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TESTIMONY OF

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(ACQUISITION, TECHNOLOGY & LOGISTICS)

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COMMITTEE ON ARMED SERVICES

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Chairman Skelton, Representative Hunter, and distinguished members of the Subcommittees, thank you for the opportunity to appear before you today to discuss contracting, management of contracting, particularly contingency contracting and the Gansler Commission report recommendations.

Vision

In addition to these important programs, I would also like to summarize my vision for Acquisition, Technology and Logistics, which is to drive the capability to defeat any adversary on any battlefield. I have focused my approach into four strategic thrust areas, each of which has a guiding principle, desired outcomes, and specific initiatives with metrics or steps against which we can measure progress. These four strategic thrust areas are:

- Define Effective and Affordable Tools for the Joint Warfighter
- Responsibly Spend Every Single Tax Dollar
- Take Care of Our People
- DoD Transformation Priorities

In identifying both the problems we face, and the solutions we are seeking, I am committed to transparency throughout the acquisition process. It is my belief that we need to be clear, concise, and open with regard to what the Department of Defense is seeking and the work it is completing. It is our responsibility as stewards of tax dollars to ensure complete openness, fairness, and objectivity in the acquisition process. I intend that we will be accountable to ensure the success of these initiatives.

I have charged the acquisition team to create an inspired, high-performing organization where:

- We expect each person must make a difference;
- We seek out new ideas and new ways of doing business;
- We constantly question requirements and how we meet them;
- We recognize that we are part of a larger neighborhood of stakeholders interested in successful outcomes at reasonable costs.

We live in an increasingly complex world. Our missions vary widely, so we need strategic resilience and depth; and must ensure our Nation has response options today and for the future with the appropriate capacity and capability to prevail at home and abroad.

I would like to highlight some specific initiatives that capture these philosophies and are fundamental to transforming the acquisition process and workforce. They are:

1) Program Manager Empowerment and Accountability

Program managers play a critical role in developing and fielding weapon systems. I have put in place a comprehensive strategy to address improving the performance of program managers. Key to this are program manager tenure agreements for ACAT I and II programs. My expectation is that tenure agreements should correspond to a major milestone and last approximately 4 years. Another fundamental piece I have established is Program Management Agreements—a contract between the program manager and the acquisition and requirements/resource officials—to ensure a common basis for understanding and accountability; that plans are fully resourced and realistically

achievable; and that effective transparent communication takes place throughout the acquisition process.

2) Configuration Steering Boards (CSBs)

I have directed the Military Departments to establish CSBs. My intent is to provide the program manager a forum for socializing changes that improve affordability and executability. Boards will be in place for every current and future ACAT I program and will review all requirement changes and any significant technical configuration changes which potentially could result in cost and schedule changes. Boards are empowered to reject any changes and are expected to only approve those where the change is deemed critical, funds are identified, and schedule impacts are truly mitigated. I require every acquisition team member to fully engage the Planning, Programming, Budgeting, and Execution (PPBE) process thus creating an avenue for program managers to ensure they are funded to execute their responsibilities or alternately descope their programs to match reduced budget levels.

3) Defense Support Teams (DSTs)

To address the challenge of acquisition execution and assist both industry and DoD program managers, I have expanded the use of these teams who are made up of outside world-class technical experts to address our toughest program technical issues. I expect the teams to resolve emergent problems and help the Department successfully execute tough programs before problems develop.

4) Prototyping and Competition

I have issued policy requiring competitive, technically mature prototyping. My intent is to rectify problems of inadequate technology maturity and lack of understanding of the critical program development path. Prototyping employed at any level—component, subsystem, system—whatever provides the best value to the taxpayer.

5) AT&L Notes

I am writing weekly notes to the acquisition workforce. These notes share lessons learned and provide leadership guidance on expected procedures, processes and behaviors within the acquisition workforce. These notes provide a powerful training tool directly from me.

Gansler Commission Recommendations

I have increased the staffing within the Defense Procurement, Acquisition Policy, and Strategic Sourcing Directorate that is specifically dedicated to Contracting in Expeditionary Operations. This team is staffed with contracting personnel who have expeditionary deployment experience. In addition, I stood up the Task Force on Contracting and Contract Management in Expeditionary Operations to address the specific Commission recommendations and to integrate activities responding to the Commission's recommendations with the many other relevant activities already underway within the DoD. The Task Force is guided by senior leaders within the Acquisition, Technology and Logistics organization, including the Deputy Under Secretary (Acquisition and Technology), as well as the Director, Defense Procurement, Acquisition Policy, and Strategic Sourcing, and his Principal Deputy. These senior

leaders are working closely with the Deputy Under Secretary (Logistics and Materiel Readiness), and the Assistant Deputy Under Secretary of Defense (Program Support). In addition, senior members of these staffs have been detailed full time to support the Task Force management and progress.

Membership of this Task Force is cross cutting with representatives from all of the Services, the Defense Contract Management Agency (DCMA), the Joint Staff, the Joint Contingency Contracting cell for Iraq/Afghanistan and various elements of the Office of the Secretary of Defense. The Task Force meets weekly for progress tracking purposes, meets periodically with the Services and DCMA to ensure a coordinated and consistent Department approach, and meets about once a month with Dr. Gansler to discuss any points of clarification regarding the Commission's recommendations. Progress of the Task Force is of utmost importance to me.

The Task Force actions implement Section 849 of the Fiscal Year 2008 National Defense Authorization Act (FY 2008 NDAA), which directed the Secretary of Defense, in consultation with the Joint Chiefs of Staff, to evaluate the Commission's recommendations to determine the extent to which such recommendations are applicable to the other Armed Forces. In addition, section 849 requires the Secretary, not later than 120 days after enactment, to provide a report to the congressional defense committees indicating the conclusions of the evaluation and a description of the plans for implementing the Commission's recommendations for Armed Forces other than the Army. The evaluation required by section 849 is underway, and the report to the congressional committees is on schedule for submission by May 28, 2008.

The Commission provided 4 overarching recommendations, as follows:

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

Within these 4 overarching recommendations, the Commission provided 40 recommendations, of which 22 are directed to the Army, and you will hear from the Army representative about the Army response to those recommendations. Eighteen of the 40 recommendations are directed to the Department for consideration and implementation. I will focus on those 18 DOD-level recommendations.

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

We have reviewed the civilian personnel directives that pertain to civilian personnel involvement in military operations, and have issued a memorandum dated February 12, 2008, entitled “Building Increased Civilian Deployment Capacity” to provide guidance and interim policy to promote opportunities for DoD civilians to contribute their talent to DoD’s mission. This memorandum will be reflected in an

update to DoD Instruction 1400.32, "DoD Civilian workforce Contingency and Emergency Planning Guidelines and Procedures" by August, 2008.

With regard to increasing the number of contracting personnel, we are conducting a competency assessment for the entire DoD Contracting Career Field. We anticipate completion of the assessment this summer. Once we have completed the competency assessment, along with an analysis of our demographics and workload throughput, we will be in a position to provide the appropriate number of additional contracting personnel needed by the Department.

2) Restructure organization and restore responsibility to facilitate contracting and contract management in expeditionary and CONUS operations

The Department is actively assessing and developing its position regarding the appropriate numbers of General and Flag Officers and Senior Executive Service authorizations for contracting positions. Our report to the congressional committees in response to section 849 of the FY 2008 NDAA will contain additional information on this subject.

The Commission recommended that the Defense Contract Management Agency (DCMA) should be responsible for all base, post, camp and station contracting, and that it should be resourced to accomplish that mission. The Task Force is developing alternative approaches to achieve the Commission's goal of enhanced post-award contract management during routine times as well as during times of contingency and war. The alternatives under consideration address the Department's concern that the Services need to be able to deploy in operations of all sizes; scalability of operations is

important, and that we train the way we fight. Through monthly discussions with Dr. Gansler, we believe he agrees we are on a path to achieving the Commission's intent. In our assessments of the future role and structure of the Defense Contract Management Agency (DCMA), we are striving to ensure the most efficient, effective contract management support for future contingencies. The Task Force believes the Department should be positioned to be able to respond to the full range of contingencies from those requiring very little contracted effort to those requiring a great deal. We must have scalable processes. The Army and Marine Corps are in the process of developing the changes they believe will enable this approach.

Other Contracting Efforts Under Way

Today, we have issues in service contract administration, and we are working to correct them in our Improvement Plan for Contract Management in response to the GAO High Risk Series. In addition, the subcommittees on Contracting Integrity in a Contingent Environment and on Contract Surveillance, established under the section 813 Panel on Contracting Integrity, have identified their initial actions for 2008 and are on track to accomplish them. These actions include enhanced training as well as leveraging best practices and lessons learned. In addition, we have already incorporated into the Joint Contingency Contracting Handbook guidance on how to run and transition a contracting office in a contingent environment. A newer subcommittee on Procurement Fraud Indicators is assessing the need for a Procurement Fraud Indicators handbook for acquisition personnel similar to the Inspector General Procurement Fraud Indicators handbook for auditors; reviewing best practices from existing training courses to

determine the potential for a training module for insertion into DAU training; and pursuing the feasibility of developing a database of procurement fraud indicators available on an acquisition website. We are ensuring that we enhance our overall contract management capabilities, as well as our ability to step up to the contract management needs of contingency environments.

In addition, the Department is considering the most effective approach to achieve an integrated, joint approach to contract and program management support for future contingencies. This effort was already underway in response to section 854 of the Fiscal Year 2007 NDAA. The preliminary concept of a Joint Contingency Contracting Support Office (JCCSO) was previously reported to Congress last year in an interim report required by section 854. This initiative responds to congressional mandates for the development of capabilities for requirements definition, contingency program management, and contingency contract support. Our goal is to achieve the integration and synchronization of contract support across Combatant Commands and United States Government Agencies to support effective program management, and to consolidate and incorporate lessons learned.

3) Provide training and tools for overall contracting activities in expeditionary operations

We have made significant progress with *training and tools for overall contracting activities* as follows:

1. The Defense Acquisition University (DAU) has redesigned the contingency contracting curriculum to improve training supporting journeyman level

contingency contracting operations. This will enable experienced contingency contracting officers to be deployable worldwide and be effective immediately upon arrival to support the mission. The redesigned curriculum is synchronized with the Joint Contingency Contract Handbook. It includes interactive simulations, hands-on practical work, and robust capstone projects; we emphasize cultural awareness and ethics training; and bring in subject matter experts to provide their perspective on contracting in theater.

2. DAU is redesigning its Contingency Contracting Community of Practice web-portal. The redesign will streamline the collection and analysis of after-action reports.

3. DAU is also developing an advanced Contingency Contracting Course. This course will provide “just in time” training to senior level contracting personnel deploying to a management position.

DAU has collaborated closely with all the Services to standardize the required training a contingency contracting officer must complete to become fully qualified/certified. This will help ensure commanders in the field get fully trained contingency contracting officers who understand the joint environment. The Army has determined the majority of their additional training requirements will be provided by the U.S. Army Logistics Management College located in Fort Lee, Virginia, and Huntsville, Alabama.

As contractors on the battlefield are a reality for future expeditionary operations, operators outside the acquisition community must be trained on the role and importance

of contracting, Contracting Officer's Representatives (CORs) and contractors in expeditionary operations.

As a result of the FY 2007 NDAA, DoD assessed non-contracting officer training courses and existing training curriculum at DoD and Service schools at all levels (basic, intermediate, and senior). Based on this assessment, the Department is developing a broad program of instruction for operational military leaders, both officer and enlisted, across all grades, on management of contractors deploying with forces.

In addition, we are developing Programs of Instruction on contingency acquisition for our Military Departments' Staff Colleges and Senior Military Service and Joint Staff Schools to train, more formally, our senior planners and leaders on roles and responsibilities of planning and managing contracts and contractor personnel in forward areas. This training will focus all leaders on determining requirements, translating those requirements into Statements of Work and then overseeing work.

In a parallel effort, the Army has instituted junior officer training in the proper use of contractors who accompany the force in support of Army contingency operations. This training covers the role of contractors in support of Army contingency operations, describes how contractors are integrated into Army operations, and explains user responsibilities for requesting and overseeing contract support. Thus, through this emphasis on oversight in training, both military leaders and junior officers will be educated on the important role of contracting, Contracting Officers, and CORs.

4) Provide legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations

The Commission recommended legislation to make medals available for civilians who support expeditionary operations. Without needing legislation, the Department has created two new medals for civilian contributions to the Global War on Terror. One was established after September 11, 2001, and the other is so new that it was awarded for the first time on February 26, 2008.

The Commission recommended establishing an Expeditionary Contracting Manual to support the expedited processes and tempo necessary for procuring the support needed by our warfighters in the theater of operations. The Department has developed and distributed thousands of copies of the Joint Contingency Contracting Handbook. Feedback from deployed users has been outstanding – we receive requests for more every day! The handbook provides a consolidated source of information for our contingency contracting officers, and provides the essential information, tools, and training to meet the challenges they will face, regardless of mission or environment.

This February, DAU delivered its first course to incorporate the handbook into formal training, and the feedback received from the students indicates it was an overwhelming success!

In addition, the Department has developed a draft Expeditionary Contracting Policy, which provides the foundation for the Joint handbook. This draft policy is in coordination with all relevant stakeholders, and is expected to be published in May 2008.

- The Commission recommended an adequately resourced contingency operation transfer fund. The Department is supportive of transfer accounts and has proposed funds for them in the past. However, the Department is also

aware of Congressional oversight concerns that have precluded the funding of these accounts in the past. The Commission also recommended that the Department ensure that policy and practice support intelligent funding apportionment for expeditionary operations. The next update of the Joint Contingency Contracting Handbook will clarify the pertinent guidance.

The Department is working with other agencies on legislative proposals that address the Commission's recommendations to support and facilitate civilian contracting personnel participation in expeditionary operations, and to pre-position waivers to allow for rapid, local buying in support of expeditionary operations.

I again thank the committees for their time in allowing me to present the Department's positions on these important programs as well as my vision for acquisition, technology and logistics.