

Opening Statement  
of  
William H. Moser  
Deputy Assistant Secretary of State for Logistics Management

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Chairman Carper, Ranking Member Coburn and Members of the Committee, thank you for the opportunity to appear before you today to discuss the Department of State's initiatives to improve the management and oversight of contracting activity in hostile zones.

The Department of State has extensive experience with contracting in crisis situations. Diplomatic activity is ever-changing to meet the needs of our country amid evolving world events. Contracts were needed to evacuate staff, protect property and close missions in the 1990s in Pakistan, Somalia, Sudan, Liberia, and Zaire. During the Bosnian War, we contracted for vehicles, equipment and supplies for the Sanctions Assistance Mission. As hostilities decreased in the Balkans, we provided contracting support for supplies, services and equipment to embassies in the region, and stood up new embassies in Skopje, Sarajevo, Zagreb and Ljubljana. We contracted for medical and safety equipment for regional embassies in the Middle East during the 1991 Persian Gulf War.

Just after the Al Qaeda bombings in Nairobi and Dar es Salaam, we further refined our strategy for dealing with contingency contracting support. Our Office of Acquisitions Management partners with various Department offices, both at headquarters and around the world, to determine the type of contracts that would best support their emergency requirements. Our contingency transportation contracts helped evacuate 13,000 American citizens from war-torn Lebanon in 2006.

Our contracting activity routinely supports the Department of State in crisis situations. Program offices provide mission requirements, technical guidance and managerial oversight. Contracting officers support program offices in assessing needs and awarding contracts in accordance with laws and regulations. To prepare for the next crisis, we have identified as first responders contracting officers that are ready to rollout with program office staff.

Even before we opened Embassy Baghdad in July 2004, we dispatched personnel to Iraq to work on site to award and administer contracts to support the mission. Support of Embassy Baghdad remains the top priority for our contracting personnel. To date, our central contracting activity has awarded 35 contracts with approximately 6,500 contractor personnel in country. We contract for construction, operations and maintenance of facilities; security services to protect our mission personnel and visitors; and translation services to facilitate diplomatic dialog. These contracts are essential to the support of our diplomatic mission.

One major contract employs experienced professionals to train Iraqi civilian police. Another contract employs de-mining teams. In addition, we contract for experts such as economists, agronomists, engineers, and others. Although, the State Department does not maintain these capabilities in-house, contractor personnel supplement the skills of our traditional diplomatic workforce and are essential in our efforts to rebuild Iraq.

We've established a comprehensive policy and operational framework for the deployment of contractors who will work alongside our diplomats. Before deployment, pre-performance conferences are held to go over the

terms and conditions of each contract, including “dos” and “don’ts”, and the whole range of administrative, technical and security requirements. We hand out an “Iraq Deployment Guide” to contractors covering medical, security and country clearance requirements; travel and transit information; and training. All those deployed must attend a Foreign Affairs Counter Threat (FACT) training course presented by the Department’s Bureau of Diplomatic Security and the Foreign Service Institute. Contractors also provide additional in-house training for their employees.

One of the most effective contracting mechanisms that we have found to be responsive to urgent foreign policy requirements is the use of Indefinite Delivery/Indefinite Quantity (IDIQs) contracts. These types of contracts can be used to acquire supplies and services when the exact time or exact quantities of future deliveries are not known at the time of contract award. Both our worldwide civilian police force training and personnel protection services contracts are IDIQs. In Iraq, Afghanistan and other locations, they have been used effectively to meet the requirements of a rapidly changing environment when we cannot predetermine the precise services the Department requires.

Our experience in Iraq and Afghanistan has shown that there are areas where we need to improve our contingency capabilities. We’ve learned that we need more resources on-site so that we can improve planning, price analysis, contract formation and oversight. However, resource limitations have prevented us from expanding the resources as rapidly as the growth in contract requirements.

Since 2001, the workload of the State Department's Office of Acquisitions has grown dramatically with no commensurate increase in staffing. The volume of transactions grew from \$2 billion in 2001 to \$6.1 billion in 2007. To gain the flexibility required in a rapidly changing geopolitical environment, the Under Secretary for Management directed the transformation of the Office of Acquisitions Management to a working capital funded organization. A one percent fee for service, based on the amount of contract award, will cover the expenses of the acquisition activity.

The working capital fund structure will permit the State Department to significantly increase the amount of cost and price analysis, legal review and contract oversight performed. We want to ensure that our contracts meet the standard of integrity demanded by Congress and the American people. The contracting operation will be more agile and responsive to all future contracting needs, including contingency contracting. We will be able to readily increase the resources devoted to each contract action, whether the contract performance is in Iraq, Darfur or Haiti.

Successful contracting depends on close partnership with program offices. The Department's Office of Acquisitions Management is working closely with the Office of the Coordinator for Reconstruction and Stabilization (S/CRS) to improve contingency contracting. We are also working with our Department of Defense colleagues to guarantee coordination in hostile zones. Deputy Secretary of Defense Gordon England and Deputy Secretary of State John Negroponte signed a Memorandum of Understanding (MOU) in December 2007 to improve management and oversight of private security contractors in hostile zones. We look forward to further cooperation with the Department of Defense to provide the

contracting support to the diplomatic and military forces around the globe as they face the daily challenges of serving in difficult and hostile areas.

I look forward to your questions and thank you for the opportunity address the members of the committee.