<u>Urgent Reform Required:</u> Army Expeditionary Contracting



An Independent Assessment:

Report of the "Commission on Army Acquisition and Program Management in Expeditionary Operations"

October 31, 2007





- An <u>independent</u> Commission, chartered by the Secretary
 - Review lessons learned
 - Make recommendations to assist the Army in ensuring that <u>future</u> operations achieve greater effectiveness, efficiency, and transparency
- Areas for study:
 - Army acquisition activities in Central Command (CENTCOM) area
 - Organizational alignments of responsibility
 - Personnel staffing numbers, skills, and training
 - Oversight and management
 - Responsiveness; visibility; and controls
 - Budgeting and financial management
 - Sufficiency of extant legislation
- Commission not chartered to address:
 - Current fraud issues (covered by LTG Ross Thompson's Army Contracting Task Force)
 - Equipment accountability (the focus of DoD Inspector General LTG (Ret) Claude Kicklighter)
 - Private security contracts (the focus of AMB Patrick Kennedy)



Commission Membership

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Bottom Line Up Front: The Four Key Elements to Future Success



- Increase stature, quantity, and career development of <u>contracting personnel</u>, military and civilian (especially for expeditionary* operations)
- 2. Restructure <u>organization</u> and restore <u>responsibility</u> to facilitate contracting and contract management in expeditionary and CONUS operations
- Provide <u>training and tools</u> for overall contracting activities in expeditionary operations
- 4. Obtain <u>legislative</u>, <u>regulatory</u>, <u>and policy</u> assistance to enable contracting effectiveness in expeditionary operations

^{*}The term "expeditionary" includes both OCONUS and domestic emergency operations



Major Findings

- The acquisition failures in expeditionary operations require a systemic fix of the Army acquisition system
- Although the Operational Army* is expeditionary and on a war footing, it does not yet fully recognize the impact of contractors in expeditionary operations and on mission success:
 - Requirements (definition and flexibility)
- Critical segments of the Institutional Army** have <u>not</u> adapted to support responsive acquisitions and sustainment for expeditionary operations:
 - Financial management
 - Personnel (civilian and military)
 - Contracting and contract management
 - Training and education
 - Doctrine, regulations, and processes
- <u>Contracting</u> (from requirements definition through contract management) is not an <u>Army "core-competence"</u>
- The Army has excellent, dedicated people, but they are under-staffed, overworked, under-trained, under-supported, and, most important, <u>under-valued</u>

^{*}Operational Army: Consists of numbered armies, corps, divisions, brigades, and battalions that conduct full spectrum operations around the world.

^{**}Institutional Army: Supports the Operational Army. Institutional organizations provide the infrastructure necessary to raise, **PAGE 7** train, equip, deploy, and ensure the readiness of all Army forces.

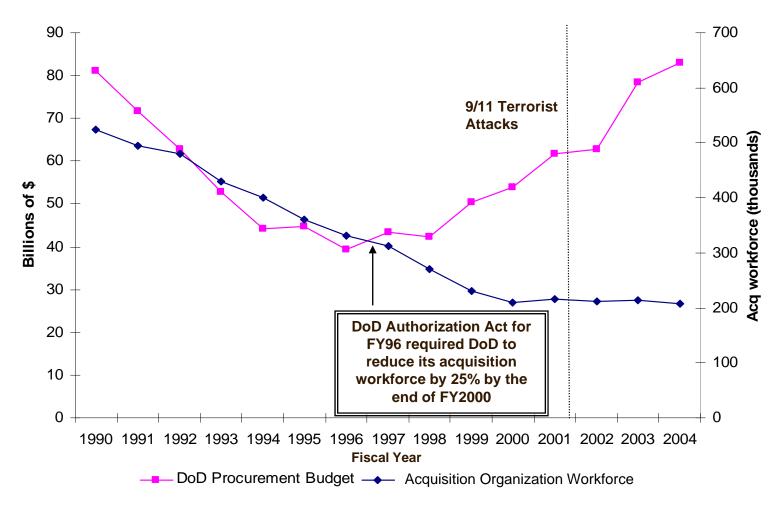


Major Problem Areas

- Contracting should be a core capability of the Army, but it currently is treated as an operational and institutional side issue
- This Commission was unable to get consistent or reliable data on Army contracting career field (military and civilian)
- Only ~3% of Army contracting personnel are active duty military. Many more trained and experienced military personnel (officers and non-commissioned officers) are required in the expeditionary environment
- Despite ~7x workload increase and greater complexity of contracting:
 - Stagnant or declining civilian and military contracting workforce
 - Only 56% of the military officers and 53% of the civilians in the contracting career field are certified for their current positions
 - Army civilian personnel policies are outdated
 - No longer any Army General Officer positions for career contracting professionals (formerly 5 in Army and 4 in Joint Organizations) and trained G.O.s not being used
- Lack of planning and training for expeditionary contracting and contract management (e.g., exercises, civilian "pre-volunteers," leadership courses)
- Lack of recognition (by operators) of the impact of contracting and contractors in expeditionary operations (yet over 50% of "force" in Iraq is contractors)

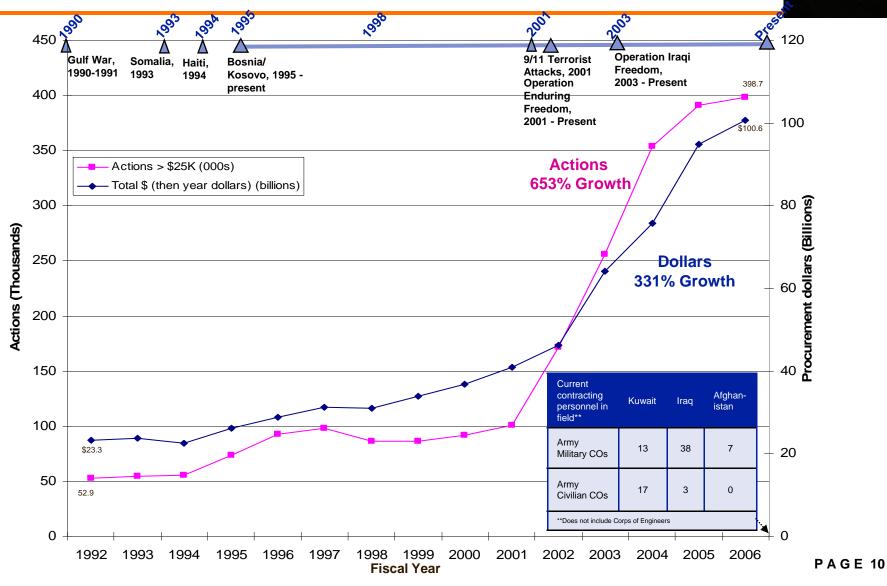
Overall DoD Acquisition Workforce Declined Even as Procurement Budgets Increased





Source of workforce data: DoD IG Report D-2000-088, Feb 29, 2000 & DoD IG Report D-2006-073, April 17, 2006. Source of Budget data: Annual Defense Reports, available at http://www.dod.mil/execsec/adr_intro.html.

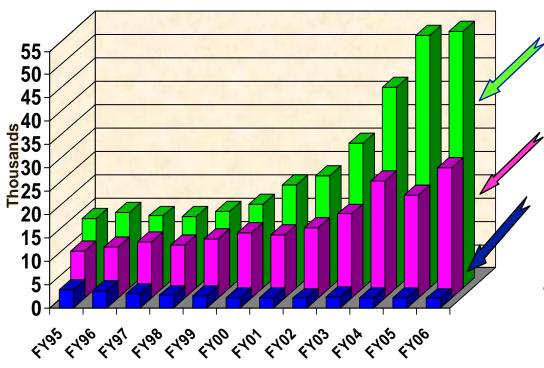
Army Contracting: ~7x the Actions, ~3x the Dollars, No Increase in Personnel





AMC Contracting Trends

■ People ■ Actions > \$100K ■ Total Dollars in Billions ■



Increased Dollars

- *Up 382%* since '95 *Increased* Actions
- Up 359% since '95
 Decreased Workforce*
- Down 53% since '95

*Based on AMC data calls to Acquisition Support Centers:

FY95 Workforce: 3,905 FY06 Workforce: 2,070

Elimination of Army General Officers in Contracting Career Field



Ar	Army General Officer Positions – Now Eliminated					
1	DCS for Procurement & Production	MG	Redesignated May 92			
	DCS for Procurement, AMC	MG	Eliminated Nov 91			
	Redesignated DCS for Acquisition, AMC	BG	Eliminated Oct 92			
2	DCG, Procurement & Readiness, MICOM	BG	Eliminated Nov 91			
3	DCG, Procurement & Readiness, TACOM	BG	Eliminated Nov 91			
4	Dep for Contracting, OASA(RDA)	MG	Redesignated May 92			
	Redesignated Dir, Contracting, OASA(RDA)	BG	Eliminated Mar 93			
5	Dir, Office of Competitive Sourcing, OASA(RDA)	BG	Eliminated Dec 98			

Jo	Joint General/Flag Officer Positions – Now Eliminated					
1	Dir, DCMC	MG	Realigned to establish G/FO billet in MDA as of 13 May 9			
2	Dep Dir, Aqn Mgt, DCMC	MG	Eliminated May 92			
3	Cdr, Mid-Atlantic District (Defense Contract Management Command)	BG	Eliminated May 92			
4	Cdr, Western District (Defense Contract Management Command)	BG	Eliminated May 92			
Ge	General/Flag Officer Positions (Joint) – Temporary					
1	Cdr, JCC-I/Aª	BG♭	Established after 2001—filled by Air Force			
a J (^a JCC-I/A is the Joint Contracting Command-Iraq/Afghanistan					
	^b According to the Joint Duty Assignment Listing Annex, this is an O-7 billet. However, the incumbent is an O-8 (Maj Gen Scott, USAF)					

Source: Data provided October 1, 2007, to the Commission by Deputy Chief General Officer Management Office (GOMO)

Military Competence Essential to Expeditionary Contracting



- Army has not recognized importance
 - Military (279 Officer; 62 Enlisted);
 Civilian ~5,500 (GS-1102)
 - FY06 procurement actions: 398,748
 - Army active duty military (~3% of contracting workforce) begin contracting careers approximately 7 years after commissioning
 - No current Army General Officer billets
 - Army civil servant personnel policies outdated

- Air Force has/had
 - Military (940 Officer active only;
 1,196 Enlisted); Civilian 4,800
 - FY06 procurement actions: 61,000
 - Air Force military (37% of contracting workforce) begin careers as 2nd Lieutenant
 - Potential promotions to General Officer positions
 - Air Force contracting squadrons linked directly to expeditionary wings
 - However, even in the Air Force, "the importance of career contracting personnel seems to have waned over the past years"
- Army "Executive Agent" for Iraq and Afghanistan, but Army <u>unable</u> to fill billets in either quantity or qualifications
 - Air Force Major General commanding JCC-I/A
 - 67% of the JCC-I/A contracting workforce staffed by Air Force; and Air Force handling most complex contracts

Major Procurement Frauds (as of 9/24/07) Far More Than Just Contracting Officers

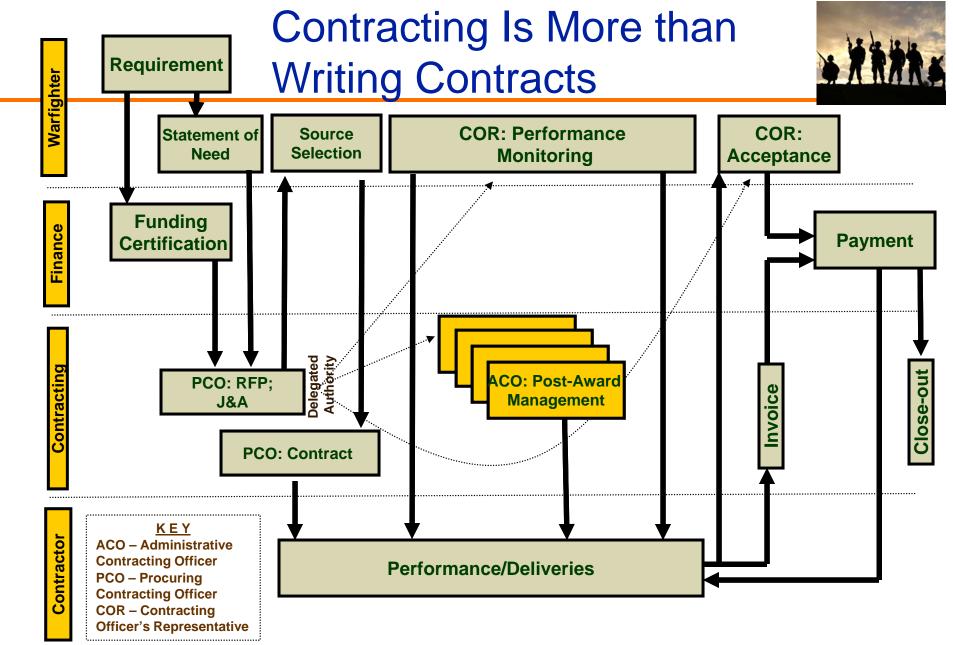


Service	Percentage of Contracting Personnel in Iraq/Kuwait	Open Fraud Investigations		
Air Force	70%	1		
Army	28%	77		
Navy	2 %	0		
Total	100%	78		

Army Employees Involved				
Contracting Officers	18			
Contracting Officer Representatives	21			
Other	57			
Total	96			

Army Employees Involved		Active	Reserve	National Guard	Retired
Army Officers	50	27	12	8	3
Army Enlisted	33	19	8	6	0 ,
Dept of Army Civilians	13	13 83			
Total	96				

Source: Data provided September 21, 2007, to the Commission by U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit, and subsequently updated on September 24, 2007







"In Iraq, contract management for non-LOGCAP was a 'pick-up game.' When done at all, it was a secondary function." (Former Senior Army G.O.)

- Contract management is the essential post-award contracting function to ensure mission accomplishment, and it is an important control over fraud, waste, and abuse; it CANNOT be a "pick-up game" in the Army
- There are 70+ FAR functions performed in the post-award phase
- Certain acquisition professionals are key to post-award contract management:
 - Administrative Contracting Officer (ACO) Primary interface to contractor
 - Quality Assurance Representative (QAR) Evaluates contractor performance
 - Contracting Officer Representative (COR) Augments the QAR; ideally subjectmatter experts embedded with the mission
- CORs are not identified and trained prior to deployment; consequently, they
 are ill-prepared to execute their contract management duties, and even then
 it is an additional duty
- With not enough ACOs, PCOs could do this but they are too busy and therefore it is <u>not being done</u>

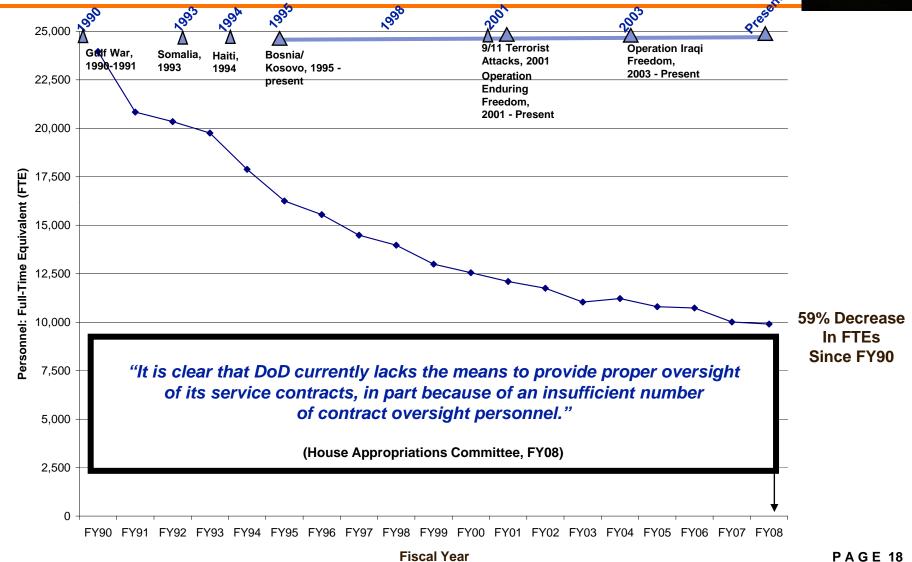
Post-Award Contract Management (Continued)



- Contract administration functions may be retained by a contracting activity or delegated to the Defense Contract Management Agency (DCMA)
 - Contracting activities typically delegate weapons system, production-type contracts to DCMA, whose representatives are co-located in a contractor's plant
 - Contracting activities do not normally delegate services or base, post, camp, and station-type contracts to DCMA; not considered its mission by DCMA (but allowable by regulation)
- DCMA is performing OCONUS contract administration for LOGCAP and a few other small, in-theater efforts
- DCMA is not currently positioned to perform all expeditionary contract administration functions and does not serve as center-of-excellence for expeditionary contract management
 - Inadequate resources (people and money)
 - Narrow CONUS mission does not include base, post, camp, and station or service contracts
 - No military leadership heading DCMA

DCMA Personnel Continue to Decrease







Some Quotes From Commission Hearings

- "I am assigned to a field grade command with lieutenant qualifications."
 - (Army contracting field grade officer regarding his first acquisition assignment)
- "I can't get certified Army personnel (civilian or military) to fill my needs." (Air Force G.O. in Iraq)
- "Only 38% of those in contracting positions in-theater are certified for the positions they hold."
 (Senior DoD official)
- "In-theater, we had lots of people in Washington telling us the rules, but little sense of urgency." (Former Army Contracting Official)
- "We're not training as we fight." (Army G.O.)
- "In-theater, we could do no pricing and no contract close-outs."
 (Former Army Contracting Officer)

- "We have a joint contracting command in name only [in I/A]; in reality, it isn't a joint command in key ways." (Army G.O.)
- "We need to have a section in every leadership course on contracting and contractors." (Army G.O. back from Iraq)
- "Next time I go overseas, I don't want it to be ad hoc." (Army G.O.)
- "Contracting for expeditionary services requires far greater sophistication." (Army SES)
- "If I would have known about the contracting issue in advance, I would have done something about it." (Army Senior G.O.)
- "We have problems in both service and weapon systems contracting." (Retired G.O.)





Institutional Army support to Iraq/Afghanistan/Kuwait inadequate

- Too much incremental funding
 - Causes unnecessary, "make work" contract modifications and inefficient operations
 - For example, in FY 06 LOGCAP had 141 incremental funding contract modifications
- No Expeditionary FAR (EFAR) defining allowable expedient actions, to be used in training and provided to field
- Contracting training not modified for need
 - Need more focused expeditionary contracting training, plus expeditionary contracting education
 - Rapid acquisition of materiel solutions, force sustainment, and reconstruction
- Contracting reach-back not responsive or effective
- Pricing personnel needed in theater and CONUS
- Contracting Officers Representatives (CORs) need to be identified, trained, and ready in the units prior to any deployment
- Combat commanders not trained in importance of requirements definition, contracting, and contractors in expeditionary operations
- Contract close-outs are not occurring because of shortage of trained personnel
- Little to no visibility of contractor assets or personnel in theater of operations
- Army civilian personnel system not oriented for expeditionary operations

"We are deploying civilians to the theater based on rules established 30 to 40 years ago."

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To be continued...



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Institutional Issues (Continued)

- Requested improvements to align contracting with needs of Combatant Commander (June 2006 memorandum from Commanding General, Multi National Forces-Iraq (Gen. Casey))
- Very little progress

Statutory relief

- 1. Expand funding authority
- Adjust GAO protest and CICA stay provisions
- Automatically apply express option to GAO decisions for protests
- Amend CICA to allow HCA to establish publication parameters

- 5. Automatically exempt from Berry Amendment and Balance of Payments
- Exempt DoD civilians from tax when deployed in combat zones

Regulatory initiative

7. Develop contingency FAR

Departmental initiatives

- 8. Establish clear lines of authority for all government organizations
- Create Standing Joint Contingency Acquisition Committee to develop policy
- Provide automated contingency contract writing system

Iraq Is a Wake-Up Call; It Is the Army's Acquisition/Contracting "Tipping Point"



Iraq has illuminated numerous major problems with expeditionary Army acquisition and contracting, including:

- Diffused responsibility in-theater (many "ad-hoc players": AMC, ACA, LOGCAP, Kuwait, Corps of Engineers, SOCOM, JCC-I/A, DCMA, DLA, CENTAF, MARCENT, U.S. AID, Department of State, etc.) and in Pentagon
- Five years into Operation Iraqi Freedom (OIF), deficiencies persist:
 - Leadership
 - Organization
 - Resourcing: personnel, "color of money," sense of urgency, cash flow, etc.
 - Career development, training, and education
 - Expeditionary (contingency, "sustainment", etc.) doctrine, policy, requirements, and tools (database of Service statements of work, terms and conditions, standard contracts, pre-placed authorities, class waivers & deviations)
 - Rapid acquisition and fielding
 - Post-award contract management
 - In-theater integration of operational, logistics, and contractor forces/personnel
- Bottom line: Solution must address shortfalls across the Doctrine, Organization, Training, Materiel, Leader Development, Personnel, and Facilities (DOTMLPF) spectrum to improve expeditionary contracting



Fix the Cause, Not the Symptoms

- Future military operations will be expeditionary and joint (and, likely, multi-agency)
 - Desert Storm, Somalia, Balkans, Afghanistan, and Iraq situations all "unique," and the next national security problem will be also different – but it will definitely be expeditionary and heavily involve the need for contractor support
 - Army and U.S. Government need organizations and talent poised to "hit the ground running"
- Institutional Army's ability to support warfighter currently undermined by a systemic peacetime, CONUS culture and bureaucracy
 - Does not sufficiently value or recognize importance of contracting, contract management, and contractors in expeditionary operations
 - Is slow to respond and is not prepared to meet expeditionary needs
 - Is an unsynchronized activity among the many Army buying commands
- Adding more auditors is not the solution ("between SIGIR, AAA, and DCAA there are already more auditors in the field today than Government contract personnel")
- Name change to "generating force" has not resulted in an expeditionary approach to contracting

The Four Key Elements to Future Success



- Increase stature, quantity, and career development of <u>contracting personnel</u>, military and civilian (especially for expeditionary operations)
- 2. Restructure <u>organization</u> and restore <u>responsibility</u> to facilitate contracting and contract management in expeditionary and CONUS operations
- 3. Provide <u>training and tools</u> for overall contracting activities in expeditionary operations
- 4. Obtain <u>legislative</u>, <u>regulatory</u>, <u>and policy</u> assistance to enable contracting effectiveness in expeditionary operations





Increase stature, quantity, and career development of contracting personnel, military and civilian (especially for expeditionary operations)

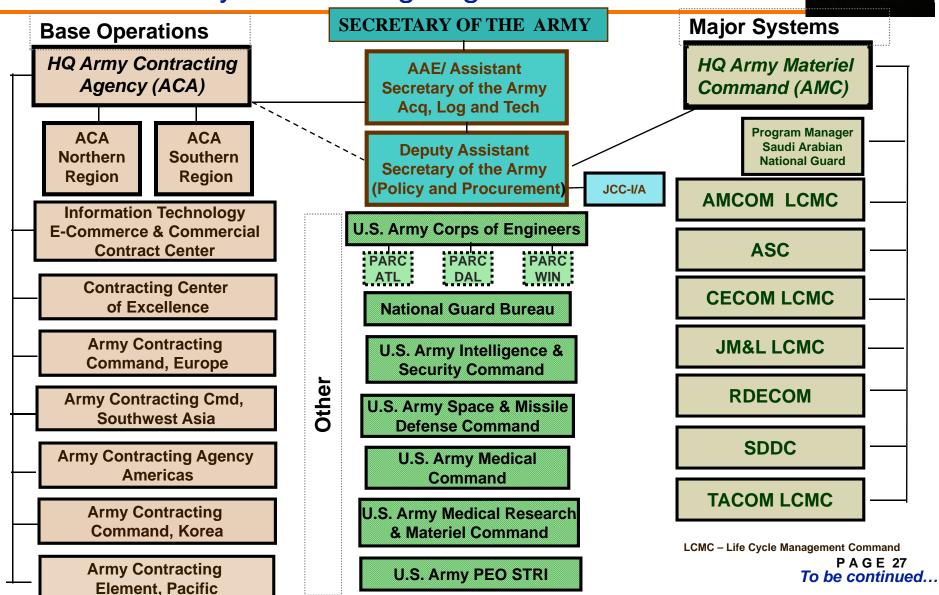
- Increase Army military (+400) and civilian (+1,000) contracting personnel (~25 percent of the total), plus Army personnel (+583) to fill DCMA billets for Army support
 - Civilian and military (GS-1102 and 51C) to decrease the ratio of contract actions to contracting personnel
 - General Officers, Officers, Warrant Officers, and Non-Commissioned Officers
 - Support for non-major weapon system acquisitions
 - Cost/price analysts
- Army-wide career development
 - A funded "cradle to grave" career plan for excellence
 - The management of both civilian and military contracting personnel should be the responsibility of one office
 - Create a Contracting Corps: officer and enlisted
 - Officer career track should start on entry, but assigned for 2+ years to a combat branch, then rotate in various contracting roles
 - Following initial entry tour, achieve DAWIA Level I certification in contracting through DAU (equivalent to an Advanced Course)
 - Enlisted assessed directly into the Corps

Element 1: Contracting Personnel (Continued)



- Establish Generals and Civilian SESs
 - Congress should authorize 10 additional General Officers for contracting positions (similar to what existed in 1990)
 - 5 for Army (fence the billets by providing them to the Service Secretary)
 - 5 Joint—including a 3-Star billet for DCMA
 - Maintain existing civilian SES contracting authorizations, plus 1 new deputy
 - Establish a separate Army Contracting Promotion Board for both military and civilian contract professionals (similar to Army Medical Board) to ensure the development of world-class contracting professionals, as well as leaders, and avoid "profile fodder"
- Establish "contract planning" positions (requirements definition)
 - Planning should be conducted by the operations and training (G3 or S3) staff at the corps, division, and brigade combat team level
- Conduct major review of all civil service policies applicable to those who may be expected to deploy to theater

Element 2: Organization and Responsibility: Current Army Contracting Organizations





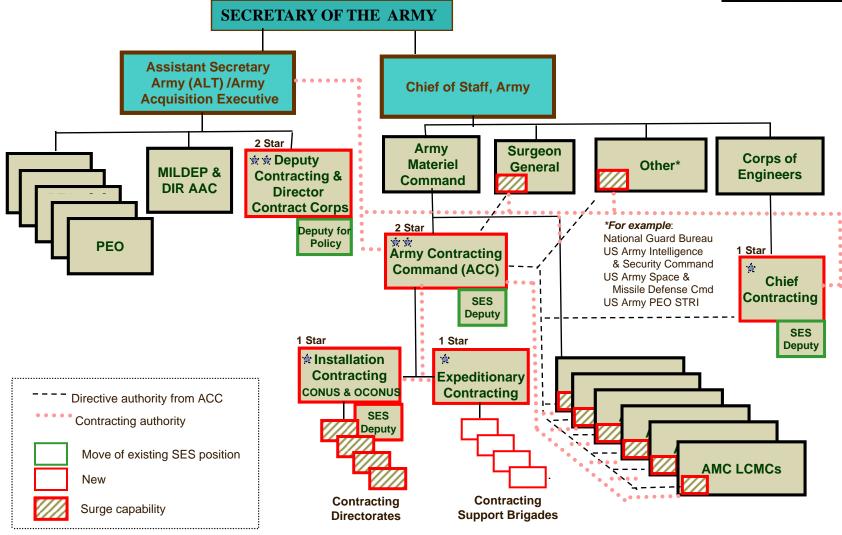
Organizational/Institutional Change

Need a single "Army Contracting Command"
 responsible for making "contracting" (in its broadest sense) an "Army, high-quality, core-competence"

This will take time, but it is essential to address the acquisition problems of recent years – both in expeditionary operations as well as in Army-wide contracting and weapons buying

Element 2: Organization and Responsibility: Proposed Army Contracting Organizations





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To be continued...



Why a 2-Star Army Contracting Command:

- Currently, multiple commands have responsibility for contracting
 - None of these commands have responsibility to synchronize all aspects of contracting below the Army Secretariat level
 - Commanders and contractors have to deal with multiple HCAs/PARCs on policy interpretation issues for both service and weapons contracting issues
- The Army Contracting Command:
 - The command would act as the Center of Excellence for contracting by being responsible to the Chief of Staff, Army (CSA) for Army-wide policy implementation
 - The Commander would--
 - Be responsible for providing a trained, ready, and relevant expeditionary contracting capability
 - Have Directive Authority over all Army Contracting Capabilities with respect to Civilian Education, Training, and Mobility agreements. The Secretary of the Army and CSA can go to one command for status and readiness of the contracting workforce



Leadership requirements:

- MG-led AMC Contracting Command, with SES deputy, including:
 - BG-led, rapidly-deployable, expeditionary contracting organization
 - Will include the Contracting Support Brigades, including an audit presence
 - BG-led installation contracting organization, with SES deputy, (CONUS and OCONUS installations)
- MG Director of the Army Contracting Corps reporting to the ASA(AL&T) responsible/accountable for policy, competition advocacy, personnel, training, and readiness of the contracting force Army-wide
 - Military and Civilian
 - Contracting personnel assigned to commands but centrally managed
- Create BG Chief for Contracting, COE
- Create 5 <u>Joint</u> General Officer Billets (JCCs*/JFCOM/DCMA)



- Establish Defense Contract Management Agency (DCMA) as center-of-excellence for expeditionary contract management
- Assign DCMA responsibility for <u>all</u> contract management for
 - Expeditionary contract management
 - Base, camp, and station contract management
- Establish Director as 3-Star billet (all Services eligible)
- Adequately resourced (people and money) for this expanded role, and have the required training
 - Increase DCMA billets by 583 (for Army support)
- Note--If DCMA does not fulfill the contract management responsibility worldwide, this requirement will not go away; it must be established and resourced by the Services





Provide training and tools for overall contracting activities in expeditionary operations so we do not repeat mistakes of Operation Iraqi Freedom/Operation Enduring Freedom

- Teach role and importance of contractors in expeditionary operations in--
 - Officer Advanced Course, Command & General Staff College; War College; Sergeant Majors Academy; etc.
 - Courses for warrant officers and NCOs*; and
 - 3-5 day course for newly selected BGs
- Require contracting events in all combat exercises
- Section in all Army leadership courses
 - Army Field Manual FM 3-100-21, "Contractors on the Battlefield" (section 2-47 and 2-48) contains "Training with Contractors" guidance, but it has not been implemented
- Support "communities of practice" (e.g., contracting blog)
- "Expeditionary readiness report" including operational contracting preparedness, with reporting down to (at least) the brigade combat team level
- Incorporate expeditionary contracting lessons learned
 - School houses and courses
 - Center for Army Lessons Learned (CALL)

*Logistics company grade and warrant officers training has started; SOCOM also has an integrated contingency contracting approach

Element 4: Legislative, Regulatory, and Policy



Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations

- Legislative assistance
 - Increase in General Officer billets for Contracting and Joint Contracting
 - "Fencing" for contracting officers
 - Service back-fill authorizations for joint positions
 - Increase Army contracting personnel authorizations by 1,983:
 - Army military by 400 and civilian by 1,000
 - DCMA military and civilian billets by 583 (for Army support)
 - Added benefits for volunteer civilian personnel serving in a combat zone (e.g., tax waiver, life insurance, long-term medical coverage, pay cap removal)

Element 4: Legislative, Regulatory, and Policy Assistance (Continued)



- Legislative assistance (continued)
 - "Standby" flexibility in funding (an <u>adequately resourced</u> "Overseas Contingency Operations Transfer Fund") and in "local buying" waivers – for future expeditionary operations (similar to U.S. AID flexibility)
 - Defense transfer fund without "color of money" or fiscal year limitations
 - Provide Congress with insight via reporting on expenditures and savings
 - Based on Balkans "Overseas Contingency Operations Transfer Fund" (approved by Congress)
 - Waiver of small business and U.S. labor statutory provisions, Buy American, Berry Amendment, Specialty Metals, etc. to allow rapid, local buying if required in expeditionary operations
- Regulatory assistance Expeditionary Contracting Manual
- Policy assistance
 - Need comptroller authorities at all levels (OMB, OSD, Army, and command) to allocate and apportion money intelligently
 - Do not unnecessarily burden the contracting officers in the combat arena
 - Longer periods of apportionment needed for expeditionary situations
 - Currently quarterly apportionments
 - Not long ago, monthly (or less) apportionments





- Need a uniformed, rapidly-deployable expeditionary contracting force and standing JCC (with pre-volunteered civilian support)
- Each COCOM should have trained Contracting Officer's Representatives, pre-planned and approved (also, a representative of the audit/IG community)
- Train as we fight: JFCOM and Army training exercises must stress rapid acquisition, logistics, and contracting in expeditionary operations
- Expeditionary Contracting Manual; and tactics, techniques, and procedures (TTPs) needed, with training
- Focus DAU to train and educate the civilian and military acquisition, logistics, and contracting workforce as needed for expeditionary operations (as well as weapons systems contracting)
- One executive at OSD responsible and accountable for DoD contracting policy, education, training, and readiness (reporting directly to USD(AT&L))

Also need to address multi-agency issues:

AFRICOM may be a way to start to do it

Reminder: The Four Key Elements to Future Success



- Increase stature, quantity, and career development of <u>contracting personnel</u>, military and civilian (especially for expeditionary operations)
- 2. Restructure <u>organization</u> and restore <u>responsibility</u> to facilitate contracting and contract management in expeditionary and CONUS operations
- Provide <u>training and tools</u> for overall contracting activities in expeditionary operations
- 4. Obtain <u>legislative</u>, <u>regulatory</u>, <u>and policy</u> assistance to enable contracting effectiveness in expeditionary operations





A Plea from the War Zone

"There are things Commanders in the field see as problems that people in DC don't think are problems – we should listen to the Commanders.

This problem is pervasive DoD-wide, because workload continues to go up while contracting and acquisition assets go down – there is a cost to these trends that is paid in risk, and we don't realize how big the bill is until there's a scandal.

The civilian personnel system does not serve an expeditionary force well – the system needs to provide superior short-term and career incentives to civilians who stay close to the combat mission.

Until you put Generals back in charge of contracting, the career field will continue to get no respect or resources."

(G.O., speaking of his experience of contracting in Iraq)

Summary



- Too often it takes a crisis to bring about major change the Iraq/Kuwait/Afghanistan contracting problems have created a crisis!
- Maintaining this essential focus on contracting excellence will only be more difficult as budget supplementals decrease
- Changes are clearly required in the area of Army contracting especially for the expected future expeditionary operations
- These changes are essential to make the Institutional Army the Generating Force in both name <u>and</u> capability for contracting
- It is up to Army Military and Secretariat leadership to bring about the needed changes

The time to act is now!

High-quality contracting

must be an Army core competence

 A "special task force for implementation," chartered by the Secretary of the Army, must be tasked to plan for, and achieve, the needed transformation