the contractor to provide personnel to perform work related to the ANP training and to provide equipment necessary for the ANP training. For obligations under these two task orders to be proper under the Economy Act, the contractor must have provided the goods and services during the availability periods of the funds. Since the goods ordered under the CIVPOL contract were generally readily available commercial items, it is reasonable to expect that the contractor should have provided the goods ordered in FYs 2007 and 2008 well before the time of our audit.

Under the CIVPOL contract, the contractor submitted invoices for all goods and services on an approximately bi-weekly schedule. As discussed in our report, DoS paid in full all contractor invoices submitted under these two task orders. Because of this, we believe that there should be no circumstances where DoS has not already made expenditures for a significant amount of proper obligations.

Q. If obligated but unexpended funds have expired, can they be used toward outstanding obligations incurred in the year the funds were obligated?

Response: Yes, within certain limitations. In accordance with 31 U.S.C. § 1553(a), upon expiration of a fixed appropriation, the obligated and unobligated balances retain their fiscal year identity in an "expired account" for that appropriation before the closing of the account under 31 U.S.C. § 1552(a). Under 31 U.S.C. § 1552(a), on September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed. As a practical matter, agencies must maintain separate obligated and unobligated balances within the expired account as part of their internal financial management systems in order to ensure compliance with the Antideficiency Act.

During the 5-year period, the expired account balance may be used to liquidate obligations properly chargeable to the account prior to its expiration. The expired account balance also remains available to make legitimate obligation adjustments; that is, to record previously unrecorded obligations and to make upward adjustments in previously under recorded obligations.

57325.039

Post-Hearing Questions for the Record
Submitted to Gordon Heddell
From Senator Tom Coburn

Afghan National Police Training Contracts
April 15, 2010

1. It appears from your report and from the responses by the Defense Contract Audit Agency, that DCAA was unable to audit the Afghan National Police training contract without funding from the State Department. Do you feel DCAA should have the independence to initiate audits of security contracts in Afghanistan and not depend on an agency's willingness to fund it?

   Response: DCAA's mission is to provide audit services on contracts and subcontracts to all DoD components responsible for procurement and contract administration. DCAA has authority per DoD Directive 5105.36, "Defense Contract Audit Agency," to provide contract audit services to other Federal agencies; however, in accordance with DoD Instruction 4000.19, "Interservice and Intragovernmental Support," non-DoD Federal agencies must enter into a support agreement with DCAA to perform the audit services and provide the necessary funds to pay for the requested audit services. The applicability and clarification of DoD Directive 5105.36 as it relates to interagency contracting should be further reviewed. DCAA should provide audit services, without reimbursement, for all contracts and subcontracts funded by DoD no matter which procurement or contracting agency is used. Since DoD funded the Afghan National Police efforts, DCAA should have been able to perform its routine self-initiated audits without a request from the contracting officer and without reimbursement.

   The effective use of DCAA in the Interagency contracting process is another example of the significant challenges in this process identified by our work. Audit is currently discussing with DCAA avenues or approaches it can undertake to notify responsible parties when DCAA's audit services are not being properly used during Interagency contracting processes. Additionally, Audit will discuss with DCAA potential reporting mechanisms for its auditors to alert non-DoD agencies or their Inspectors General when DCAA identifies a potentially high-risk situation but a non-DoD contracting officer declines to pay for needed audit work. DCAA should not, however, have the independence to audit non-DoD funds without a support agreement and then only when appropriately reimbursed by the responsible agency in accordance with DoD Instruction 4000.19.

2. The joint audit report notes that it was cumbersome to change the curriculum for the Afghan National Police training due to lengthy coordination between State and DOD. Are you aware of any coordination between the U.S. government and the Afghan Ministry of Interior on curriculum for the Afghan National Police?

   Response: The NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) and the INL section of U.S. Embassy-Kabul are the appropriate organizations to respond to this question. Based on the fieldwork, the

57325.040

auditing staff understood that NTM-A/CSTC-A did not directly coordinate the training curriculum with the Ministry of Interior (MoI); however, U.S. military and contracted civilian personnel serve as mentors who regularly interact with MoI and ANP officials.

It is our understanding that one key initiative that NTM-A/CSTC-A and the MoI have implemented, with assistance from the international community, is establishment of the Police Training Command within the MoI. This organization is similar to the Afghan National Army Training Command and will execute education and training requirements for the MoI and the ANP. NTM-A/CSTC-A is also working with the International Security Assistance Forces' (ISAF) Joint Command and the MoI to develop Afghan Police Training Teams (APTTs) to work alongside ISAF Police Operational Mentor and Liaison Teams and U.S. Police Mentoring Teams to extend the reach of training and development capacity into districts that lack training support.

3. What is the right amount of contracting oversight that should be in place in Afghanistan for large contracts? Is it a function of the cost of the contract? Or perhaps the number of transactions? For example, should DOD have one contracting officer's representative for every $100 million in contracts?

Response: To determine the appropriate mix of contracting officers' representatives (CORs) needed for contract oversight, a risk-based strategy tailored to each contract's unique risk factors and other pertinent associated risks should be considered when developing an oversight plan. The cost of the contract and number of transactions are only two factors for determining the right mix of CORs required for oversight. In addition to considering the contract size and cost, there are other appropriate factors to consider.

- Contract type – Cost type contracts require extra levels of surveillance because there is no incentive for the contractor to manage costs, and contracts with incentive and award fees are also more surveillance intensive.
- Number of locations at which work is performed – If there are multiple locations, surveillance should occur at the actual performance locations. Hence a contract with performance at 10 locations would require more surveillance than a contract with one location.
- Likelihood of failure – The risk of a contractor's inability to consistently provide the required service. For example, training a nation's police force would require more oversight than a contract for rudimentary service such as laundry.
- Consequence of failure – The risk to life, health, or safety of personnel if services are not executed in a manner consistent with the contract requirements. For example, installing electrical systems in buildings should require more oversight than maintaining grounds due to risks to the personnel using those facilities.
- Challenges of working in a war zone - War-zone challenges include security and force protection issues, difficulty moving in and around Afghanistan, and communication problems. For example, remote, difficult-to-reach locations would require more comprehensive measures to mitigate the risks faced by personnel assigned to oversee such locations.

57325.041

Using a risk-based strategy that assesses these factors and other pertinent associated risks assists in determining the appropriate mix of CORs needed for contract oversight.

4. How would you compare and contrast the problems identified in this report regarding the Afghan National Police with the problems identified in your previous work regarding the Afghan National Army?

Response: The contracting challenges identified in the assessment of U.S. and Coalition plans to train, equip, and field the Afghan National Security Forces (ANSF) parallel the contracting issues identified with the Department of State contract to train the Afghan National Police. The assessment noted that CSTC-A faced continuing challenges with the contracting process and the quality of materials and services procured for the ANSF. Underlying factors contributing to these oversight shortcomings were insufficient experienced and trained contracting officers and the number of CORs in-country to provide appropriate contract oversight.

The most recent audit identified internal control weaknesses in the Department of State contract oversight for the ANP training program, including the failure to follow internal control procedures requiring in-country CORs to review contractor invoices to validate deliverables, and determine if the costs were allowable, allocable, or reasonable prior to payment.

This office and other Federal oversight agencies have reported numerous times on the inadequacy of contract oversight throughout Southwest Asia contracting efforts. In the immediate instance of the ANP contract, our oversight work again identified a lack of appropriate oversight support for CSTC-A contracts, which had been reflected in an ongoing failure to ensure selected contractors had the capability required to meet the standards set in the contract; and to monitor contract performance to ensure contractual services delivered were in compliance with contract specifications.

Post-Hearing Questions for the Record
Submitted to Evelyn Klemstine
From Senator Claire McCaskill
"CONTRACTS FOR AFGHAN NATIONAL POLICE TRAINING"
April 15, 2010

1) Regarding the $80 million that the Defense and State Department Inspectors General identified as expired, Mr. Heddell testified that an obligation makes no difference if the time period expires and the money is not expended.

Qa. Does this contradict the State Department's claim with respect to these funds? If so, please explain the contradiction.

Response: Per 31 U.S.C. §1552(a) "On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose."

However, 31 USC 1553(a) also provides that "After the end of the period of availability for obligation of a fixed appropriation account and before the closing of that account under 1552(a) of this title [cited above], the account shall retain its fiscal-year identity and remain available for recording, adjusting, and liquidating obligations properly chargeable to that account."

Generally, therefore, expired funds are available for 5 years after they expire for "recording, adjusting, and liquidating obligations properly chargeable to the account", but not for incurring new obligations.

Qb. If obligated but unexpended funds have expired, can they be used toward outstanding obligations incurred in the year the funds were obligated?

Response: As indicated above, the obligated, but unexpended funds may be used during the 5-year period to liquidate obligations properly chargeable to the account prior to its expiration. The funds could be used for recording, adjusting, and liquidating proper obligations. In the ANP contract, Dyncorp International was invoicing the government every 2 weeks and the government was paying them. OIG considers it unlikely that Dyncorp International had not invoiced for, or was waiting on, payments of $80 million.

2) Please provide your evaluation of whether 22 I-CORs will be sufficient to provide proper oversight of the ANP training contract.

Response: During a recent congressional hearing, Department representatives testified that in April 2010 there were 7 I-CORs in Afghanistan and that by September there will be 22 I-CORs serving in Afghanistan overseeing the ANP contract among other contracts. If the Department implements all of the recommendations in the joint audit and commits to the staff increase, the level of I-COR coverage should be sufficient.

57325.043

Post-Hearing Questions for the Record

Submitted to Evelyn Klemstine

From Senator Tom Coburn

Afghan National Police Training Contracts

April 15, 2010

1. What is the right amount of contracting oversight that should be in place in Afghanistan for large contracts? Is it a function of the cost of the contract? Or perhaps the number of transactions? For example, should State have one contracting officer's representative for every $100 million in contracts?

Response: OIG has determined, through a number of audits and inspections published since 2008, that the Department has assigned too few Contracting Officer Representatives (COR) to many of the contracts implemented in post-conflict, post-crisis environments. The responsibility to assign CORs to these contracts is a Department decision and should take into account a number of factors, such as the contract funding level, type of contract, subcontractor activity, work location and security.

OIG has reported in congressional staff briefings on the joint audit that they determined that 5 personnel were assigned to the ANP contract at the time of the inspection. During a recent congressional hearing, Department representatives testified that in April 2010 there were 7 I-CORs in Afghanistan and that by September there will be 22 I-CORs serving in Afghanistan overseeing the ANP contract among other contracts. The development and implementation of a Quality Assurance Surveillance Plan (QASP) will assist the contract implementing organization in establishing and validating the correct amount of contracting oversight.

The joint audit determined the number of INL I-CORs assigned to the ANP contract and reported the condition of COR and I-COR assignment as follows:

"In addition, the contracting officer provided delegation letters for I-CORs that included assignments of authority for personnel that the COR, I-CORs, and contracting officer could not identify as working as an I-COR further demonstrating the lack of control over COR and I-COR staffing. The contracting officer should immediately terminate the delegation of I-COR authority of all inactive or reassigned I-CORs to provide an accurate count of existing I-CORs. Without terminating inactive I-CORs, the contracting officer maintains a roster of I-CORs that misrepresents the number available to oversee the contractor and includes personnel who should not have the authority to represent the contracting officer. The contracting officer issued one COR and seven I-COR delegation letters FF to monitor the ANP task orders. Of the seven active

57325.044

I-COR delegations, one does not work on ANP task orders, two cannot monitor task order S-LMAQM-08-F-5375 (task order 5375), one works only half of the year, three were located in the U.S., and only three were located in Afghanistan. Only one I-COR possessed authority to oversee task order 5375 prior to June 2009 despite nearly $325 million obligated prior to June. The contracting officer should be able to identify the assignments and locations of CORs and I-CORs assigned to task orders, terminate assignments of individuals no longer working on ANP task orders, and increase the number of I-CORs to adequately perform contract surveillance."

2. The joint audit report notes that it was cumbersome to change the curriculum for the Afghan National Police training due to lengthy coordination between State and DOD. Are you aware of any coordination between the U.S. government and the Afghan Ministry of Interior on curriculum for the Afghan National Police?

Response: The Afghan Minister of Interior is responsible for approving curriculum. Personnel from DoD, DYNCORP, and NATO are in regular discussions with the Ministry of Interior. The joint audit reported that "DoD needs the flexibility to… develop a new security-focused curriculum. Under the current contract arrangement, DoD must coordinate any changes through INL, which causes delays in implementation."

3. Under Presidential Decision Directive 71 issued in 2000, the State Department was originally given the task of training other nations' police and developing other nations' judicial systems during conflict and combat operations. The original intent was that the State Department would train U.S. policemen and other law enforcement personnel ahead of a conflict to perform this duty. When was it determined that this function would be contracted out? Who made this determination?

Response: Please refer this question to the Department of State for response.

4. When making the decision to contract out a large training function previously planned to be conducted by U.S. policemen under supervision of the State Department, did the State Department plan for adequate oversight of large training contract? If not, why not?

Response: Please refer this question to the Department of State for response

5. It appears from the joint audit report that the In-Country Contracting Officer Representatives (I-COR) were not active during their time there as they did not examine invoice, verify purchase orders, or check on government-furnished equipment. Why did you not recommend any administrative action against these personnel?

Response: As the Inspector General, we report information related to contract oversight deficiencies to the Department. It is the Department's responsibility to undertake the necessary corrective actions. However, had the OIG team identified any indications of fraud or criminal behavior, the matter would have been referred to the OIG Office of Investigations. In this case, the issue was that the I-CORs were assigned to numerous contracts and stretched too thin to perform all the duties required. This is a contract management issue that can only be corrected by the Department.

57325.045

Questions for the Record Submitted to
Assistant Secretary David T. Johnson by
Senator Claire McCaskill
Senate Subcommittee on Homeland Security and Governmental Affairs
April 15, 2010

1. Question: Please indicate the State Department's plans with respect to the ANP training program contract for:

A. the number of ICORs in Afghanistan by quarter over the next year

Answer:

INL is staffing up the number of In-country Contracting Officer's Representatives (ICORs) for Afghanistan. The specific number routinely fluctuates due to attrition. At its peak in August 2010, there were eight ICORs in Afghanistan. To staff-up the number of ICORs, INL recently selected 25 candidates who are in various phases of processing towards being on the ground in Afghanistan. Their appointment is conditional, pending medical and security clearances. Of the 25, five currently are on the ground in Afghanistan: eight are in-processing to be deployed to Afghanistan within 20 days; two have been fully cleared and are starting the in-processing phase; and ten are awaiting medical and security clearances. Of the 25, fifteen of the positions are designated specifically for covering the police program and will be dispersed throughout provinces at each of the Regional Training Centers (RTCs); the remaining ten will work on other INL programs.

B. the number of site visits by quarter over the next year.

Answer:

It is impossible to specify an exact number of site visits that will occur over the next year due to the planned change in approach for conducting inspections and surveillance. Currently, ICORs are dispatched from Kabul to conduct site visits as determined by the Quality Assurance

57325.046

Surveillance Plan (QASP) for the ANP training program task orders, which (depending on security conditions) calls for site visits to be conducted at three remote sites per month. As INL begins to place ICORs at RTCs across Afghanistan, the paradigm will shift from ICORs being dispatched for conducting site visits to ICORs predominately conducting inspections and surveillance (continuously) at the RTCs where they are located. Only a few ICORs will be dispatched from Kabul to conduct the site visits called for in the QASP. Therefore, the planned number of visits (minimally) is 21 remote visits per month and is based on seven ICORs being dispatched to conduct site visits. Since ICORs will generally be located at RTCs, we expect the amount of inspections and surveillance conducted by ICORs to dramatically increase as they become part of the ICORs day-to-day responsibilities.

2. Question: With respect to the ANP training program contract, please provide to the Subcommittee, by quarter over the next year:

A. the actual number of ICORs that the State Department places in Afghanistan

Answer:

INL had eight ICORs in theatre at our peak in August 2010, of which four were dedicated to the police training task order. Currently, five ICORs are in Afghanistan; all are involved in the contract oversight of the police training task order. As previously mentioned, INL recently selected 25 candidates, who are in various phases of processing towards being on the ground in Afghanistan: five currently are on the ground in Afghanistan; eight are in-processing to be deployed to Afghanistan within 20 days; two have been fully cleared and are starting the in-processing phase; and ten are awaiting medical and security clearances. Ultimately, fifteen of the 25 are planned to focus on the police program. Based on an informal evaluation period, they are to be converted (non-competitively) to the 3161 status.

57325.047

B. the actual number of site visits, announced and unannounced, performed by State Department contracting officials.

Answer:

INL's site visits in Afghanistan were performed by ICORs, which amounted to 49 in 2009 and 307 site visits as of mid-September 2010. Site visits are determined by the Quality Assurance Surveillance Plan (QASP) for the ANP training program task orders which call for three site visits per month, provided that security conditions are suitable. All site visits are considered announced since all require travel and security coordination in that type of environment. The dramatic increase in the number of site visits is attributable to the increase in staffing.

3. Question: Please explain how the State Department plans to use "3161 employees" to increase the number of I-CORs, and how these employees were determined to be preferable to full-time State Department employees.

Answer:

INL personnel in key contract oversight positions in Afghanistan will be full-time, U.S. Government personnel pursuant to employment authorities under 5 U.S.C. § 3161. According to the State Department's Office of Inspector General, this change also should strengthen our management and internal controls. Based on an informal evaluation period, they are to be converted (non-competitively) to the 3161 status. This full U.S. government status allows INL to increase our core in-house expertise and provides the Bureau with some flexibility in moving personnel between overseas posts and domestic positions.

4. Question: Regarding the $80 million that the Defense and State Department Inspectors General identified as expired, Mr. Heddell testified that an obligation makes no difference if the time period expires and the money is not expended.

57325.048

Q. Does this contradict the State Department's claim with respect to these funds? If so, please explain the contradiction and support for your claim.

Answer:

The Department of State's position is that the funds in question were obligated before expiration and within appropriate time to be expended after the end of the period of availability for obligations. There are a number of factors that define this time period. The Department complies with obligation requirements as established by a number of statutes and regulations, including: (1) those pertaining to incurring obligations as well as making expenditures and disbursements under the Anti-Deficiency Act (31 USC 1341); (2) those pertaining to funds control and the recording and reporting of government obligations as established under 31 USC 1501 and 31 USC 3512; and, in accordance with Office of Management and Budget Circular No. A-11 – Preparation, Submission and Execution of the Budget. INL examined the funds appropriated under P.L. 109-234 and P.L. 110-28 and determined that these funds were obligated timely and within the appropriate period of availability.

Q. If obligated but unexpended funds have expired, can they be used toward outstanding obligations incurred in the year the funds were obligated?

Funds appropriated under Afghanistan Security Forces Fund (ASFF) do not allow the Bureau of International Narcotics and Law Enforcement Affairs (INL) to utilize funding in this manner.

5. Question: Can the Defense Department send contracting representatives to augment the Department of State in performing oversight of the DynCorp contract?

Answer:

We believe that with the augmentation of overseas staff that is under way, INL will have adequate personnel to oversee the DynCorp Task Order. In July 2006, we requested assistance

57325.049

with oversight of contractor property management practices overseas from the Defense Contract Management Agency (DCMA). DCMA's resources were fully occupied by Defense Department contract requirements and they were unable to provide personnel to assist INL. Given the general shortage of contract specialists government-wide, we have not recently pursued this option and have relied on the recruiting efforts by which we are increasing our contract oversight.

57325.050

Post-Hearing Questions for the Record
Submitted to David Johnson
From Senator Tom Coburn

Afghan National Police Training Contracts
April 15, 2010

1. Why did the State Department decide to cancel funding for the Defense Contract Audit Agency in their efforts to conduct audits of DynCorp's contract activity in Afghanistan?

Answer: The joint report referred to an administrative error, not an affirmative decision, as cancelling the DCAA audit on DynCorp Task Orders for Afghanistan. The administrative error arose when all DCAA activities and funding were consolidated into the Department's Bureau of Administration. However, DCAA continued charging against INL's designated funding source, a Military Interagency Procurement Request (MIPR). The administrative error was corrected and as of November 2009, the Department was continuing to process payments to DCAA under a different MIPR instead of the one that INL originated.

2. The joint audit report notes that it was cumbersome to change the curriculum for the Afghan National Police training due to lengthy coordination between State and DOD. Are you aware of any coordination between the U.S. government and the Afghan Ministry of Interior on curriculum for the Afghan National Police?

Answer: All institutional curricula for the Afghan National Police are approved by the Ministry of Interior (MOI). Curriculum development is regularly coordinated among the international community and the MOI. In 2008, the State Department established a "Green Cell" for curriculum development in Kabul. Staffed by professional curriculum writers and language assistants, the Green Cell coordinates with the MOI, the NATO Training Mission – Afghanistan/Combined Security Transition Command – Afghanistan (NTM-A/CSTC-A) and relevant international community partners to draft curriculum in line with the defined needs of the MOI. The Green Cell and NTMA/CSTCA are in regular communication and enjoy a strong working relationship. Any delays encountered in curriculum development from the State Department typically relate to the need for legal review of the curriculum or programmatic suggestion on how best to strengthen the curriculum, and such delays are not lengthy.

3. Under Presidential Decision Directive 71 issued in 2000, the State Department was originally given the task of training other nations' police and developing other nations' judicial systems during conflict and combat operations. The original intent was that the State Department would train U.S. policemen and other law enforcement personnel ahead of conflict to perform this duty. When was it determined that this function would be contracted out?

Answer: INL uses diverse mechanisms to successfully implement our foreign assistance programs around the world, including training foreign police officers in conflict and post-conflict environments. Depending on multiple factors, including the security environment, INL may hire

57325.051

former or retired American police or justice experts by contract, or partner with U.S. Federal, State, local, or tribal law enforcement entities. While contractors certainly figure in INL's Afghanistan program, over the past two years, INL has diversified its partner base to include state, municipal and local law enforcement partners in the police, corrections and justice areas. Presently, INL has active partnerships with the New York Police Department, the Chicago Police Department, the Los Angeles County Sheriff, and the Departments of Corrections from the States of Maryland, New Mexico and Colorado. These partnerships allow INL to bring the best and brightest of U.S. law enforcement to bear in a number of our overseas programs, can often mitigate budgetary shortfalls at the state and municipal level, and ensure that the latest in law enforcement techniques are made available to our international partners.

The Department of State hired civilian police subject matter experts and provided for their life support by contract, beginning in 1994. The development of civilian police capacity in Afghanistan is a U.S. national security priority that the State Department has worked hard to support since the program's inception in 2002.

4. Why is the State Department and Defense Department unable to work together on the mission of training the Afghan National Police? If the State Department and the Defense Department have the same goals in Afghanistan, why can't the two departments collaborate on this important task?

Answer: The Departments of State and Defense maintain a collaborative relationship in the joint implementation of the Afghan National Police (ANP) training and mentoring program. Under its directive authority, the Department of Defense has provided the overall and specific instruction to the Department of State on where and how training and mentoring efforts should be focused in line with mission priorities. The Department of State responds with solutions to meet the identified requirements. For example, the vision for and implementation of the Embedded Police Mentor (EPM) program this year exemplifies how close collaboration between the two departments has resulted in the rapid implementation of a priority program for development of capacity in the Afghan National Security Forces. In spring 2010, following GAO's recommendation that Defense should conduct a full and open competition of its police program contract, Defense requested State to assist in bridging the program requirements until it could award its own contract in late 2010. State complied not only with the extension of the existing training/mentoring program, but also by implementing a second effort to staff up 308 embedded law enforcement efforts, as requested by Defense. In just four months, State competed, awarded and implemented the EPM program. Our law enforcement advisors are embedded with U.S. military Police Mentor Teams and partnered with the ANP in priority locations to provide intensive, on-the-job support aimed at rapidly developing the operational capability of the ANP. This program, which is contractually administered by State and operationally supported by Defense, has been highlighted as a model for civilian-military cooperation.

5. When making the decision to contract out a large training function, did the State Department plan for adequate oversight of large training contract? If not, why not?

Answer: The Department of State responded to rapidly emerging requirements in the best manner possible to meet immediate and emerging needs in a challenging operating environment. Since 2005, INL has been making continuous improvements to adequately staff and monitor

57325.092

large training programs including those that involve contracted subject matter experts, implementers, and support staff.

6. It appears from the joint audit report that the In-Country Contracting Officer Representatives (I-COR) were not active during their time there as they did not examine invoice, verify purchase orders, or check on government-furnished equipment. Have you taken any administrative action against these personnel?

Answer: INL differs in the interpretation of the joint report's description of activities involving In-Country Contracting Officer Representatives (I-CORs). INL agrees with the report's finding that there were ICOR staffing shortages at post at the time of the joint review; however, those staff present performed their duties. No invoices were approved for payment without a proper review, which included an additional stateside review by the Contracting Officer's Representative and his administrative support staff. In all cases, INL signed invoices and authorized payment under a "provisional payment" contract modification, which allows the Bureau to reconcile 100% of all program invoices for the life of the task order.

Post-Hearing Questions for the Record
Submitted to
Mr. David Samuel Sedney
From Senator McCaskill

"CONTRACTS FOR AFGHAN NATIONAL POLICE TRAINING"

Thursday, April 15, 2010, 2:00 P.M.
United States Senate, Subcommittee on Contracting Oversight,
Committee on Homeland Security and Governmental Affairs

1) During the hearing, you testified that more military trainers were needed.

Q. Does the Defense Department plan to send more military trainers to Afghanistan for police training?

Q. If so, how many? If not, why not?

Answer: The shortage of NATO institutional trainers and fielded mentors remains one of the most significant challenges to the growth and development of the Afghan National Police (ANP). Over the past months, the United States has worked with NATO and other Coalition partners to attempt to fill these shortfalls both by sending U.S. forces, as a temporary solution to the shortfall, and encouraging NATO to fill gaps. As of September 2010, the total requirement for ANP trainers is 886 personnel. Of this amount, 300 trainers are in place and 169 trainers have been pledged. Currently, there is a shortfall of 417 ANP trainers. The United States will continue to encourage its Allies to fulfill their commitments to provide trainers for these positions.

2) During the hearing, Mr. Heddell testified that better trainers were needed.

Q. If the Defense Department believes that more military trainers are the answer, then why are we continuing with the use of contractors instead of military trainers?

Q. Has the Defense Department considered terminating the contract and performing the mission solely with military trainers?

Answer: Successful training of the Afghan National Police (ANP) is dependent on sufficient numbers of police trainers with the right skills and background. The Department of Defense uses a mix of military and contracted trainers for its training mission in support of the ANP to achieve the needed skills in needed numbers. In many instances, military trainers are used to provide basic training in survivability, marksmanship, and other skills. However, police training requires a skill set that civilian police officers can best provide, so it is necessary to have contracted police professionals who can bring this skill set to the ANP training mission.

57325.054

3) During the hearing, you testified that under the Combined Joint Statement of Requirements, NATO has 400 billets for trainers. Please provide the following information in regard to U.S. and other countries' military trainer contributions.

A. Country
B. Number of trainers
C. Type of unit (e.g., Carabinieri, Gendarmerie)
D. Role in training the ANP

Answer: The following information provides the breakdown of NATO Training Mission-Afghanistan (NTM-A) police trainers by country (as of August 24). The Department of Defense (DoD) is not able to track bilateral training efforts between the Government of Afghanistan and other countries. DoD does not collect data on the type of training conducted, but the trainers generally are involved in areas such as basic recruit training, specialized training, and Afghan National Civil Order Police (ANCOP) training.

Spain:	2
France:	29 / Gendarmerie
United Kingdom:	15
Italy:	120 / Carabinieri
Poland:	14
Contracted Trainers:	211
TOTAL:	391

4) Given the State Department's extension of the DynCorp contract, how does the Department of Defense plan to work with the Department of State for any modifications that need to be made quickly under the ANP contract?

Answer: Until the Department of Defense (DoD) awards a police training contract based on full and open competition, DoD has requested that the Department of State (DOS) extend its current police training contract and implement certain interim changes to DOS's Afghanistan police training program. The Combined Security Training Command-Afghanistan (CSTC-A) specifically requested the following:

1. Allow DynCorp trainers to train Afghan National Police (ANP) directly. In addition to train-the-trainer requirements, contracted trainers are needed to provide direct training to the ANP because of a shortage of Afghan instructors as a result of increased demand.
2. Allow more flexibility for Embassy Kabul to make changes to the contract that is within the current Statement of Work.
3. Increase the qualifications and technical expertise of the trainers hired for the mission.

57325.055

4. Continue to increase DOS oversight of the contract, including addressing issues raised by the DoD and DOS Inspectors General.
5. Implement a new program to embed contracted trainers in the district with the ANP.

DOS is meeting all of these goals through the extension of its existing task order and the recent issuance of the Embedded Police Mentor task order.

5) During the hearing, you testified that continued and repeat training is required. How is the Defense Department planning to meet this requirement?

Answer: The Department of Defense (DoD) is undertaking several initiatives to ensure that the Afghan National Police (ANP) receive the required training. These initiatives include:

- Expanding the training capacity by 3,600 seats by December 2010 to ensure there is sufficient capacity to train the ANP personnel required to meet growth goals;
- Implementing the new "recruit-train-assign" policy to ensure that the ANP personnel receive initial training before they are deployed to their districts; and
- The International Security Assistance Force (ISAF) is increasing the number of Coalition forces partnered with the ANP. The partnering of Coalition forces with the ANP is the most effective way to improve the quality of the force.

6) During the hearing, Mr. Heddell testified that for the ANP training program to be successful, DOD needs a way to dismiss corrupt officials. Does the Defense Department have a plan to identify, review, and dismiss corrupt officials?

Answer: The Department of Defense (DoD) works with the Ministry of Interior (MOI) to identify and facilitate the dismissal of corrupt officials. As part of this effort, the MOI, with assistance from DoD and the Federal Bureau of Investigation (FBI), established the Major Crimes Task Force (MCTF) within the MOI. The MCTF conducts criminal investigations into allegations of senior-level corruption, investigates organized criminal networks, and investigates high-profile kidnappings committed by persons against Government of Afghanistan individuals, property, or interests.

7) You testified that "tens of thousands of Afghan National Police are doing a good job, are not corrupt, . . . are committed to their country and they often don't have the right resources. They don't have the right training whether it's ineffective sights, ineffective equipment. Whether they're using unarmored vehicles when they -- instead of armored vehicles in areas where IEDs are the biggest killers of people."

Q. Who is responsible for providing these resources?

Q. When and how does the Department of Defense plan to remedy these shortcomings?

Answer: The current equipping strategy for the Afghan National Police (ANP) is focused on providing critical "move, shoot, communicate" assets for accelerated unit fielding to reach the

57325.056

end-strength goal of 134,000 personnel by October 2011. The ANP is being fielded with former Warsaw Pact-type weapons, including the AK47. NATO Training Mission-Afghanistan (NTM-A) and Combined Security Transition Command-Afghanistan (CSTC-A) have implemented several initiatives to increase the overall survivability of the ANP force, which is taking the majority of Afghan National Security Forces (ANSF) casualties. One of the biggest improvements is the fielding of Up-Armored High-Mobility Multipurpose Wheeled Vehicle (HMMWV) (UAH) variants for the ANP, as most ANP personnel are currently traveling in un-armored pick-up trucks. The ANP have a requirement for 2,378 UAH gun trucks, 2,576 UAH trucks with armored troop enclosures, and 200 UAH ambulances. Of the 5,154 total UAH requirement, 1,594 are on-hand, and the remainder have been sourced or are on order. NTM-A and CSTC-A continually reassess this requirement based upon the security situation and force requirements.

9) How many contracting officer representatives does the Defense Department believe are necessary to send to Afghanistan for the police training contract? When will these individuals be sent?

Answer: The Department of Defense is taking steps to ensure active and effective oversight of the new Afghan National Police contract. Although still being developed, the current plan is to hire 14 fielded Contracting Officer Representatives (CORs). We believe this is adequate to support the requirements of the contract. Additional CORs will be used on the contract but will be fulfilled with in-country U.S. military personnel. The plan is to have CORs in place for contract transition but no later than contract award.

10) Can the Defense Department send contracting representatives to augment Department of State in performing oversight of the DynCorp contract?

Answer: The DoD is limited in the assistance it can provide to another agency in contract management. Contracting Officers have responsibility for contract oversight and must retain control over all aspects of contract performance. For this reason, formal delegations of authority for contract administration must be limited to employees of the contracting agency. According to DOS Acquisition Regulations, only DOS employees may be appointed as Contracting Officer's Representatives because the DynCorp contract is with DOS. Once DoD awards its new police training contract, DoD contracting representatives will have an important role in implementing the transition of the program from DOS to DoD.

Post-Hearing Questions for the Record
Submitted to David Sedney
From Senator Tom Coburn

Afghan National Police Training Contracts
April 15, 2010

1. Why did the Army try to circumvent the federal acquisition regulation to award what would have been a billion-dollar sole-source contract?

Answer: With respect to the contract for the Afghan National Police (ANP) training program, the Army did not circumvent the Federal Acquisition Process nor attempt to circumvent any laws or regulations.

In August 2009, U.S. Ambassador to Afghanistan Karl Eikenberry and Commander, U.S. Forces–Afghanistan, General Stanley McChrystal jointly directed that the Department of Defense (DoD) assume management of the ANP training contract from the Department of State (DoS). The Combined Security Transition Command-Afghanistan (CSTC-A) selected the Counter-Narcoterrorism and Technology Program Office (CNTPO) and the U.S. Army Space and Missile Defense Command/Army Strategic Forces Command (USASMDC/ARSTRAT) to oversee the development of an appropriate acquisition strategy for the ANP program.

CNTPO had an existing contract already in use for Afghan Border Police (ABP) training, which had been competed on a full and open basis on August 24, 2007, resulting in five multiple award indefinite delivery/indefinite quantity (MAIDIQ) contracts. CNTPO/USASMDC concluded that the existing MAIDIQ contracting vehicle for the ABP training included a scope of work similar to the new ANP training requirement.

The strategy developed for procuring the required services for the ANP training called for the issuance of task orders under the existing MAIDIQ contracts with CNTPO. The task orders for the training of the ANP and for the ANP program logistic requirements were competed among the five MAIDIQ contract holders in accordance with Federal Acquisition Regulation (FAR) 16.5 Fair Opportunity process, using the selection criteria within the IDIQ contract. The original IDIQ competition complied with the Competition in Contracting Act and the subsequent task orders were competed amongst all five contract holders; therefore, the award would not have resulted in a sole-source contract.

Regardless, before any task orders could be issued under the MAIDIQ contracts for the ANP requirements, the Government Accountability Office (GAO) determined that the task orders for the ANP program were outside the scope of the MAIDIQ contracts, and the ANP training contract was not awarded. DoD is currently conducting a full and open competition for the ANP training contract.

57325.058

2. Why is the State Department and Defense Department unable to work together on the mission of training the Afghan National Police?

Answer: The Department of Defense (DoD) and Department of State (DoS) have a strong working relationship on Afghan National Police (ANP) issues. DoD did not take over the basic police training contract as a result of any inability of the two departments to work together; rather, the contract was transferred to improve command and control in the field and to allow DoD better accountability over the Afghan Security Forces Fund (ASFF). Additionally, both departments agreed that DoD would be better positioned to provide counterinsurgency training to the ANP, which the ANP needs for the current environment in Afghanistan.

DoD and DoS continue to work closely to implement the program to train and develop the ANP. As the traditional interagency lead on police issues, DoS continues to provide advice and expertise. The transfer of the contract from DoS to DoD will not impede our ability to work together in the future on this issue.

3. Was the Afghan Ministry of Interior consulted when the United States decided to use Afghan National Police less in a law enforcement role and more in a paramilitary role? If so, what was their opinion of this change?

Answer: The Department of Defense works closely with the Afghanistan Ministry of Interior (MOI) in all police training efforts and includes them in all decision making. The Minister of Interior is in agreement with the Afghan National Police (ANP) development program. The Afghanistan National Police Strategy, which Minister Atmar signed in March 2010, describes the current threat situation and includes the need for a more counterinsurgency-capable police force.

4. According to the NATO training mission website, the Combined Security Transition Command-Afghanistan Assistant Commanding General for Police Development is BG Anne MacDonald, an Army helicopter pilot. At first glance, this seems incongruous and that a Military Police general officer would be a more appropriate fit for this position. There are currently 18 military police generals in the Army, 5 active, 5 reserve, and 8 National Guard. Also, according to the Defense Department General MacDonald is the first General Officer to hold this position. What is the rationale for selecting a general with a significant aviation background over one of the 18 military police generals in the Army for the senior police adviser position?

Answer: The mission set of the Assistant Commanding General for Police Development at NATO Training Mission-Afghanistan (NTM-A)/Combined Security Transition Command-Afghanistan (CSTC-A) benefits from a wide variety of skill sets, only one of which is having actual military police skills. The skill required for this job is the ability to lead and manage a large organization to man, train, and equip the Afghanistan Security Forces. Brigadier General Macdonald has an outstanding resume that includes exceptional leadership positions in the U.S. Army managing large organizations, and she has done an exceptional job. The Assistant

57325.059

Commanding General for Police Development has a large staff that includes U.S. military police as well as international gendarmerie personnel to provide specific police advice.

5. In your opinion, should the Army consider a military police general for the next person scheduled to assume the senior police adviser position?

Answer: We believe the Army should consider military police as well as other qualified general officers to be the Assistant Commanding General for Police Training.

6. What coordination will the Defense Department do with the Afghan Ministry of the Interior on future training needs for the Afghan National Police?

Answer: The Department of Defense (DoD) coordinates all training with the Ministry of Interior (MoI). To better increase capacity, the MOI recently established a Police Training Command. This organization executes the training requirements and education within the Afghan National Police (ANP). NATO Training Mission-Afghanistan (NTM-A)/Combined Security Transition Command-Afghanistan (CSTC-A) established a Combined Training Advisory Group-Police (CTAG-P) that will assist in mentoring and developing MOI's Police Training Command.

7. According to the joint report, deaths of Afghan National Police (ANP) have risen from an average of 24 a month in 2006 to over 120 a month in 2009. Is the result of inadequate and reduced training?

Answer: The ANP casualties increased from 2006 to 2009 because insurgents are targeting them more often. The ANP are more attractive targets because they operate in small groups and often at remote locations. They also are not armed as well as the Afghan National Army (ANA) and operate in a more predictable manner (at check points and patrol routes.)

8. Can you assure the committee that, after more than eight years of operations there, the Department of Defense has adequate contracting officer representatives (CORs) in Afghanistan today to oversee the police training contract? If not, why not?

Answer: Currently, the Department of State holds the basic police training contract and the Department of Defense (DoD) is conducting a full competition for a follow on-contract. As part of our planning for the replacement contract we are looking to put a structure in place, similar to what had been planned under the proposed Counter-Narcoterrorism and Technology Program Office (CNTPO) contract, to ensure DoD has the proper level of CORs as well as quality assurance officers and property managers.

57325.060

UNIVERSITY OF BALTIMORE SCHOOL OF LAW

Charles Tiefer
Professor of Law

3904 Woodbine St.
Chevy Chase MD 20815
(301) 951-4239
(301) 951-4271

Facsimile Transmission Cover Sheet

TO: Margaret Daum

Fax Number: 202 228 3912

Phone Number:

FROM: Charles Tiefer

Date:

Number of Pages (including this cover): 3

Comments:

U.S. Department of State

CONTRACTOR PAST PERFORMANCE EVALUATION

Contract Information

Contract Number: S-AQMPD-05-1098 Dollar Value: $1,200,000,000.00

Contractor Name: Blackwater

Division/Contracting Office: DS/OPO/HTP and A/LM/AQM

Contract Start Date (mm-dd-yyyy): 07-19-2005 Contract End Date (mm-dd-yyyy): 07-18-2010

Type of Contract (FP, CPFF, TM, etc.): IDIQ with Firm Fixed Price and Cost Reimbursable elements

Type of Award (SSSA/Bid, IFB, Negotiated, Competitive/Noncompetitive): Noncompetitive

Subject of Contract: Worldwide Personal Protective Services (WPPS II) Task Order 1 LPMO

Ratings Information

Quality - Numerical Rating (Low 0 - High 5) [2] Narrative: See Attachment	Timeliness of Performance - Numerical Rating (Low 0 - High 5) [5] Narrative:
Cost Control - Numerical Rating (Low 0 - High 5) [4] Narrative:	Customer Satisfaction - Numerical Rating (Low 0 - High 5) [3] Narrative: See Attachment
Business Relations - Numerical Rating (Low 0 - High 5) [3] Narrative: See Attachment	Would you recommend that the contractor be used again? [X] Yes [ ] No Narrative:

Key Personnel

Name	Title	Start Date (mm-dd-yyyy)	End Date (mm-dd-yyyy)	Rating (0-5)
Jim Reese	LPMO	01-08-2008		4
Vic Esposito	LPMO		12-13-2008	1
Tony Valusek	ALSSL	02-01-2008		4
Danielle Esposito (Morrison)	ALSSL		02-01-2008	4

COR/Program Officer Name: Paul Isaac 7-1-08 Title: HTP Division Chief, COR

Reviews

Contracting Officer Name/Title: Liagn Moneypenny, Branch Chief/CO

Date Signed (mm-dd-yyyy): 2/3/08 Phone/Fax/E-Mail: 703-875-5250; moneypennylk@state.gov

Response Information

Date Review Sent (mm-dd-yyyy): Response Date (mm-dd-yyyy): Receive Date (mm-dd-yyyy):

Contractor Review Comments

Respondent: Phone/Fax/E-Mail:

Reviewed at Level above Contracting Officer? [ ] Yes [ ] No Date (mm-dd-yyyy):

Name/Title: Phone/Fax/E-Mail:

Comments: For period of performance from July 19, 2007 to July 18, 2008.

DS-1771
09-2006

CONTRACTOR PAST PERFORMANCE EVALUATION (continuation page)

S-AQMPD-05-D-1098 WPPS II
Task Order 1, Local Program Management Office (LPMO)
Paul Isaac, DS/OPO/HTP Division Chief, COR Paul Isaac 7-1-08

Quality / Business Relations / Customer Satisfaction: During the late summer and fall of 2007, actions by Blackwater WPPS management personnel, concerning two task orders, caused the program office to lose confidence in their credibility and management ability. Blackwater management's lack of communication and handling of the two seperate incidents disrupted Program Office and Regional Security Office operations. While the Program Office was in the process of requesting the removal of the Local Program Manager, the Director and Deputy Director of WPPS Operations, and two project managers, the personnel in question resigned from the WPPS program.

Recently appointed Blackwater personnel have been making steady progress in restoring confidence in the LPMO and it is expected that the next past performance evaluation will be substantially improved.

DEFENSE CONTRACT AUDIT AGENCY

AUDIT REPORT NO. 3181-2007D17900008

November 27, 2009

PREPARED FOR: Office of Acquisition Management (A/LM/AQM)
Department of State
ATTN: Branch Chief, Quality Assurance [redacted]
P.O. Box [redacted]

PREPARED BY: DCAA Fort Worth Branch Office
DynCorp International LLC Suboffice
PO Box [redacted]

Telephone No. (817) [redacted]
FAX No. (817) [redacted]
E-mail Address [redacted]@dcaa.mil

SUBJECT: Report on Audit of Labor Hour Billings through Public Voucher 1473-37, under Contract No. S-LMAQM-04-C-0030, Task Order S-AQMPD-05-F-1473 (Afghanistan)

REFERENCES: Relevant Dates: See Page 25

CONTRACTOR: DynCorp International LLC
PO Box 961217
Fort Worth, Texas 76161-1217

REPORT RELEASE RESTRICTIONS: See Page 26

CONTENTS:

	Page
Subject of Audit	1
Scope of Audit	1
Results of Audit	2
Contractor Organization and Systems	6
DCAA Personnel and Report Authorization	25
Audit Report Distribution and Restrictions	26

FOR OFFICIAL USE ONLY

Audit Report No. 3181-2007D17900008

SUBJECT OF AUDIT

As requested by the Bureau of International Narcotics and Law Enforcement Affairs, Department of State, on April 16, 2007, we examined DynCorp International LLC's (DI) direct labor hours on Contract No. S-LMAQM-04-C-0030, Task Order (TO) S-AQMPD-05-F-1473 (Afghanistan). This task order provides for the maintenance and operation of a Central Training Center and Regional Training Centers providing basic skills training for the Afghanistan National Police, Border Police, and Highway Patrol. The task order period of performance was September16, 2004 thru August 31, 2005.

The accumulation, recording, and reporting of cost incurred and billed on contracts is the responsibility of the contractor. Our responsibility is to express an opinion on the claimed labor costs based on our examination.

SCOPE OF AUDIT

We conducted our examination in accordance with generally accepted Government auditing standards (GAGAS), except DCAA does not currently have an external opinion on its quality control system as required by GAGAS 3.55. The most recent external quality control review opinion expired on August 26, 2009. A review of DCAA's quality control system is currently being performed. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the data and records examined are free of material misstatement. An examination includes:

- evaluating the contractor's internal controls, assessing control risk and determining the extent of audit testing needed based on the control risk assessment;
- examining, on a test basis, evidence supporting the amounts and disclosures in the data and records evaluated;
- assessing the accounting principles used and significant estimates made by the contractor;
- evaluating the overall data and records presentation; and
- determining the need for technical specialist assistance.

We evaluated the direct labor hours incurred using the applicable requirements contained in the:

- Federal Acquisition Regulation (FAR);
- Department of State Acquisition Regulations (DOSAR);
- Cost Accounting Standards (CAS); and
- Terms and Conditions of Contract No. S-LMAQM-04-C-0030.

As addressed in Audit Report No. 3181-2007D11070001 issued October 15, 2009, we determined DI's control environment and overall accounting system, policies, and procedures are inadequate. We also consider the billing system to be inadequate in Audit Report No. 3181-

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00109 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.065

Audit Report No. 3181-2007D17900008

2009D11010001 issued April 23, 2009 (see Contractor Organization and Systems section, page 11, for detailed explanation of the billing system internal control deficiencies). In addition, we determined that DI's compensation system and related internal controls, policies, and procedures are inadequate in Audit Report No. 3181-2008D13020001 issued April 29, 2009. As addressed in Audit Report No. 03181-2007D13010001 issued March 18, 2009, we determined DI's labor system and related internal controls, policies, and procedures are inadequate. Our audit scope reflects our assessment of control risk and includes audit tests designed to provide a reasonable basis for our opinion.

RESULTS OF AUDIT

In our opinion, $[redacted] of the $[redacted] claimed direct labor costs incurred during the period of September 16, 2004 through August 31, 2005 on Contract No. S-LMAQM-04-C-0030, Task Order (TO) 1473 are provisionally approved pending final acceptance. Final acceptance of amounts claimed under Government contracts does not take place until performance under the contract is completed and accepted by the cognizant authorities and the audit responsibilities have been completed.

We discussed the results of our examination with Ms. Dee Tansey, Director DI CIVPOL Contracts, in an exit conference held on June 4, 2009. Ms. Tansey concurred with the audit results.

The results of our examination are presented below:

Base Year:

CLIN	Description	Claimed	Questioned	Difference (Note 1)	Note
0015	Commanders/Executive Officers	$[redacted]	-	$[redacted]	
0020	Law Enforcement / Police Advisors	[redacted]	-	[redacted]	2
0024	Interpreters	[redacted]	-	-	
0025	Program Manager	[redacted]	-	[redacted]	
0026	Deputy Program Manager	[redacted]	-	[redacted]	
0027	Logistics Supervisor	[redacted]	-	[redacted]	
0028	Logistics Coordinator	[redacted]	-	[redacted]	
0029	Physicians Assistant	[redacted]	-	[redacted]	
0030	Registered Nurse	[redacted]	-	[redacted]	
0031	Medics	[redacted]	-	[redacted]	
0032	Administrative Assistants	[redacted]	-	[redacted]	
	TOTAL – Base Year	$[redacted]	$ -	$[redacted]	

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00110 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.086

Audit Report No. 3181-2007D17900008

Option Year 1:

CLIN	Description	Claimed	Questioned	Difference (Note 1)	Note
1009	Supervisory/Management Officer	-	-	-	
1015	Commanders/Executive Officers	$ [redacted]	-	$ [redacted]	
1020	Law Enforcement / Police Advisors	[redacted]	-	[redacted]	2
1024	Interpreters	-	-	-	
1025	Program Manager	[redacted]	-	[redacted]	
1026	Deputy Program Manager	[redacted]	-	[redacted]	
1027	Logistics Supervisor	[redacted]	-	[redacted]	
1028	Logistics Coordinator	[redacted]	-	[redacted]	
1029	Physicians Assistant	[redacted]	-	[redacted]	
1030	Registered Nurse	[redacted]	-	[redacted]	
1031	Medics	[redacted]	-	[redacted]	
1032	Administrative Assistants	[redacted]	-	[redacted]	
1044-10	Fixed Rate Labor – US Site Sec.	[redacted]	-	[redacted]	3
1044-23	Fixed Rate Labor – FN Site Sec.	[redacted]	-	[redacted]	4
1044-Other	Fixed Rate Labor – Other	[redacted]	-	[redacted]	
	TOTAL – Option Year 1	$ [redacted]	-	$ [redacted]	
	Rounding	1		1	
	TOTAL – Base & Option Year 1	$ [redacted]	$ -	$ [redacted]	

EXPLANATORY NOTES

1. Difference

The amounts in this column are presented solely for the convenience of the procurement activity in developing its negotiation objective. They represent only the arithmetic difference between the amounts proposed and the related questioned costs. You should not consider the amounts to be audit approved or recommended amounts.

2. Law Enforcement / Police Advisors (CLINs X020)

a. Summary of Conclusions:

We take no exception to the labor costs billed under CLINs 0020 and 1020.

b. Basis of Contractor's Cost:

The contractor based its amounts billed through Voucher 1473-37 on [redacted] claimed on [redacted]. The [redacted] were applied to a [redacted] rate of [redacted]

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00111 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.067

Audit Report No. 3181-2007D17900008

[redacted]. For [redacted], a [redacted] rate [redacted] of [redacted] was applied for [redacted]. Total labor costs billed under CLIN 0020 amounted to [redacted]

c. Audit Evaluation:

For labor CLINs X009-X032, we limited our review to CLIN 0020, Law Enforcement / Police Advisors, as this represented [redacted] percent of all the labor charged on TO 1473 for these CLINs. We selected a statistical sample of employees that charged hours on CLINs 0020 and 1020. We obtained Foreign Service Agreements (FSA), timecards, and advice of payments (pay stubs) for the sampled employees and reconciled the hours billed to the time cards and advice of payments.

We reviewed sampled employee's personnel files to determine if each hired employee possessed the necessary qualifications to meet the minimum contract requirements. We noted no exceptions.

3. Fixed Rate Labor CLIN 1044-10 Site Security (US)

a. Summary of Conclusions:

We take no exception to the labor costs billed under CLIN 1044, category 10 for U.S. Site Security personnel.

b. Basis of Contractor's Cost:

The contractor based its amounts billed through Voucher 1473-37 on [redacted] as established through [redacted]. The [redacted] was applied to a [redacted] rate of [redacted] for a total billed amount of $[redacted]

c. Audit Evaluation:

For the fixed-rate labor CLIN 1044, we limited our review to categories 10 (Site Security – US) and 23 (Site Security – FN), as these represented [redacted] percent of all the labor charged on TO 1473 for CLIN 1044. Category 10 represents [redacted] percent of CLIN 1044 labor costs. We selected a statistical sample of employees who charged hours on CLIN 1044 category 10. We obtained Foreign Service Agreements (FSA), timecards, and advice of payments for the sampled employees.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00112 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.088

Audit Report No. 3181-2007D17900008

4. Fixed Rate Labor CLIN 1044-23 Site Security (Foreign Nationals)

a. Summary of Conclusions:

We take no exceptions to the labor costs billed under CLIN 1044, category 23 for foreign nationals site security.

b. Basis of Contractor's Cost:

The contractor based its amounts billed through Voucher 1473-37 on [redacted] as established [redacted]. The [redacted] was applied to a [redacted] rate of [redacted] for a total billed amount of [redacted]

c. Audit Evaluation:

For the fixed-rate labor CLIN 1044, we limited our review to categories 10 (Site Security – US) and 23 (Site Security – FN), as these represented [redacted] percent of all the labor charged for CLIN 1044 on TO 1473. Category 23 represents [redacted] percent of CLIN 1044 labor costs. We selected a statistical sample of employees who charged hours on CLIN 1044 category 23. We obtained Foreign Service Agreements (FSA), timecards, and advice of payments for the sampled employees.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00113 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.089

Audit Report No. 3181-2007D17900008

CONTRACTOR ORGANIZATION AND SYSTEMS

1. Organization

DynCorp International, LLC (DI) is a provider of a broad range of technical services to civilian and military Government agencies and commercial customers. It provides law enforcement training and support, security services, base operations, logistics support and aviation services and operations. DI's primary customers include the Department of State; the Army, Air Force, Navy and Marine Corps (Department of Defense); the Department of Homeland Security and commercial customers and foreign governments.

DI is headquartered in Falls Church, Virginia, with the accounting, payroll, accounts payable, human resources, information technology, and billing functions located in Fort Worth, Texas. DI is listed on the New York Stock Exchange (NYSE) under the symbol "DCP". Total DI revenues for Fiscal Year (FY) ended April 3, 2009 (FY 2009) were $3.09 Billion. DI projects estimated revenue of $3.6 Billion in FY 2010. As of March 28, 2009 DI had over 21,200 employees in 34 countries, and 50 contracts with more than 75 task orders ranging in duration from three to ten years.

DI operates through four core operating segments: Global Linguist Solutions (GLS), Global Stabilization & Development Solutions (GSDS), Field Service Operations (FSO) and Aviation & Land Support Solutions (ALSS). Two of the operating divisions, FSO and ALSS reside under an intermediate home office, Global Platform Support Solutions (GPSS).

The Global Linguist Solutions (GLS) segment is a 51 percent-owned populated joint venture with McNeil Technologies created to compete for the INSCOM contract to provide linguist and translation services to US forces in Iraq. Prior to FY 2010 it was a subsidiary under the former International Security Services (ITS) segment. DI has projected FY 2010 revenues for GLS in the amount of $700 million.

The Global Stabilization & Development Solutions (GSDS) segment provides international civilian police training, security and mentoring, infrastructure development, and operations and logistics support. Major contracts performed under the GSDS segment include but are not limited to the LOGCAP IV and War Reserve Material contracts, and Department of State CIVPOL contract. DI has projected FY 2010 revenues for GSDS in the amount of $1.5 billion. Additionally, this segment contains two unpopulated joint ventures, PaTH and CRS.

The Global Platform Support Solutions (GPSS) functions as an intermediate home office for Field Service Operations (FSO) and Aviation & Land Support Solutions (ALSS). It includes the business operations previously under the Maintenance & Technical Support Services (MTSS) segment, as well as the Company's domestic and international aviation activities, including fire-fighting, specialty aviation and narcotics crop eradication.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00114 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.070

Audit Report No. 3181-2007D17900008

The Field Service Operations (FSO) segment provides field maintenance and support services for military equipment. A major contract performed under FSO is the Contract Field Teams (CFT) contract. DI has projected FY 2010 revenues for FSO in the amount of $393 million.

The Aviation & Land Support Solutions (ALSS) segment provides logistics and aviation support services. DI has projected FY 2010 revenues for ALSS in the amount of $1.1 billion.

2. Accounting and Management Systems

Audit Status of Accounting and Management Systems		
Systems Audited	***Status***	***Report Date***
Budget and Planning (Limited Scope)	Inadequate	11/19/2009
Control Environment and Overall Accounting Controls	Inadequate	10/15/2009
Labor	Inadequate	03/18/2009
Billing	Inadequate	04/20/2009
Compensation	Inadequate	04/29/2009
Information Technology	Inadequate in Part	04/17/2007
Systems Scheduled for Audit		***Scheduled Completion***
Purchasing		FY 2010
Estimating		FY 2010
Indirect and Other Direct Costs		FY 2011
Systems To Be Reviewed for Applicability		
Material Management and Accounting		FY 2011

For the systems not yet audited, the scope of our examinations continues to include increased tests of compliance with applicable laws and regulations that we believe provide a reasonable basis for our audit opinions.

3. Control Environment and Overall Accounting System

As addressed in Audit Report No. 3181-2007D11070001 issued October 15, 2009, we determined DI's control environment and overall accounting system, policies, and procedures are inadequate. Test procedures were applied from June 24, 2008 through September 25, 2009. We identified ten significant deficiencies which are summarized below:

- Inadequate Employee Training Compliant with Company Ethics Program Requirements

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00115 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.071

Audit Report No. 3181-2007D17900008

- Inadequate Policies and Procedures Regarding Disclosure of Information as Required by Government Laws & Regulations
- Inadequate Delineation of Authority
- Inadequate Requirements for CAS and FAR Compliance Training
- Lack of Advanced Agreement Process
- Inadequate Reconciliation Procedures
- Inadequate Policies and Procedures for Monitoring and Segregating Unallowable Cost
- Inadequate Written Procedures for Project Accounting
- Inadequate Written Procedures for Adjusting Costs
- Inadequate Process to Identify Disclosure Statement Changes

As a result of our control risk assessments, we will perform increased substantive testing (i.e., analytical procedures and/or transactions testing) in the areas of Contract Pricing, Defective Pricing, Incurred Material Costs, Incurred Labor Costs, Incurred Indirect/ODC Costs, Billings, Close-outs, Disclosure Statements, and CAS Compliance (especially for CAS 401 and 402 related issues).

DynCorp International LLC (DI) Corporate Finance Officer (CFO) is responsible for the overall accounting controls. DI maintains accounting control through the [redacted] financial system general ledger. Entries into the system are accomplished by automated and manual journal entries (JEs).

The [redacted] financial system was implemented in November 2004 and was upgraded to version [redacted] in July 18, 2008. Prior to the implementation of [redacted] DI used two other accounting software platforms. The timeline of DI's systems is shown below.

- [redacted] - February 1999 to March 2006
- [redacted] – December 1991 to current
- [redacted] – November 2004 to current

There are currently no active contracts being accounted for in [redacted] Three active contracts (LAO, PSD, and CFT/FLD) were never migrated into [redacted] and are still being accounted for in [redacted]1. All other active contracts are accounted for in [redacted]

JE's can be initiated by sites, [redacted] Accounting ([redacted] the [redacted] group, or [redacted] Accounting. [redacted] Accounting and the [redacted] are responsible for journal entries at the [redacted] level while [redacted] Accounting is responsible for consolidated and home office related entries. The decision of who processes certain JE's for a project is decided on a project by project basis. The type of JE and reason for the JE determines which group ([redacted] Accounting or the [redacted]) processes the JE. JE's that are program specific and initiated by sites are usually processes by [redacted] Accounting while more general/recurring (e.g., adjustments, intercompany, etc.) JE's are normally processed by the [redacted].

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00116 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.072

Audit Report No. 3181-2007D17900008

DI operates through four core operating segments: Global Linguist Solutions (GLS), Global Stabilization & Development Solutions (GSDS), Field Service Operations (FSO) and Aviation & Land Support Solutions (ALSS). Two of the operating divisions, FSO and ALSS reside under an intermediate home office, Global Platform Support Solutions (GPSS). Unlike GSDS and GPSS, GLS does not have [redacted] accountants. GLS billing and [redacted] accounting is performed by the GSDS segment.

After all cost and revenue has been recorded, the [redacted] Accountant initiates a process in [redacted] to convert the monthly data to a file that can be read by [redacted] The file is submitted to the [redacted] Director who initiates a process to convert the [redacted] data into a journal entry that can be uploaded into [redacted] The journal entry is provided to the [redacted] Accountant in the [redacted] Department. The file is uploaded and provided to the [redacted] Manager for approval and posting. Once the [redacted] files have been loaded into [redacted] all [redacted] data is extracted by the [redacted] Administrator.

The consolidation process is executed at the [redacted] in [redacted] by the [redacted] Department. Consolidated financial statements are produced through an upload of source ledger data ([redacted]) into the consolidation software, [redacted]. Upon notification from the [redacted] Manager that the data in [redacted] is complete, a "test close" is performed in [redacted] by [redacted] to confirm that no transactions remain unposted. All modules within [redacted] for the month are closed with the exception of [redacted] which is used for testing. (This module will be closed upon notification from [redacted] that it is no longer needed.) An email is sent to the [redacted] Manager confirming the period close. Once the [redacted] modules are closed, the data load into [redacted] begins.

The [redacted] Administrator extracts financials from [redacted] into a MS Excel file for upload into [redacted] He verifies that each organization trial balance nets to zero prior to loading into [redacted] (C2160) Next, he reconciles [redacted] to [redacted]. The Director [redacted] (or authorized designee) authorizes the [redacted] to close [redacted]. The Director [redacted] (or authorized designee) reviews and approves the [redacted] close documents, which are retained by the [redacted] Administrator. See sub-process 211 for more details.

If accounting adjustments are required after the [redacted] accounting close, JEs will be made directly into [redacted]. These [redacted] entries are referred to as top-sided adjustments. Top-sided entries must be reviewed and approved by [redacted] Accounting before the [redacted] Department inputs them into [redacted]. The level of approval depends upon the type and materiality of the adjustment. This is documented in the Approval Process for [redacted] Adjustments.

DI has identified various levels of internal controls within the organization. Specifically, there are [redacted] Level Controls (ELC's), [redacted] Level Controls (CLC's), and Sarbanes Oxley (SOX) or process controls. CLC's are at the company level and examples would be journal entry approval, excel spreadsheet controls and balance sheet reconciliations. [redacted] level controls

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00117 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.073

Audit Report No. 3181-2007D17900008

(ELC's) pertain to corporate governance and examples would be employee hotline monitoring, audit committee meetings and charters, internal audit qualifications, presentations and the related charters. DI also has written Policies and Procedures at various levels including, policy statements, DI procedures, and desk procedures.

Sarbanes Oxley

In CFY 2008 DI developed new standards over the documentation of Internal Controls to meet the requirements of the Sarbanes-Oxley Act of 2002.

Policy Statement (PS) [redacted] provides a basic understanding of the Sarbanes Oxley Act of 2002 (The Act) Section 404 and the method that DynCorp International will utilize to meet the objectives and requirements of Section 404 of the Act.

Per PS [redacted]

Section 404 of the Sarbanes Oxley Act of 2002 requires annual reports filed by public companies to include a statement of management's responsibility for establishing and maintaining an adequate internal control structure and procedures for financial reporting and a Management assessment, of the effectiveness of the company's internal control structure and procedures for financial reporting as of the end of the fiscal year.

DI's [redacted] Team was responsible for establishing a library of controls (or control activities) by [redacted], i.e. [redacted] etc. Utilizing experience and judgment, the [redacted] team Director and Managers will then determine key controls by reviewing all control activities within the defined scope, assessing the control activities relative to financial statement assertions and ensuring that sufficient key controls are selected to meet required control objectives.

DI has identified and written descriptions for a total of [redacted] control libraries (processes) and [redacted] sub-processes. General categories include [redacted] and [redacted] DI's CLC number [redacted] requires [redacted] Documentation is reviewed on a [redacted] basis to ensure that all changes in processes, controls and risks in the control environment are reflected in the [redacted] documentation.

[redacted] interfaces with other management system applications and the inputs into [redacted] are essentially the outputs from those other systems. DI has a complicated IT design which includes [redacted] to the [redacted] financial system. There are risks at each interface for a loss of data.

Related [redacted] systems that impact the accounting system and [redacted] are as follows:

- [redacted]

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00118 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.074

Audit Report No. 3181-2007D17900008

- [redacted]
- [redacted]
- [redacted]
- [redacted] and [redacted]
- [redacted]

Details of each major application interface and any identified deficiencies within them are discussed below in the relevant paragraphs.

4. Information Technology System

As addressed in Audit Report No. 3311-2006Q11510001 issued April 17, 2007, we determined DI's Information Technology (IT) System general internal controls are inadequate in part. We reported the following conditions:

- The contractor does not have a comprehensive contingency (disaster recovery) plan for IT operations;
- The contractor does not monitor its violation and security activity reports;
- The contractor does not have a formal IT security awareness program; and
- The contractor does not have policies, procedures and processes for monitoring user accounts.

The contractor developed a Corrective Action Plan in response to our audit; however, implementation of the corrective actions was delayed. As of September 21, 2009, DI has asserted that all tactical corrective actions have been implemented with more long range, strategic actions in process (e.g. [redacted]). Once all corrective actions are complete and there is sufficient data for testing, a follow-up audit will be conducted and the results of our verification of the contractor's corrective actions provided. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

5. Billing System

As addressed in Audit Report No. 3181-2009D11010001 issued April 23, 2009, we determined DI's billing system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from December 2008 through March 30, 2009. We identified five significant conditions which are summarized below:

- DI does not have adequate controls in place to assure contract briefs contain adequate information for the billing department to prepare current, accurate, and complete cost vouchers in accordance with the contract terms.
- DI does not have adequate controls in place for charging costs per FAR 31.202 and DI's disclosure statement.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00119 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.075

Audit Report No. 3181-2007D17900008

- DI does not have adequate written policies and procedures for its assessment and administration of subcontractor billings.
- DI does not have adequate controls in place to prepare and submit vouchers correctly.
- DI does not have an Incurred Cost Schedule I in its FY 2005, 2006, 2007, and 2008 incurred cost submissions as required by the Allowable Cost and Payment clause, FAR 52.216-7.

Subsequent to the report cited above, an internal control deficiency, relating to vouchers of DI's Global Linguist Solutions (GLS) segment, was identified during the examination of paid vouchers. This deficiency was reported in a flash report, Report No. 3181-2009D11010003, dated September 16, 2009. Specifically, the deficiency identified during the voucher examinations related to DI's failure to adequately monitor its subcontractor billings to ensure the billings complied with the terms of the negotiated subcontract agreements. GLS' failure to adequately monitor subcontract billings resulted in an overpayment totaling $1.8 million, which GLS has since credited back to the Government.

As a result of our control risk assessments, our audit effort will be increased for billings, closeouts, financial capability, CAS, and other costs. The contractor has developed a Corrective Action Plan in response to our original and, as of September 4, 2009, DI has asserted that all corrective actions have been implemented. Once there is sufficient data for testing, a follow-up audit will be conducted and the results of our verification of the contractor's corrective actions provided. Additional testing will also be performed to assess correction of the deficiency noted in the flash report cited above. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The DI [redacted] Department is responsible for the billing function. There are two billing centers:

- [redacted] (formerly the [redacted] and [redacted] segments) has a separate Billing function within [redacted], led by a [redacted] Director, that performs billing for the [redacted] and [redacted] segments. It also performs the billing for the [redacted] and [redacted] that are managed by the [redacted] segment.
- [redacted] does not have a separate billing function. The [redacted] Accountants within [redacted] perform the billing function. [redacted] also bills for its [redacted] Segment and [redacted] Segment.

DI Policy and Procedure [redacted] Billing, outlines the billing procedures. Billing briefs are maintained by the [redacted] Staff; contract briefs are maintained by the [redacted] Department. [redacted] updates the billing briefs after the receipt of [redacted]. [redacted] coordinates with [redacted] Staff to ensure contract modifications are received and documented on the billing brief in a timely manner. The [redacted] Manager

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00120 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.076

monitors the [redacted] Procedures. Each [redacted], etc. has its own [redacted] Procedures for preparing billings. The procedures are different by [redacted] and [redacted] Billing brief requirements are included in the [redacted] Procedures.

Upon CACO approval of the provisional indirect billing rates, the [redacted] department, independent of the billing function, updates all rates [redacted] in the [redacted] System. Application of rates is monitored by the [redacted] Manager in each unit. The [redacted] Manager determines what rates are applied based on contract requirements.

DI uses its [redacted] financial system to generate the current and cumulative costs. Invoices on Government contracts are submitted based on the payment terms contained in the contract or as directed by the [redacted] Officer. [redacted] checks a box in upon contract setup in [redacted] identifying the costs that are billable such as [redacted] [redacted] postings, and [redacted] postings. The set-up of the billing items is entered in the [redacted] System by [redacted] and is based on contract requirements. Cost reimbursable billing items are scrubbed for unallowable costs at the time the cost is incurred at the [redacted] level. It is the responsibility of the [redacted] manager from each department to identify the unallowable costs. During the [redacted] process, changes in the rates are identified and examined to determine what caused the changes. If an unallowable cost is identified at this point, it is traced back to the source documentation and a correction is made in the form of a [redacted]. Items are also scrubbed for unallowable costs during the [redacted]. The actual billings and formatted through [redacted] or [redacted]

Funding at the project level is maintained in [redacted] [redacted] will not bill if there is no funding available on a particular contract. The billable items on hold are reviewed to determine why there is no funding available. For example, it can be because the item was placed on the wrong CLIN and should not be there. [redacted] determines where the item should be billed and corrects the errors causing it to bill incorrectly. The [redacted] Manager is responsible for notifying the [redacted] and [redacted] representatives of any funding issues.

Upon billing [redacted] moves the cost from the Open Billing Detail to the Closed Billing Detail. It is the responsibility of [redacted] to reconcile cost reimbursable billings to the general ledger and to subsequent payments received. The system generated cost reports, including [redacted] and [redacted] reports, are used to compare actual costs to the invoice. Reconciliation of the cost reports to the invoice is prepared to identify variances. Distribution corrections (labor and/or accounts payable) are prepared to correct variances identified in the reconciliation process.

Fixed Price and T&M contract costs are not reconciled because the billings for these items are driven by a unit price or catalog price. However, the costs incurred are reviewed by [redacted] for Profit and Loss purposes.

Invoice payment information is downloaded daily from the bank website and reconciled to the Aged Analysis of Billed Receivables report by contract. Invoice short pays are identified

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00121 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.077

and coordinated with the appropriate payment center or contracting office for research and resolution. Invoice overpayments are identified and a request sent to DI [redacted] for ACH transfer or check in accordance with customer direction.

Cash is posted daily in order to update the Aged Receivable report to reflect receipt of payment. Any excess payment is identified immediately by reconciling the payments to the DFAS data dump.

Monthly reports are presented to [redacted] Management to review and comment on the Billed Receivable Detail Explanations and the Unbilled Receivable Detail as they relate to the billing process. The Billed Receivable Detail is analyzed by management; the monthly discussions are documented. In Management Review meetings the focus is on 'Over 30 Days' on the Billed Receivable Detail. Explanations are provided to the owners for any items classified as 'Over 30 Days'.

6. Compensation System

As addressed in Audit Report No. 3181-2008D13020001 issued April 29, 2009, we determined that DI's compensation system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from March 2008 through September 11, 2008. Our examination disclosed eight significant deficiencies that are considered to be material weaknesses in DI's compensation system that result in excessive, unreasonable, or unallowable compensation costs. These deficiencies are summarized below:

- DI fails to develop a competitive objective in the overall value of its benefits package compared to other firms.
- DI fails to demonstrate the reasonableness of its compensation elements by comparing total actual compensation to the market by job class or grade level. In developing its rate structure it also uses the [redacted] percentile as a target, but fails to demonstrate the cost advantage of this [redacted] pay policy line.
- DI includes unallowable automobile expense paid on behalf of its executives in its incurred cost claim. We estimate the impact to the Government of this error is about $270,000 annually.
- DI fails to adequately staff its HR organization, particularly in the areas of compensation. Consequently, basic preventative control activities such as segregation of duties are compromised.
- DI fails to perform any job analysis on a majority of its job positions, which, in turn, demonstrates it possesses inadequate job documentation describing job position duties and responsibilities.
- DI's process, including policies and procedures, associated with the communication of total rewards to employees requires improvement.
- In its incurred cost claim, DI erroneously includes compensation elements in executive compensation which are not included in the definition of compensation in FAR 31.205-6(p)(2) when comparing DI's actual executive compensation to "the

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00122 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.078

benchmark compensation amount determined applicable for the contractor fiscal year by the Administrator, Office of Federal Procurement Policy (OFPP), under Section 39 of the OFPP Act (41 U.S.C. 435)."

- The contractor's compensation package related to certain Dubai office employees is considered unreasonable. The contractor routinely pays [redacted] percent greater than the average salary for similar positions to certain employees in the Dubai area.

The contractor has developed a Corrective Action Plan in response to our audit. Once the implementation of all corrective actions is complete, a follow-up audit will be conducted and the results of our verification of the contractor's corrective actions provided. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

DI maintains a decentralized Human Resources organization with main offices in [redacted], [redacted], [redacted] and [redacted] Main Human Resource policy is delineated at the [redacted] Office in [redacted] which is directed by the [redacted] who reports directly to DI's [redacted]. [redacted] HR is responsible for the establishment of overall direction for certain HR functions such as [redacted], [redacted] and [redacted] Overall, the [redacted] HR office oversees the total rewards of approximately 8,500 employees.

Although the [redacted] office mandates HR policy, the [redacted] office is, essentially, autonomous in performing most Human Resource functions and in managing compensation and benefits for approximately 7,000 additional employees who are mostly located overseas. In addition, HR offices in various other locations enforce policy direction independently from [redacted] oversight.

7. Estimating System

During FY 2009, DI submitted approximately $[redacted] in price proposals to the Government. Based on these proposals, DI expects to obtain contract awards of about $[redacted]

As addressed in Audit Report No. 3181-2009D24010001 issued November 23, 2009, we determined that DI's estimating system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from June to September 2009 and included evaluation of contractor policies and procedures for its fiscal year ended March 31, 2009 as well as proposal submittals from April 2008 through July 2009. Our examination disclosed five significant deficiencies that are considered to be material weaknesses in DI's estimating system that result in inaccurate, unreasonable, or unallowable proposal costs. These deficiencies are summarized below:

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00123 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.079

Audit Report No. 3181-2007D17900008

- DI's estimating system is not compliant with the DFARS 215.407-5-70 definition of an acceptable estimating system. Furthermore, DI's cost estimates are in noncompliance with DFARS 2145.407-5-70, FAR 15 and FAR 31, as well as applicable Cost Accounting Standards (CAS). In many cases they are also in noncompliance with DI's own estimating policies and procedures. We found the following deficiencies during our survey of recent proposals:

    - Noncompliances with FAR 15.408, Table 15-2 requirements;
    - Lack of support for commercial price determinations;
    - Lack of subcontract proposals and adequate cost and/or price analyses;
    - Noncompliance with applicable CAS; and
    - Errors and omissions.

- DI does not have adequate policies, procedures, and operating instructions to ensure the preparation of sound and reasonable cost estimates. Specifically we found the Cost Estimating Manual lacks adequate operating instructions.

- DI does not provide adequate training to its estimating personnel on the policies and procedures contained in its Cost Estimating Manual or the requirements of FAR, DFARS, and CAS. DI also does not adequately document training content or attendees.

- DI does not adequately monitor and review the estimating system process on a continuous basis to confirm the management approved policies and procedures continue to generate proposal estimates compliant with applicable Government regulations and are consistently implemented as designed.

- DI' estimating system has not been subject to periodic audits by either internal or external audit groups.

We have recommended CACO disapproval of all portions of DI's estimating system in accordance with DFARS 215.407-5-70. We will perform a follow-up audit upon the contractor's full implementation of corrective actions. Pending completion of this follow-up audit, the scope of our examinations of forward pricing proposals and postaward audits will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The [redacted] Department is responsible for preparing cost estimates used in individual price proposals, which includes competitive task orders under multiple contract modifications, change orders, and contract extensions. DI's detailed estimating policies and procedures are described in its "Cost Estimating Manual" and supplemented by various Standard Operating Procedures and Company Policy Statements. The most recent revision made to this manual was dated August 17, 2007.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00124 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.080

For the fiscal year ending March 29, 2008, DI has approximately [redacted] employees involved in the estimating process. DI's estimating system encompasses the following departments.

Department	No. of Employees
Business Development	[redacted]
Corporate Risk Mgmt	[redacted]
Human Resources	[redacted]
Finance (forward pricing)	[redacted]
Pricing	[redacted]
Contracts	[redacted]
Purchasing	[redacted]
Total Employees	[redacted]

In addition, input is received from DI's corporate office and other personnel working directly on a project.

8. Indirect and Other Direct Cost System

We have not recently performed a comprehensive review of DI's Indirect and Other Direct Cost System. The audit of this system has been deferred to 2011. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The [redacted] group has ownership of the Incurred Cost Claim system. The process begins with the [redacted] department generating cost reports from [redacted] and [redacted] The cost reports from [redacted] generated reports are manually entered into the Incurred Cost Claim file. The cost reports from [redacted] are generated in [redacted] format using [redacted] They are then cut and pasted and/or linked to the Incurred Cost Claim Excel file.

[redacted] then reconciles the Incurred Cost Claim to the Trial balance of [redacted] and [redacted] systems. The Incurred Cost Claim file is then reviewed by [redacted] Management for accuracy and completeness. The claim is then sent via email to the [redacted] CFOs and [redacted] CFO. The [redacted] CFOs and [redacted] CFO then review the claim for accuracy and completeness. If the Claim is not approved, the required changes are sent via email and/or verbally communicated during a meeting to [redacted] will then be responsible for making the necessary changes. Once the changes are made, [redacted] Management will review the claim for accuracy and completeness and then resubmit it to the CFOs for review.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00125 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.081

Audit Report No. 3181-2007D17900008

Upon approval by the [redacted] CFOs and [redacted] CFO, the Incurred Cost Claim will be signed by the [redacted] CFO. A Certificate of Final Indirect Costs is sent to [redacted] who will incorporate the Certificate into the Final Incurred Cost Claim Packet. The final Incurred Cost Claim Packet will then be sent to the ACO for approval.

The ACO will then give the final incurred cost claim packet to DCAA to be audited. The findings of the DCAA audit will be reported to [redacted] will then negotiate the findings with DCMA. In instances where changes are required, [redacted] will make the necessary changes and the entire process of review and submittal begins again. If no changes are required after negotiations, the final indirect rates are established.

9. Labor System

As addressed in Audit Report No. 03181-2007D13010001 issued March 18, 2009, we determined DI's labor system and related internal controls, policies, and procedures are inadequate. Test procedures were applied from April 4, 2008 through January 6, 2009. We identified six significant conditions which are summarized below:

- DI does not have adequate policies and procedures to provide reasonable assurance that labor transfers or adjustments of the labor distribution are documented and approved.
- DI does not have adequate procedures in place to verify that pay rates are authorized and accurate.
- DI has inadequate controls to provide reasonable assurance of the proper recording of labor costs to cost objectives. DI was unable to reconcile annual labor amounts for FYs 2005-2008.
- DI does not have adequate policies and procedures to provide control for the accumulation and recording of labor costs allocable to cost objectives for the purpose of determining proper cost reimbursement on Government contracts.
- DI does not have adequate policies and procedures for employees labor/timekeeping system training:
    - No programs stressing management's responsibility to provide for the accurate recording of labor hours;
    - No requirement for periodic refresher courses on proper timekeeping and labor charging practices;
    - No training on the importance of maintaining a segregation of duties for labor related activities to prevent the appearance of and opportunities for improprieties;
    - Seven out of 15 employees (47 percent) interviewed were not aware of the existence of the DOD hotline; and
    - Three out of ten (30 percent) floor check evaluations performed by DCAA during the FY 2007 and 2008 periods included suggestions for increased training of employees.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00126 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.082

Audit Report No. 3181-2007D17900008

- DI does not have adequate policies and procedures for monitoring the overall integrity of the labor/timekeeping system.

As a result of our control risk assessments, our audit effort will be increased for floor checks, incurred cost and other labor related audits. The contractor has developed a Corrective Action Plan in response to our audit. Once the implementation of all corrective actions is complete, a follow-up audit will be conducted and the results of our verification of the contractor's corrective actions provided. Pending completion of this audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

DI uses [redacted], and [redacted] for processing labor. DI policy statement number [redacted] - [redacted] requires all hours worked must be recorded. Employees are paid for all hours worked except for [redacted] employees. Total labor dollars for CY 2008 were $[redacted] million in direct labor and $[redacted] million in indirect labor.

The DI [redacted] Department maintains the employee demographic files in [redacted] These files include such information as [redacted]. HR also sets up the [redacted] to which the employee may charge. The employee demographic files are loaded into [redacted] via the [redacted] routine which performs edit checks. [redacted] is responsible for fixing all errors on the preprocessor Edit Report, and resubmitting the corrected demographic files. [redacted] then 'pumps' certain data from these demographic files into the [redacted] system.

The DI [redacted] department [redacted] is responsible for setting up project accounts based on information provided by the [redacted] accountants. Per DI Policy Statement (PS) [redacted] the new job set-up procedure includes establishment of [redacted] codes, including those for [redacted] and [redacted]. The [redacted] Administrator is responsible for activating the labor charge codes for specific employees.

Timesheet data can be entered into [redacted] electronically from [redacted]. The employee may also enter data into the [redacted]. Alternately, timesheet information may be entered into the [redacted] System or [redacted] system by a designated [redacted] clerk. The [redacted] supervisor is responsible for verifying and signing employee timesheets. The [redacted] Administrator is responsible for verifying the supervisor signature on completed timesheets.

After the timesheets have been entered into [redacted] the [redacted] Administrator is prompted to run a [redacted] program. This program automatically reconciles the [redacted] file to the [redacted] data and will generate an [redacted] report identifying time charges to an incorrect [redacted], [redacted] or [redacted] code. The Administrator then can suspend from further processing those [redacted] with errors until corrected. The [redacted] program can be rerun until a clean

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00127 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.083

Audit Report No. 3181-2007D17900008

[redacted] report is achieved; however, the [redacted] program is manually initiated and is not required by [redacted] to initiate the data export process.

The Administrator next initiates [redacted] routine to create a [redacted] file and [redacted] Report. The [redacted] file is converted to a [redacted] file and uploaded to [redacted] along with the [redacted] Report. The Administrator also prompts the export of data from the [redacted] system into the [redacted] system to create a [redacted] File and [redacted] File. The [redacted] supervisor balances total hours and dollars from the [redacted] Report and [redacted] Report to the [redacted] File.

The [redacted] Department uploads the [redacted] File to [redacted] and uses this data to calculate [redacted] and create [redacted]. Next [redacted] sends the [redacted] information back to [redacted] for journal entry in [redacted].

DI policy number DI [redacted] requires the identification and segregation of unallowable direct and indirect labor costs at [redacted] DI employees are to report time expended on unallowable activities separately from time spent on allowable activities. DI's chart of accounts identifies the following unallowable and unbillable labor accounts (i.e. charge codes) to enable the identification of unallowable labor:

Unallowable G&A Labor
Unallowable G&A Premium Time
Unallowable Overhead Labor
Unallowable Overhead Premium Time
Unbillable Direct Labor
Unbillable Premium Time
Unbillable Shift Pay

[redacted]

Starting in FY 2009, DI provides labor compliance training [redacted] on-line or through live session. It also provides labor recording information through line management and through policies and procedures and training modules available on the [redacted].

DI HR [redacted] monitor the Labor Accounting System at DI. [redacted] performs various reconciliations on employee status, employee change notifications, and supervisory authorization of changes.

10. Budget and Planning System

On November 19, 2009, the FAO issued Audit Report No. 3181-2009D11020002 reporting DI's budget and planning system inadequate. DI does not prepare budgetary forecasts for the entire proposed period of contract performance. It prepares only a [redacted] detailed operating budget and escalates its operating plan using a [redacted] for [redacted] or [redacted]. Therefore, DI's revenue and allocation base projections do not take into account probable fluctuations in revenues (e.g. Government program recompetitions of option years, new

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00128 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.084

programs, significant increases and/or decreases in work scope). DI's failure to prepare adequate budgets results in significant risk that forecasted rates may not be realistic, and may result in significant overstatement or understatement of proposed costs, as well as compromising the contractor's ability to accurately plan for and control costs during contract performance.

As a result, the FAO has recommended the CACO pursue a suspension of a percentage of progress payments or reimbursement of costs in accordance with DFARS 242.7502 until the contractor's budget and planning system controls are adequate to ensure the organization is able to initiate, authorize, record, process, report, and forecast costs in a manner that is consistent with applicable Government contract laws and regulations.

Pending contractor implementation of adequate corrective action and completion of a follow-up audit, the scope of our related examinations will continue to include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

The [redacted] has ownership of the budget and planning system. The process begins with an [redacted] operations planning meeting which is attended by the [redacted] CFO, the [redacted] CFOs, and [redacted] At this meeting, two outputs are produced; an [redacted] Schedule and the [redacted] Budget Templates. The [redacted] pulls information from the [redacted] for the [redacted] Budget Templates. The [redacted] Budget Templates are based on [redacted] vs. [redacted] and include an [redacted]. The Schedule and Budget Templates are then sent to the various [redacted] The [redacted] populate the budgets and send them back to [redacted] who saves the populated budgets to a secure network drive.

[redacted] then obtains Other [redacted] Data from [redacted]. They then manually enter staffing data into [redacted] They also cut and paste data from the [redacted] Budget Files into the [redacted] and attach the [redacted] files to the [redacted]. The [redacted] processes the various staffing and budget data. [redacted] then repopulates the [redacted] Templates with the data from [redacted].

The New Budget Template is output into Excel and sent via email to the [redacted] for review for accuracy and completeness. If the budgets are not approved by the [redacted] they propose budget changes and submit them to [redacted]. They then input and save the changes to the [redacted] File to be reprocessed by the [redacted] Interface. [redacted] then generates a revised budget from the [redacted] Interface and submits the revision to the [redacted] for approval.

Upon approval, the [redacted] send the approved budget to [redacted] They then freeze the approved budget in [redacted] File and save the email to

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00129 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.085

the secure network drive. [redacted] then generates a Budget Report from [redacted] which is sent, along with the revised budget, to [redacted] Management for approval. [redacted] Management Reviews the proposed budget for completeness and accuracy. [redacted] Management consists of the DI [redacted] and [redacted]. If [redacted] Management determines the need for changes at this time, they submit the changes to [redacted] who inputs them into [redacted] and notifies the [redacted] of the changes. [redacted] Management changes can consist of, but are not limited to reduction/increase to cost and reduction/increase to headcount. [redacted] generates a Revised Budget Report from [redacted]s which it then sends, with the Revised Budget to [redacted] Management for approval.

Upon approval of the draft budget by [redacted] Management, they send the Revised Budget to [redacted] for finalization. The Final Approved Draft Budget is evidenced through verbal communication from [redacted] Management to [redacted] inputs the Approved Draft Budget and saves it to [redacted] Access to the secured network drive is limited to the [redacted] and [redacted]

After [redacted] Management [redacted] review and approval of Final Draft Budget, the Forward Pricing Rate Proposal (FPRP) is submitted to the CACO and DCAA [redacted] prior to the new fiscal year. The Final Draft Budget is sent to the [redacted] for final approval (typically in [redacted]. If any changes are made to the budget, the FPRP is resubmitted to the CACO and DCAA. When approved by the [redacted] the Final Draft Budget becomes the Final Budget. After approval of the FPRP by the CACO and DCAA the FPRP becomes the Forward Pricing Rate Agreement.

Forward Pricing

[redacted] requests the pool and base support [redacted] files from [redacted] Accounting and [redacted] and Accounting [redacted]. Additionally, they request the [redacted] Tables from [redacted] Pricing. [redacted] also runs the [redacted] Pool and [redacted] Reports from [redacted] and then saves these reports to a secure folder on the network.

[redacted] then updates the Rate Model in [redacted] with the [redacted] information. They then link the [redacted] Pool and [redacted] and [redacted] and [redacted] Files to the Rate Model. This is then saved to the secure network. [redacted] Management reviews the Rate model for accuracy and completeness, and then sends the Rate Model to the [redacted] CFO and [redacted] CFOs for review.

The [redacted] CFO and [redacted] CFOs meet to obtain agreement and approval on the pools and bases used to calculate the Forward Pricing Rate's. If any of the bases are not

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00130 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.086

approved, the [redacted] CFO and the [redacted] CFOs resubmit data to [redacted] and the submittal process starts over.

Upon approval of the bases, the [redacted] CFO and the [redacted] CFOs review the pools. If the pools are not approved the [redacted] CFO calls [redacted] and verbally communicates any changes required. [redacted] makes the requested changes to the Rate Model File which is then resubmitted to the [redacted] and [redacted] CFOs for approval.

Upon approval of the pools and bases, the [redacted] CFO calls [redacted] with approval, signs the Forward Pricing Rate Package, and sends it to [redacted]. [redacted] then generates a transmittal letter which, with the Forward Pricing Rate Package is scanned into a PDF file. This PDF file is then sent to the CACO for approval and for DCAA audit.

When CACO approval of the Forward Pricing Rate package is received by [redacted] the rate package is used for Billing and the rates are considered Final Billing Rates.

11. Purchasing System

We have not recently performed a comprehensive review of DynCorp's Purchasing System. We are currently reviewing this system under Assignment No. 3181-2006D12030001, and expect to complete our review and issue the audit report this fiscal year.

However, certain internal control deficiencies relating to vouchers of Global Linguist Solutions (GLS) were identified during the examination of paid vouchers. Our examination of paid vouchers includes ensuring that subcontracts were properly awarded and that justifications related to determining the reasonableness of the subcontract cost or price are documented and ensuring that subcontracts are properly monitored and the correct indirect ceiling wrap rates, stipulated by subcontract agreements are used for billing.

We reported the following conditions in a flash report, Report No. 3181-2009D12030002, dated June 4, 2009.

- Failure to notify the Government upon award of auditable type subcontracts; and
- Lack of cost or price analysis of subcontractor proposals.

Additionally, we reported condition in a second flash report, Report No. 3181-2009D12030003, dated November 16, 2009.

- Failure to Conduct and Document Adequate Cost/Price Analysis Related to Sole Source Subcontract Modifications

Pending completion of the system audit and resolution of the internal control deficiencies identified in the flash reports cited above, the scope of our related examinations will continue to

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00131 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.087

include increased tests of compliance with applicable laws and regulations to provide a reasonable basis for our audit opinions.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00132 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.088

Audit Report No. 3181-2007D17900008

DCAA PERSONNEL

	Telephone No.
Primary contact(s) regarding this audit:	
[redacted] Senior Auditor	[redacted]
[redacted] Auditor	
[redacted], Supervisory Auditor	
Other contact(s) regarding this audit report:	
[redacted] Branch Manager	[redacted]
	FAX No.
DynCorp International LLC Suboffice	[redacted]
	E-mail Address
DynCorp International LLC Suboffice	[redacted]@dcaa.mil

General information on audit matters is available at http://www.dcaa.mil/.

RELEVANT DATES

Contracting Officer Request – dated April 9, 2007, received April 9, 2007

AUDIT REPORT AUTHORIZED BY:

/s/[redacted]
/for/[redacted]
DCAA Branch Manager

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00133 Fmt 6601 Sfmt 6601 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.089

Audit Report No. 3181-2007D17900008

AUDIT REPORT DISTRIBUTION AND RESTRICTIONS

DISTRIBUTION

	E-mail Address
Office of Acquisition Management (A/LM/AQM) Department of State ATTN: Branch Chief, Quality Assurance ([redacted]) [redacted]	[redacted]@state.gov
DynCorp International LLC ATTN: Director, Government Compliance (Chad Connell) PO Box 961217 Fort Worth, Texas 76161-1217	Chad.Connell@dyn-intl.com

RESTRICTIONS

1. Information contained in this audit report may be proprietary. It is not practical to identify during the conduct of the audit those elements of the data, which are proprietary. Make proprietary determinations in the event of an external request for access. Consider the restrictions of 18 U.S.C. 1905 before releasing this information to the public.

2. Under the provisions of Title 32, Code of Federal Regulations, Part 290.7(b), DCAA will refer any Freedom of Information Act request for audit reports received to the cognizant contracting agency for determination as to releasability and a direct response to the requestor.

3. Do not use the information contained in this audit report for purposes other than action on the subject of this audit without first discussing its applicability with the auditor.

VerDate Nov 24 2008 14:41 Apr 06, 2011 Jkt 057325 PO 00000 Frm 00134 Fmt 6601 Sfmt 6011 P:\DOCS\57325.TXT SAFFAIRS PsN: PAT

57325.090