DEPARTMENT OF DEFENSE APPROPRIATIONS FOR 2010

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE

COMMITTEE ON APPROPRIATIONS

HOUSE OF REPRESENTATIVES

ONE HUNDRED ELEVENTH CONGRESS

FIRST SESSION

SUBCOMMITTEE ON DEFENSE

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NOTE: Under Committee Rules, Mr. Obey, as Chairman of the Full Committee, and Mr. Lewis, as Ranking Minority Member of the Full Committee, are authorized to sit as Members of all Subcommittees.

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SHERRY L. YOUNG, *Administrative Aide*

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Army Contracting	**283**
Outsourcing	**353**
Psychological Health and Traumatic Brain Injury Problems	**431**
Global Mobility	**515**

Printed for the use of the Committee on Appropriations

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56–232 WASHINGTON : 2010

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TOM COLE, Oklahoma

BEVERLY PHETO, *Clerk and Staff Director*

DEFENSE APPROPRIATIONS FOR 2010

WEDNESDAY, FEBRUARY 11, 2009.

AIR FORCE NUCLEAR ENTERPRISE

WITNESSES

HON. MICHAEL B. DONLEY, SECRETARY OF THE AIR FORCE

GENERAL NORTON A. SCHWARTZ, CHIEF OF STAFF, UNITED STATES AIR FORCE

INTRODUCTION

Mr. MURTHA. Mr. Young.

Mr. YOUNG. Mr. Chairman, I move that those portions of the hearing today which involve classified material be held in executive session because of the classification of the material to be discussed.

Mr. MURTHA. Without objection.

You know, this is a closed hearing this morning. We have had the room swept. And we are pleased to welcome two distinguished veterans here of the hearings. We appreciate your coming. I see you got a lot of backup there. I always get concerned when you have got so many people back there ready to answer questions.

But this is a serious concern of ours. I said to Secretary Gates whenever I found out that we had nuclear weapons that were flying around; I said, Mr. Secretary, they take our nail clips away, they take our little scissors away at the airport, and yet you have got nuclear weapons flying around, activated. He did not laugh at that. He did not think that was funny.

And I know the Air Force took some strong action, good friends of ours who were dismissed because of what happened over there, as they should have been even though they were good friends. I mean, there couldn't be anything more serious than flying around with activated nuclear weapons.

So I appreciate it. We look forward to hearing what you have to say about it, and in an addition to what you talk about as far as what you have done to secure the nuclear weapons, also what you think needs to be done as far as down the road making sure they are taken care of. And I do not know that we need any more, but we ought to make sure that they are ready to go in case we would ever need them.

Mr. Young.

Mr. YOUNG. Well, Mr. Chairman, thank you very much.

And Chairman Murtha has, I think, pretty much explained the position of the members of the subcommittee. I just want to say

that I appreciate the seriousness with how you, the Air Force, are addressing this extremely important issue.

And we welcome your comments and your suggestions and your advice on how we deal with this problem.

And thank you for being here.

Mr. MURTHA. Mr. Secretary.

SUMMARY STATEMENT OF SECRETARY DONLEY

Mr. DONLEY. Thank you, Mr. Chairman and members of the committee for scheduling this hearing today to discuss a critically important mission area for the United States Air Force, stewardship of our nuclear deterrent forces. This is a responsibility we take seriously, and one that is, as General Schwartz has put it, among our most solemn obligations.

Mr. MURTHA. Would you check to see that your microphone is on?

Mr. DONLEY. Can do. Is that better?

Mr. MURTHA. Yes.

Mr. DONLEY. Great. The nuclear deterrence mission assigned to the United States Air Force is one of our most solemn obligations to our Commander in Chief, to the Secretary of Defense, our national leadership, and to the American people.

Nuclear deterrence operations and the sustainment activities that ensure the integrity of the nuclear arsenal entrusted to our care are core functions that the Air Force has proudly accepted since our inceptions 24 hours a day, 7 days a week for over 60 years America's Airmen have committed their talent and their skill to delivering the Nation's strategic backstop in a safe, secure, and reliable manner. Improving our institutional performance in the nuclear area has held my attention since my first day in office. It remains a top priority in both policy and actionable terms. And whatever the size or composition of the U.S. nuclear arsenal, I am absolutely committed to ensuring that the Air Force meets its solemn obligation, with the hallmark of professionalism and discipline for which we are known the world over.

When I testified before the Senate Armed Services Committee last July, I indicated that I had directed the Air Force to establish a nuclear task force to synchronize corrective actions underway across the major commands of the United States Air Force. More importantly, however, I tasked the Air Force nuclear task force to identify root causes and necessary steps to mitigate these problems from an institutional and enterprise perspective over the long term. Creation of that task force raised the level of discussion to the top leadership team of the Air Force about how our service can be the best steward of our nuclear enterprise.

General Schwartz and I have invested significant personal attention in enhancing our institutional performance. We have demonstrated the same—we have demanded the same of our Air Force assistant secretaries and the commanders of our major commands, and all for whom we are responsible and who are responsible for stewardship of our nuclear weapons. The output of our analysis and discourse is the Air Force's Nuclear Roadmap, a comprehensive assessment of root causes and required actions. We published the roadmap in October. And I am pleased to report that we are mak-

ing good progress in its implementation. Since nuclear matters are also interagency matters, I want to assure you that the roadmap reflects thoughtful collaboration and feedback from many outside the Air Force, including our OSD and interagency partners.

The roadmap and its implementation have benefited greatly from Dr. Jim Schlesinger's panel and their comprehensive and detailed examination of Air Force nuclear operations and sustainment. And I would like to thank Dr. Schlesinger for all the good work his panel has done.

Among the most important changes we have instituted is the enactment of several corporate governance changes that will ensure the integrity of all aspects of the Air Force nuclear enterprise, from the missile fields in America's northern tier to our fleet of nuclear-capable bombers to the sustainment activities that ensure the reliability of these forces on a day-to-day basis.

We have established a provisional Global Strike Command to prepare for the consolidation of nuclear operations, including our missile forces and nuclear-capable bombers under a single operational command. Additionally, we have worked to strengthen our nuclear sustainment functions by assigning all nuclear sustainment responsibilities to the Air Force Nuclear Weapons Center, using a measured and phased approach over time that will bring all the sustainment and support under one organization.

Within our headquarters, we have established the Strategic Deterrence and Nuclear Integration Directorate, an A10 office, which reports directly to the Chief of Staff. So we now have an office inside the Air Staff focused on the nuclear mission. We have also established a Nuclear Oversight Board chaired by the Chief and me that gets together quarterly to gather the senior leadership of the Air Force with responsibilities for nuclear matters and provide a focused forum for debating and deciding policy matters, as well as resolving enterprise-level issues confronting our nuclear forces.

Despite this progress, I want to caution the Committee that reinvigorating the Nuclear Enterprise in the Air Force will take not just months but years. But I am confident that we have established a comprehensive and appropriate framework that restores our institutional performance to a level consistent with the high standards of precision and excellence synonymous with the rest of the United States Air Force.

Thank you again for the continued support that this Committee provides to our Airmen. I look forward to our dialogue this morning.

Mr. MURTHA. General Schwartz.

SUMMARY STATEMENT OF GENERAL SCHWARTZ

General SCHWARTZ. Mr. Chairman, thank you, Members of the Committee, for allowing us to testify on behalf of America's Air Force. Thank you as well for your support for our reinvigoration of the nuclear enterprise.

I would like to echo and reinforce Secretary Donley's remarks by providing briefly my perspective on our nuclear posture. The United States Air Force is fully committed as stewards of the Nation's resources, those resources that the Nation entrusts to us. And America's airmen will work diligently each and every day,

with precision and reliability, to earn and preserve that trust that the Nation places in us. We are grateful for the opportunity to serve the Nation by providing critical capabilities in air, space and cyberspace, capabilities that work in concert with our joint and interagency partners to support America's strategic deterrence policy.

We also recognize the magnitude of the role that we play and the highest standards of accountability and performance this role demands. America's nuclear capabilities remain an indispensable part of our deterrence policy, and they are important contributors to our efforts to limit and to dissuade proliferation, as well as the threat of weapons of mass destruction.

The Air Force is responsible for operating, maintaining, sustaining, and securing a substantial portion of the Nation's nuclear arsenal. We have devoted ourselves to performing this mission with great pride and skill and precision since our inception as a service, providing over 60 years of credible nuclear deterrence for the Nation. We expect every Airman to perform with precision and reliability each and every time. Certainly excellence, even perfection, is the standard.

For all these reasons and more, Secretary Donley and I have established Reinvigorating the Air Force Nuclear enterprise as our number one priority. Today thousands of Airmen dedicate their lives and talents to sustaining and safeguarding America's nuclear capabilities. They operate America's on-alert missile fields to provide vital, stable, and a ready force for the Nation. This force stands ready to deter and dissuade any potential aggressor from launching an attack on the United States each and every day. These Airmen maintain bomber capabilities that provide visible and flexible deterrent effects around the globe and serve the vital role of reassuring our allies. Your Airmen sustain our nuclear weapon and delivery systems, providing life cycle cradle-to-grave support to ensure the integrity of the Nation's most powerful weaponry.

Recent well-documented failures highlight the need to improve institutional performance in several areas of this crucial mission. Today I join Secretary Donley to give you my word, we will not accept anything but the highest standards of performance and accountability. We will not cease our concentrated effort to reinvigorate the Air Force nuclear enterprise, ensuring that our Airmen are fully committed to demonstrating the highest standards of excellence, standards that the American people, our national leadership, and our allies expect of those who are entrusted with the solemn obligation of America's nuclear capabilities. Your Air Force and America's Airmen are all in. We will keep our promise to the Nation to provide effective and uncompromising stewardship and mission readiness.

Thank you for the committee's continued support of America's Air Force and particularly its Airmen and their contribution to nuclear deterrence.

Sir, if I may request that our prepared statement be entered into the record.

[The joint statement of Secretary Donley and General Schwartz follows:]

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON DEFENSE

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: AIR FORCE NUCLEAR ENTERPRISE

STATEMENT OF: THE HONORABLE MICHAEL B. DONLEY
SECRETARY OF THE AIR FORCE

GENERAL NORTON A. SCHWARTZ
CHIEF OF STAFF, UNITED STATES AIR FORCE

FEBRUARY 11, 2009

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DEFENSE
UNITED STATES HOUSE OF REPRESENTATIVES

BIOGRAPHY

UNITED STATES AIR FORCE

MICHAEL B. DONLEY

Mr. Michael B. Donley is the Secretary of the Air Force, Washington, D.C. He is the 22nd Secretary and was confirmed Oct. 2, 2008. He is responsible for the affairs of the Department of the Air Force, including the organizing, training, equipping and providing for the welfare of its more than 300,000 men and women on active duty, 180,000 members of the Air National Guard and the Air Force Reserve, 160,000 civilians, and their families. He also oversees the Air Force's annual budget of approximately $110 billion.

Mr. Donley has 30 years of experience in the national security community, including service in the Senate, White House and the Pentagon. Prior to assuming his current position, Mr. Donley served as the Director of Administration and Management in the Office of the Secretary of Defense. He oversaw organizational and management planning for the Department of Defense and all administration, facility, information technology and security matters for the Pentagon.

From 1996 to 2005, Mr. Donley was a Senior Vice President at Hicks and Associates, Inc., a subsidiary of Science Applications International Corporation, and a consultant to DOD and the State Department on national security matters. From 1993 to 1996, he was Senior Fellow at the Institute for Defense Analyses. During this period he was a Senior Consultant to the Commission on Roles and Missions of the Armed Forces and participated in two studies on the organization of the Joint Staff and the Office of the Chairman, JCS. Prior to this position, he served as the Acting Secretary of the Air Force for seven months, and from 1989 to 1993 he was the Assistant Secretary of the Air Force (Financial Management and Comptroller).

Mr. Donley supported two Presidents and five National Security Advisers during his service at the National Security Council from 1984 to 1989. As Deputy Executive Secretary he oversaw the White House Situation Room and chaired interagency committees on crisis management procedures and continuity of government. Earlier, as Director of Defense Programs, Mr. Donley was the NSC representative to the Defense Resources Board, and coordinated the President's quarterly meetings with the Joint Chiefs of Staff. He conceived and organized the President's Blue Ribbon Commission on Defense Management (the Packard Commission), coordinated White House policy on the Goldwater-Nichols DOD Reorganization Act of 1986, and wrote the National Security Strategy for President Reagan's second term. He was also a Professional Staff Member on the Senate Armed Services Committee from 1981 to 1984.

Mr. Donley served in the U.S. Army from 1972 to 1975 with the XVIIIth Airborne Corps and 5th Special Forces Group (Airborne), attending the Army's Intelligence and Airborne Schools and the Defense Language Institute. Mr. Donley earned both Bachelor of Arts and Master of Arts degrees in international relations from the University of Southern California. He also attended the Senior Executives in National Security program at Harvard University.

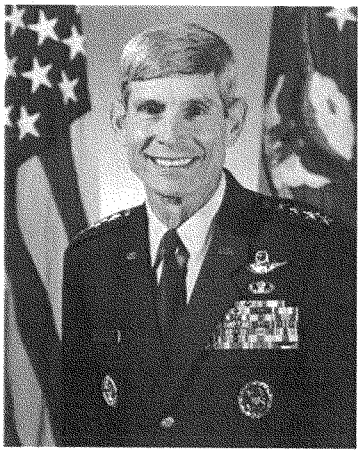
EDUCATION
1972 U.S. Army Intelligence School, Fort Huachuca, Ariz.
1973 Defense Language Institute, Monterey, Calif.
1974 U.S. Army Airborne School, Fort Benning, Ga.
1977 Bachelor of Arts degree in international relations, University of Southern California, Los Angeles
1978 Master of Arts degree in international relations, University of Southern California, Los Angeles
1986 Senior Executives in National Security program, John F. Kennedy School of Government, Harvard University, Cambridge, Mass.

CAREER CHRONOLOGY
1. 1972 - 1975, U.S. Army, XVIIIth Airborne Corps and 5th Special Forces Group (Airborne), Fort Bragg, N.C.
2. 1978 - 1979, Editor, National Security Record, Heritage Foundation, Washington, D.C.
3. 1979 - 1981, Legislative Assistant, U.S. Senate, Washington, D.C.
4. 1981 -1984, Professional Staff Member, Senate Armed Services Committee, Washington, D.C.
5. 1984 - 1987, Director of Defense Programs, National Security Council, the White House, Washington, D.C.
6. 1987 - 1989, Deputy Executive Secretary, National Security Council, the White House, Washington, D.C.
7. 1989 - 1993, Assistant Secretary of the Air Force (Financial Management and Comptroller), Washington, D.C.
8. 1993, Acting Secretary of the Air Force, Washington, D.C.
9. 1993 - 1996, Senior Fellow at the Institute for Defense Analyses, Alexandria, Va.
10. 1996 - 2005, Senior Vice President at Hicks and Associates, Inc., a subsidiary of Science Applications International Corporation, McLean, Va.
11. 2005 - 2008, Director of Administration and Management, Office of the Secretary of Defense, Washington, D.C.
12. 2008 - present, Secretary of the Air Force, Washington, D.C.

BIOGRAPHY

UNITED STATES AIR FORCE

GENERAL NORTON A. SCHWARTZ



General Norton A. Schwartz is Chief of Staff of the U.S. Air Force, Washington, D.C. As Chief, he serves as the senior uniformed Air Force officer responsible for the organization, training and equipping of more than 710,000 active-duty, Guard, Reserve and civilian forces serving in the United States and overseas. As a member of the Joint Chiefs of Staff, the general and other service chiefs function as military advisers to the Secretary of Defense, National Security Council and the President.

General Schwartz graduated from the U.S. Air Force Academy in 1973. He is an alumnus of the National War College, a member of the Council on Foreign Relations, and a 1994 Fellow of Massachusetts Institute of Technology's Seminar XXI. He has served as Commander of the Special Operations Command-Pacific, as well as Alaskan Command, Alaskan North American Aerospace Defense Command Region, and the 11th Air Force. Prior to assuming his current position, General Schwartz was Commander, U.S. Transportation Command and served as the single manager for global air, land and sea transportation for the Department of Defense.

General Schwartz is a command pilot with more than 4,400 flying hours in a variety of aircraft. He participated as a crewmember in the 1975 airlift evacuation of Saigon, and in 1991 served as Chief of Staff of the Joint Special Operations Task Force for Northern Iraq in operations Desert Shield and Desert Storm. In 1997, he led the Joint Task Force that prepared for the noncombatant evacuation of U.S. citizens in Cambodia.

EDUCATION

1973 Bachelor's degree in political science and international affairs, U.S. Air Force Academy, Colorado Springs, Colo.
1977 Squadron Officer School, Maxwell AFB, Ala.
1983 Master's degree in business administration, Central Michigan University, Mount Pleasant
1984 Armed Forces Staff College, Norfolk, Va.
1989 National War College, Fort Lesley J. McNair, Washington, D.C.
1994 Fellow, Seminar XXI, Massachusetts Institute of Technology, Cambridge

ASSIGNMENTS

1. August 1973 - September 1974, student, undergraduate pilot training, Laughlin AFB, Texas
2. October 1974 - January 1975, student, C-130 initial qualification training, Little Rock AFB, Ark.
3. February 1975 - October 1977, C-130E aircraft commander, 776th and 21st Tactical Airlift Squadrons, Clark Air Base, Philippines
4. October 1977 - December 1977, student, Squadron Officer School, Maxwell AFB, Ala.

5. December 1977 - October 1979, C-130E/H flight examiner, 61st Tactical Airlift Squadron, Little Rock AFB, Ark.
6. October 1979 - November 1980, intern, Air Staff Training Program, Office of the Deputy Chief of Staff for Plans, Operations and Readiness, Headquarters U.S. Air Force, Washington, D.C.
7. November 1980 - July 1983, MC-130E flight examiner, 8th Special Operations Squadron, Hurlburt Field, Fla.
8. July 1983 - January 1984, student, Armed Forces Staff College, Norfolk, Va.
9. January 1984 - April 1986, action officer, Directorate of Plans, Office of the Deputy Chief of Staff for Plans and Operations, Headquarters U.S. Air Force, Washington, D.C.
10. May 1986 - June 1988, Commander, 36th Tactical Airlift Squadron, McChord AFB, Wash.
11. August 1988 - June 1989, student, National War College, Fort Lesley J. McNair, Washington, D.C.
12. July 1989 - July 1991, Director of Plans and Policy, Special Operations Command Europe, Patch Barracks, Stuttgart-Vaihingen, Germany
13. August 1991 - May 1993, Deputy Commander for Operations and Commander, 1st Special Operations Group, Hurlburt Field, Fla.
14. May 1993 - May 1995, Deputy Director of Operations, later, Deputy Director of Forces, Office of the Deputy Chief of Staff for Plans and Operations, Headquarters U.S. Air Force, Washington, D.C.
15. June 1995 - May 1997, Commander, 16th Special Operations Wing, Hurlburt Field, Fla.
16. June 1997 - October 1998, Commander, Special Operations Command, Pacific, Camp H.M. Smith, Hawaii
17. October 1998 - January 2000, Director of Strategic Planning, Deputy Chief of Staff for Plans and Programs, Headquarters U.S. Air Force, Washington, D.C.
18. January 2000 - September 2000, Deputy Commander in Chief, U.S. Special Operations Command, MacDill AFB, Fla.
19. September 2000 - October 2002, Commander, Alaskan Command, Alaskan North American Aerospace Defense Command Region and 11th Air Force, Elmendorf AFB, Alaska
20. October 2002 - October 2004, Director for Operations, the Joint Staff, Washington, D.C.
21. October 2004 - August 2005, Director, the Joint Staff, Washington, D.C.
22. September 2005 - August 2008, Commander, U.S. Transportation Command, Scott AFB, Ill.
23. August 2008 - present, Chief of Staff, Headquarters U.S. Air Force, Washington, D.C.

FLIGHT INFORMATION
Rating: Command pilot
Flight hours: More than 4,400
Aircraft flown: C-37A, C-130E/H, MC-130E/H/P, HC-130, AC-130H/U, YMC-130, MH-53 and MH-60

MAJOR AWARDS AND DECORATIONS
Defense Distinguished Service Medal with two oak leaf clusters
Distinguished Service Medal
Defense Superior Service Medal with oak leaf cluster
Legion of Merit with two oak leaf clusters
Defense Meritorious Service Medal
Meritorious Service Medal with two oak leaf clusters
Air Force Commendation Medal with oak leaf cluster
Army Commendation Medal

EFFECTIVE DATES OF PROMOTION
Second Lieutenant June 6, 1973
First Lieutenant June 6, 1975
Captain June 6, 1977
Major Nov. 1, 1982
Lieutenant Colonel March 1, 1985
Colonel Feb. 1, 1991
Brigadier General Jan. 1, 1996
Major General March 4, 1999
Lieutenant General Jan. 18, 2000
General Oct. 1, 2005
(Current as of August 2008)

From the outset of our tenures as Secretary and Chief of Staff of the Air Force, the Air Force Nuclear Enterprise has been our top priority. Our stewardship of a portion of the Nation's nuclear arsenal forms the core of our deterrence mission – a role that America's Air Force has proudly accepted for over 60 years.

Proud Sentinel of America's Nuclear Shield

The Air Force has a solemn responsibility and obligation to operate and maintain America's land-based intercontinental ballistic missiles (ICBMs), strategic bombers and non-strategic nuclear weapons. While recent missteps highlight the need to improve institutional performance in several areas of this crucial mission area, our Airmen have fully recommitted to demonstrating the highest standards of excellence that the American people, our National leadership and our Allies expect of those entrusted with America's nuclear shield.

Over twenty-one thousand Airmen are dedicated to operating, sustaining and safeguarding America's nuclear capabilities. More than nine thousand Airmen operate, secure and sustain America's 450 operational intercontinental ballistic missiles dispersed across nearly 46,000 square miles spanning five states at three of our bases. These professionals provide a vital, stable, and ready force to this Nation and deter and dissuade potential aggressors from launching an attack on the United States. Over twelve thousand Airmen operate and maintain the 20 B-2 and 76 B-52 aircraft at three separate bases. These aircraft provide air-delivered capabilities that present a visible, flexible deterrent around the globe. Additionally, our Airmen in Europe operate and maintain non-strategic nuclear weapons and dual-capable aircraft to provide in-theater presence supporting the extended deterrence role Dr. Schlesinger described as a "pillar of NATO unity."

Finally, to sustain our nuclear weapons and delivery systems, Airmen provide life cycle and cradle-to-grave support, ensuring the integrity of our Nation's most powerful weaponry. In total, the nuclear mission comprises approximately 3% of the total Air Force budget.

Recent Events

An erosion of focus in this critical mission was highlighted by two recent events. The discovery, in 2008 that nuclear-related ICBM parts, labeled as helicopter batteries, were mistakenly sent to Taiwan in 2006 and a B-52 crew mistakenly flew six nuclear weapons from Minot Air Force Base, North Dakota to Barksdale Air Force Base, Louisiana in 2007. These incidents triggered a series of reviews and investigations ordered by the Secretary of Defense and the Secretary of Air Force, and highlighted the need to improve institutional performance in several areas of this crucial mission area.

An Institutional Perspective

Over the last several months, the Air Force senior leadership team, along with our Office of the Secretary of Defense and Interagency partners, has closely examined the Air Force nuclear enterprise and identified several areas for improvement. Although multiple corrective actions were underway when we accepted leadership of the Air Force last summer, it was clear that the Air Force needed to consider the nuclear enterprise and address these issues from a more comprehensive and institutional perspective. What we were experiencing was not just a series of mishaps – these were signal events that reflected a deeper problem of a serious systemic erosion of focus, expertise, mission readiness and discipline across the Air Force nuclear enterprise since the end of the Cold War. We had lost focus, and our nuclear advocacy, culture of accountability, and our rigid adherence to standards had eroded. Our nuclear inspections, staff assistance visits

and unit quality assurance program had demonstrated weaknesses, and our policy and guidance were inadequate and conflicting. Finally, we had not adequately developed our nuclear subject matter experts, and our training programs were inadequate.

Clearly, a comprehensive approach to problem solving with broad institutional support was urgently needed – codified in a roadmap for action that confronts and addresses not just symptoms, but more importantly, root causes.

Nuclear Roadmap

To build this roadmap, we synthesized findings from a series of six internal and external assessments. As we continue to refine our plan of action, the findings from six subsequent assessments are being evaluated for inclusion. We are confident that this roadmap provides the overarching leadership and oversight necessary to ensure the proper management and sustainment of our Nation's strategic backstop. For example, as captured in Dr. Schlesinger's Phase II Panel report, we have moved forward with 30 of their 33 Phase I recommendations and have alternatives that are fully acceptable to the Panel for the three remaining.

The actions identified in the roadmap will align authorities and responsibilities to meet nuclear deterrent mission requirements, rebuild our culture of accountability and rigorous self-assessment, rebuild nuclear expertise training and career paths for personnel, sustain nuclear deterrent mission advocacy, ensure we have solid, end-to-end sustainment of systems and develop comprehensive investment plans for nuclear mission requirements.

Improving Management Focus ... Align Authority and Responsibility

Through a back-to-basics approach, the Air Force is focusing on strong accountability, grounded in a culture of compliance and precision. We are reorganizing our nuclear enterprise, reducing fragmentation of authority, and creating clear chains of supervision for nuclear sustainment and operations. Additionally, we seek to properly resource the enterprise to ensure we are able to both fulfill our commitments today and face the challenges of tomorrow.

Changes to the organization of our nuclear enterprise include a consolidation of all nuclear sustainment matters under the Air Force Nuclear Weapons Center, at Kirtland Air Force Base, New Mexico. This consolidation will be accomplished through a phased approach that will bring Life Cycle Support, Stockpile Stewardship, Nuclear Engineering and Nuclear Facility Management together into a single entity, with the responsibility to sustain nuclear weapons and related nuclear-certified systems. Ultimately, all CONUS-based nuclear weapons maintenance, storage, accounting, moving, handling, and control will belong to the Air Force Nuclear Weapons Center, under Air Force Materiel Command. This Center will also provide nuclear munitions support for the operational missions of Air Combat Command, Air Force Space Command, and then Air Force Global Strike Command as it reaches full operational capability.

In January 2009, we established Air Force Global Strike Command (Provisional). The provisional command will establish the foundation for the permanent Air Force Global Strike Command, which we recommend be led by a three-star general. We are targeting September 2009 as the Initial Operational Capability date for Air Force Global Strike Command, which will streamline the Air Force's organize, train and equip responsibilities for our nuclear-capable bombers – B-52s and B-2s – and our ICBMs within a single command. By retaining 76 B-52s,

creating a fourth B-52 squadron at Minot Air Force Base, reopening the Weapons Storage Area at Barksdale Air Force Base, and other initiatives, the Air Force will strengthen the Nation's strategic deterrent.

These management changes, as well as new stewardship efforts–including a centralized inspection regime and enhanced development of our nuclear operators–are just some of the many steps that we are taking to reinvigorate the Air Force nuclear enterprise. Our management changes and organizational realignments restore focus on the nuclear mission, provide a clear chain of supervision for all Air Force strategic nuclear forces, and allow for one-to-one alignment between our nuclear operations and nuclear sustainment functions. All of our plans, actions and commitments are structured to ensure precision, excellence, and the pursuit of error-free performance—as measured by the daily actions of our forces.

Restoring a Culture of Accountability, Precision and Discipline

Regardless of the size or structure of our nuclear force, every action by every Airman must be executed with precision and reliability; each and every time–perfection is the standard. The Air Force is rebuilding a nuclear culture with a robust self-assessment and inspection process in order to effectively uncover, analyze, and address systemic weaknesses within its nuclear enterprise.

The Air Force is developing standardized training, qualification, and certification requirements for nuclear inspection teams; establishing common checklists; employing root cause analysis techniques; improving overall trend analysis for systemic issues; and instilling rigor in tracking findings and actions to closure.

We have charged the Air Force Inspector General (SAF/IG) with implementing centralized, independent oversight over Air Force nuclear inspections and assessments, while preserving major command authorities and responsibilities for the training and readiness of their assigned forces. Among other things, SAF/IG is developing common inspection standards, consistent inspection policy, accurate functional guidance, and standardized checklists.

The SAF/IG is also establishing a cadre of experienced nuclear surety inspectors at Air Force Inspection Agency, while working with the Defense Threat Reduction Agency to establish a common understanding and application of Nuclear Surety Inspection criteria. Our intent is to ensure that the nuclear inspection process is repeatable, accountable, independent, and transparent to outside review.

Analysis of inspection pass rates over the previous five years reveals a pass rate above 85%, including 100% pass rates in 2006 and 2007, which did not accurately identify the deficiencies in our nuclear force. In the past 13 months since our reassessment of the nuclear enterprise, our inspection pass rates indicate a more reflective 72% pass rate, reflecting both the rigor and frequency of our nuclear inspections, looking deeper and more meticulously at Air Force nuclear-related activities.

As a result of this increased vigilance, several Air Force units have received an "Unsatisfactory" rating on recent nuclear surety inspections. In each case, however, the MAJCOM commanders have reviewed the deficiencies and determined that the units should retain their nuclear certification. Additionally, we have seen some positive results in recent *no-notice* inspections,

with two units meeting standards, with no unsatisfactory areas. While much more work remains to be done, our efforts to establish uniform and demanding inspection criteria are improving unit-level processes across the Air Force nuclear enterprise. These efforts are also firmly establishing the standard of performance that is expected in this critical mission area.

Leadership at all levels is making nuclear mission oversight and self-assessment their highest priority. Leaders are taking ownership and responsibility for assessments, being self-critical, and enforcing accountability.

Re-establishing Nuclear Expertise

The Air Force is currently developing plans---and has taken the initial steps–to improve the professional development of our nuclear experts. New opportunities are forthcoming in our intermediate and senior developmental education programs, as well as new, nuclear-focused training programs offered by the Air Force, and our Department of Defense and Department of Energy partners. Also, the Air Force has identified the key billets within the nuclear enterprise that require personnel who have been deliberately developed to accomplish the nuclear mission. Additionally, we have chartered the Nuclear Enterprise Advisory Panel to formalize the development of our nuclear cadre. This oversight panel institutionalizes our process for identifying and tracking nuclear personnel requirements, career path development, training and education, and expertise to support the nuclear enterprise. Finally, in May 2008, the Air Force assigned a general officer to serve in the previously unfilled position as the Principal Assistant Deputy Administrator for Military Application, under the Deputy Administrator for Defense Programs in the Department of Energy's National Nuclear Security Administration.

Enhancing Air Force Nuclear Policy and Ensuring Institutional Focus

The Air Force is taking proactive steps to ensure continuous oversight of the policies, procedures and overall governance of our nuclear enterprise. To enable institutional focus, we have established the Nuclear Oversight Board, chaired by the Secretary of the Air Force and the Chief of Staff. This board meets quarterly to resolve any outstanding issues, oversee implementation of the roadmap, report progress to the Secretary of Defense and the Congress, and to review nuclear policies, standards, and performance/compliance metrics–ensuring continuing effective stewardship of the nuclear enterprise. This board, along with other working-level oversight bodies, have been established within our corporate structure to provide enduring leadership and oversight of the nuclear mission.

Another change is the establishment of a new Air Staff nuclear directorate. This directorate, Strategic Deterrence and Nuclear Integration (AF/A10), reports directly to the Air Force Chief of Staff and is responsible for policy oversight and integration of all our nuclear enterprise activities.

Additionally, we are charging the Under Secretary of the Air Force with broad ongoing policy and oversight responsibilities for the nuclear enterprise. To facilitate this, we will provide the Under Secretary with a senior member of the Senior Executive Service and appropriate supporting staff.

Focused Resource Commitment

Ensuring continued reliability and credibility of our nuclear systems requires a sustained commitment to funding our warheads, weapons, and platforms while investing to ensure we

provide a credible deterrent capability for the future. We have already programmed resources to address many of the recommendations provided by the various assessments of the nuclear enterprise and continue to focus and prioritize future investments.

During fiscal year 2008 we internally re-aligned $85 million for numerous improvements to the nuclear enterprise. This initial infusion focused on improved training, accountability, and command and control.

Additionally, in fiscal year 2009, we will ask for your support on reprogramming actions to address pressing and readily attainable nuclear surety needs. Increased positive inventory control process, re-entry system field test sets, joint fuse work, physical security systems for weapons storage, armored security vehicles, and land-mobile radio systems are just a few of the requirements identified where we would benefit from continued momentum in rebuilding essential capabilities. We are currently refining our portion of the fiscal year 2010 President's Budget request, and evaluating every facet of our nuclear mission to ensure focus on this priority.

We have begun a joint feasibility and design definition and cost study with the Department of Energy's National Nuclear Security Administration for a B61 Life Extension Program to improve safety, security and reliability for one of the oldest weapons in our stockpile. Currently, this study is supported by the Air Force Nuclear Weapons Center, and we are committed to supporting this ongoing effort in our upcoming budget submission.

Summary

Strategic deterrence, with credible nuclear deterrent capability as the essential foundation, is as relevant today as it was 60 years ago. As a significant provider of this capability, the United States Air Force embraces this mission as a core function, and is taking all necessary steps to fully reclaim the trust and confidence required of stewards of nuclear capabilities. We are recapturing the stature of our culture of accountability and rigorous self-assessment. We are rebuilding nuclear expertise training and career paths for personnel. We are ensuring that we have solid end-to-end, sustainable systems. We are developing investment plans to ensure nuclear surety and other continuing mission requirements. We are reinvigorating our institutional focus, and we are aligning authorities and responsibilities to ensure focused leadership and oversight, building on the Air Force's 60-plus years of operational experience. In the end, we will keep our promise to the Nation to provide effective and uncompromising stewardship of this mission.

Thank you for the Committee's continued support of America's Air Force, and particularly its Airmen and their contributions to nuclear deterrence.

Mr. MURTHA. Without objection.

General SCHWARTZ. Thank you, sir.

Mr. MURTHA. Let me diverge a little bit from the subject and just say how important it is, since the budget is going to be late, that you folks get your act together and get the information we need early. This is a bipartisan committee. Whenever something comes out of this subcommittee, it does not change until it goes to conference, and then there is very minor changes. So the product we produce is a key to the Defense Department's funding.

But we need to know numbers. We need to be able to plan short term and long term about what needs to be done. And we need to have it as soon as we can. Supplementals are going to stop, and we are going to be in a bind as far as the regular budget goes.

The budget this year is $387 billion plus whatever the President adds to that. But the supplemental, we think, will be about $20 billion more than the Defense Department sent 19 over. Whatever we can do in the supplemental is so important. We tried to do a little in the stimulus. And the committee met; it was almost too late by the time we found out the way it was going. But we are going to get $4 billion or $5 billion there for infrastructure and things like that.

But the sooner we know what the bottom line is, the sooner we can stabilize and look not just short term but long term about what needs to happen, and we can buy in quantities that get the price down.

So the information we request is very important, and the sooner you can get it to us, the better.

Mr. Young.

Mr. YOUNG. Mr. Chairman, thank you very much.

And as I said, Mr. Secretary, General, thank you for being here. We are discussing a pretty important issue here. And I am curious if there have been any similar incidents in nuclear weapons under the control of U.S. Air Force Europe.

General SCHWARTZ. There have not, sir. There have been no similar incidents or even major mistakes that I am aware of that have occurred under the control of the United States Air Forces in Europe.

Mr. YOUNG. Well, are they under any different rules or regulations?

General SCHWARTZ. Sir, they operate under the same exact criteria, now under unified supervision of, for example, the Air Force Nuclear Weapons Center. Their policies and their procedures apply in Europe as they do in the Continental United States. Likewise, when Global Strike Command stands up, the two major commands will interact and support one another in terms of providing for nuclear deterrence.

But the key thing is that the standard is universal, and the policies and procedures that we employ apply equally in Europe as it does here. There is the nuance of the ally in Europe. But in terms of the way the Americans execute the mission, it is the same.

Mr. YOUNG. Operational control of nuclear weapons has been transferred from the Air Combat Command to the Air Force Global Strike Command. Has that been accomplished? Is that already in place?

Mr. DONLEY. It is not yet in place. We have stood up Air Force Global Strike Command provisionally in early January to begin the work to stand up that command at the end of this year. But we have not transferred operational responsibility for the ICBMs or for the bombers to that new command yet. That will be something that happens further along in its evolution. But we have established the new command in a provisional form. It will grow this year. At the appropriate time in the future, then we will transfer the responsibility into that command section.

Mr. YOUNG. Will the European-based nuclear weapons also be transferred to that command or will they stay under U.S. Air Force Europe?

General SCHWARTZ. They will stay under U.S. Air Forces in Europe in a supporting, supportive relationship. I might reemphasize, Congressman Young, what the Secretary just related is that this really is a wing-walking exercise. We will not let go of one hand until we are ready to make the transition. It will be seamless and continuous between the existing organizations which are operating the machines and the weapons and managing the people now to the new organization.

Mr. YOUNG. A little different direction. We are hearing that OMB is doing a study to transfer control of nuclear weapons from the Department of Energy to the military. Back in World War II, the Oppenheimer decision was to keep the control or the development of nuclear weapons in the civilian control as opposed to the military. Can you tell us anything about this? Is this a real study? I know President Reagan tried to do this during his administration. Is there a major effort under way, or are we just hearing rumors?

Mr. DONLEY. I am not able to give you an update on the Department's position on that subject. I am aware that it had been discussed at the OMB level. Whether or not there are Defense officials involved in that dialogue, I am not aware. It has not worked itself down to the Navy or the Air Force at this point.

Mr. YOUNG. Mr. Chair, if I have time for one more question, the Schlesinger report indicates that the Navy's control of their nuclear responsibilities are somewhat frayed at the edges but that they think that they are being managed properly. Do you have any comment on that at all?

General SCHWARTZ. Sir, we certainly understand that the Navy has processes in place which we should model. In fact, we are doing that. A case in point is our decision to consolidate nuclear weapons related material that was in the inventory of other DOD activities within a dedicated Air Force facility with dedicated Air Force inventory control and management. That is something which is exactly the way the Navy manages their process, and one that is well proven.

Mr. YOUNG. Well, I want to thank you very much. And despite the fact that you had a couple of raps in the press on this issue, I would not trade our Air Force for anybody else's, believe me. So thank you very much for the good job you do.

Mr. MURTHA. I assume this transition makes no difference in the ability of us to respond to any attack.

General SCHWARTZ. It does not.

Mr. MURTHA. Mr. Dicks.

Mr. DICKS. Secretary Gates appointed the Nuclear Weapons Management Task Force to recommend necessary improvements and measures to enhance deterrence and confidence in it. The task force found an unambiguous and unacceptable decline in U.S. Air Force commitment to the nuclear mission. In comparison, the task force found the Navy maintained the commitment, though there was evidence, as the chairman had just said, or Mr. Young has said, fraying around the edges in the Navy's manpower experience base as well as in maintaining the TLAM–N system. The report concluded that the U.S. Air Force failed to properly focus on the nuclear mission and identified six recurring U.S. Air Force problem areas.

First is the U.S. Air Force has underinvested in the nuclear deterrent mission. What are you going to do about that? We are glad to have you here, by the way.

General SCHWARTZ. Thank you.

Sir, I will take the lead on this for just a second. Congressman Dicks, fundamentally, there are three major pieces to what we have done. One is organizational. We talked about it already with the stand up of the provisional Global Strike Command. The other one is this unified sustainment channel so we have a single center on the operations side and on the sustainment side to work these matters. There were underfunded elements in both areas, operations and in sustainment. We put $300 million in 2009 into the program in order to remedy that.

Mr. DICKS. $300 million in what?

General SCHWARTZ. Additional dollars in a range of activities from sustainment to standing up a fourth B–52 squadron and so on, in order to——

Mr. MURTHA. Was this a reprogramming, or was this new money?

General SCHWARTZ. Sir, it was new money. This was in the process when producing the 2009 program.

Mr. MURTHA. But there is also reprogramming money?

General SCHWARTZ. There is some reprogramming dollars involved.

Mr. DONLEY. I can give you just a quick lay down. But to get back to the bigger point just so you understand, we had been taking recommendations from 11 or 12 different reports set in motion by the Secretary of Defense or the Air Force or others. We rolled all those into our roadmap, and we used end-of-year money in 2008 within our own—top line within our own capability to get started on additional resources to put back toward the enterprise. We bumped up our intentions for 2009 by $320 million.

I will give you the breakout of that. Almost half of that we realigned as priorities within our 2009 budget within existing limitations so we are not coming to you for that.

Mr. MURTHA. Limitations, is that a money limitation or what?

Mr. DONLEY. O&M kind of funding, personnel realignments to get dollars——

Mr. MURTHA. What I am asking, do you have enough money to realign this?

Mr. DONLEY. Well, of the $320 million, $145 million we have done internally to the Air Force. We have come to you for $104 mil-

lion in a reprogramming on top of that $144 million. So you have in front of you——

Mr. MURTHA. I do not mean to interrupt——

Mr. DICKS. As long as you do it on your time, Mr. Chairman, that is fine with me. Go ahead.

Mr. MURTHA. What I am worried, you are not limiting the transition by not having enough money.

Mr. DONLEY. No.

Mr. DICKS. Okay. So you are working on that. Now it says nuclear-related authority responsibility is fragmented. What are you doing about that? You got your new command. But is there one person in charge who can say, I know where every single one of these nuclear weapons, cruise missiles is, and I know for sure we are not going to go out there in the hangar and get the wrong cruise missiles and send them to some place and make a fool of ourselves. Is there somebody in charge of that underneath you two?

General SCHWARTZ. Absolutely.

Mr. DICKS. Who is it?

General SCHWARTZ. It is a brigadier general who is the commander of the Air Force Nuclear Weapons Center at Kirtland Air Force Base, New Mexico. He is the accountable party.

Mr. DICKS. He is the accountable party for all nuclear weapons?

General SCHWARTZ. Correct.

Mr. DICKS. Now this isn't the land-based missiles, too? Has he got that, too?

General SCHWARTZ. That includes the warheads associated with the land-based missiles and those which are associated with air-delivered munitions.

Mr. DICKS. So he knows where every one, and he is going to—somebody is going to talk to him before any of these are moved?

General SCHWARTZ. There is coordination that occurs, yes, sir.

Mr. DICKS. What happened here it seems to me is that somebody went in and got the wrong missiles. That means that somehow there was not an identification on those missiles that would make it very clear, or a separate area where they were that would make it very clear that these are nuclear weapons and that—you know, it is almost incomprehensible.

General SCHWARTZ. It is. Congressman, you are right. What we did was we mixed both training devices, shapes, if you will, with the real deal. Foolishly. Not consistent with procedure. We did the wrong thing. When you allow that to occur, it increased the risk. In fact, we made a terrible mistake. We have structured this corrective action from the street level to the very top in a way that will foreclose that chance of happening again. People will make mistakes. But that is why we have a two-man or two-person concept. The bottom line is we——

Mr. DICKS. It takes two people now to move these things?

General SCHWARTZ. More than two. But at least two.

Mr. DICKS. Okay.

General SCHWARTZ. So that if one person has, you know, a bad day, not both of them will. This is the whole nature of check, double check, precision, and reliability. You have the right to expect that. We demand that of our own people. And that is what our Airmen will deliver.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Frelinghuysen.

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman.

I serve with Mr. Visclosky; he is Chairman of the Energy and Water Committee. And we have the responsibility for the nuclear stockpile. I spent Thursday and Friday down at Savannah River DOE site. And I must say, pretty tightly controlled. What struck me, and maybe this is not politically correct, is how old everybody is down there. And the gist of my question here is, and let me give you a few quotations from the Schlesinger report, you know, I see many of the people, there are a few young people behind you, but there is quite a lot of gray hair. Secretary Schlesinger said in his report, quote, the decision that junior officers assigned initially to ICBMs will spend the remainder of their careers in the space mission area, and thus outside the broader Air Force, both devalue the mission area, and have the effect of reducing the dept of the Air Force nuclear experience, especially among mid-career and senior officers, and that is all within quotation marks.

And then, on page 55 of the Schlesinger report, and coincidentally I had hard about the report, but quite honestly this hearing had not been scheduled, so I read it, and it was an interesting comment here: And I quote, the task of providing unambiguous employment guidance regarding an increasingly complex plan has become more difficult with fewer nuclear-qualified and experienced personnel. Moreover, U.S. STRATCOM has difficulty filling positions designated for rated air crew personnel with nuclear experience. As a result, these billets are often filled by rated personnel without nuclear experience, requiring the incumbent to invest a great deal of time and energy to on-the-job training, hardly a satisfactory posture in a mission with potentially little margin for error.

I know you are intimately familiar with this aspect. Can you comment as to what we are doing relative to training, should we say, the next generation of young people to work with this, you know, vitally important area?

Mr. DONLEY. Well, sir, we have undertaken a number of actions on the personnel side to rebuild the nuclear career fields. So as we establish a new command, as we go out and find the nuclear expertise in the Air Force and rebaseline what our requirements are going forward, we are bringing all those pieces together. We have already changed school house training, sort of short-term changes in curriculum, to make sure commanders get a full background on nuclear operations and understand the importance of that mission. We are also working on the career development issues that——

Mr. FRELINGHUYSEN. How are you making it interesting besides obviously exposing young people to perhaps your greatest responsibility and making it interesting enough for them to make it a serious career path?

Mr. DONLEY. The main thing we have done I think is to highlight the importance of this mission to the United States Air Force and to organize ourselves in the way that focuses on that mission. So, as people go into that command, they will know that their primary responsibility is to focus on the safety, security, reliability, and operational support for nuclear weapons.

Mr. FRELINGHUYSEN. And I assume to be, you know, knowledgeable about why nuclear weapons are nuclear weapons. They are primarily a deterrent. Is this inculcated in what we are—what you are setting up here as a curricula?

General SCHWARTZ. It certainly is in an academic sense, but I think from a policy point of view—it was not a small thing, Congressman, that the Secretary of Defense, the first Secretary ever to visit Minot Air Force Base back in November, he went in part to remind the Airmen that what they are doing is valued.

Yes, we have two wars going on. And yes, the people that are deployed down range are doing important things. But we have young Airmen who are deployed in place providing the back drop of deterrence for all the other activity that the Department executes. The bottom line is what they are doing is important; it has the support of the Nation's leadership; and we will work the career paths so that youngsters know they can grow up to be the commander of a Global Strike Command or 20th Air Force with missiles or Eighth Air Force with bombers. That is part of the institutional piece of this that is so vital. There is a path that people can see their future and that they can have passion in what they are doing.

Mr. FRELINGHUYSEN. Thank you very much.

Thank you, Mr. Chairman.

Mr. MURTHA. Do we have any nuclear-trained people here with you? Nuclear experts?

General SCHWARTZ. Mr. Chairman, probably the quintessential nuclear trained person is over my left shoulder, Major General Don Alston.

Mr. MURTHA. Okay. How about the person you said would be in charge of the overall program?

General SCHWARTZ. Mr. Chairman, the person we intend to nominate is exquisitely qualified.

Mr. MURTHA. So he is not in charge yet?

Mr. DICKS. You are talking about the brigadier general, Mr. Chairman? He is not in place yet?

General SCHWARTZ, No, he has been there certainly since I arrived in the job, Congressman Dicks. So he has been there at least six months, and probably longer.

Mr. DICKS. Why does he have to be confirmed?

General SCHWARTZ. No, this is the command. Global Strike Command will be a three-star commander. The brigadier is at the Nuclear Weapons Center, two different positions.

Mr. DICKS. Okay.

Mr. MURTHA. Mr. Visclosky.

Mr. VISCLOSKY. Thank you, Mr. Chairman.

General, welcome.

Secretary, welcome.

And I just want to make sure in the interest of full disclosure, Mr. Secretary, I understand that you have two degrees from the University of Southern California. I am a Notre Dame grad. So I would make a couple of observations.

One, I would congratulate you on beating our football team about 12 years in a row. It might be 13 or 14.

Mr. DICKS. And the University of Washington. We can throw them in.

Mr. VISCLOSKY. We can throw in a whole bunch of them.

Mr. DICKS. Except we got two of their coaches now coming to Washington.

Mr. VISCLOSKY. But also make the observation that my first born male child just graduated from U.S.C. in December.

Mr. DONLEY. So you just got a pay raise then.

Mr. VISCLOSKY. Right.

Mr. Secretary and General, as Mr. Frelinghuysen mentioned, we both serve on the Energy and Water Subcommittee, and we have an interest, obviously, with NNSA and the weapons program. Will not have time, obviously, to get into great detail on all of the issues of concern, but for the record, in particular on pages 11, 12, 15, 18, 22 and 23, I certainly have a particular interest.

And on this round, I do want to talk about the proposed life extension program, the Mod 12. The first question I would have is, my understanding is we have just spent $400 million on a life extension and modification program. Could you explain the necessity of Mod 12? And briefly, because I know I do not have a lot of time and I have a couple of follow-up questions.

Mr. MURTHA. I think this is very important. You take the time you need.

Mr. DONLEY. Well, the Air Force operates 10 different models of nuclear weapons. Without getting into the detail of each weapon, but if you have questions, we will take them for the record.

Mr. VISCLOSKY. But this would be for the B–61.

Mr. DONLEY. The B–61 life extension.

Mr. VISCLOSKY. Specifically B–61.

Mr. DONLEY. Okay. B–61, in all these weapons, but especially B–61, we need to be looking at life extension issues that focus on safety, security, and reliability of these weapons going forward. There are real issues with the life cycle of their components and where they are. Many of these weapons need attention. We need investment to keep up on the surety issues, safety, security, reliability, and we need to be considering and having good debates as a country about the future of these weapons and how we are going to sustain them going forward.

Mr. VISCLOSKY. If I could ask for the record, because I want to proceed here, why, after the expenditure of $400 million on modification of some of the B–61s, there is now a request for the Modification 12? But you had mentioned the debate as far as the various components of these weapons as far as surety and safety and use control. And I am with you on that. But I would simply point out for the record that the Committee, the full Committee, in the last 2 years in report language has talked about the necessity of knowing where we want to be in the end before we start down the road. And that is to make sure——and I know that we have a stockpile posture. But what we have talked about in our report language is a strategy. Because you have, as I would understand it, in excess of 900 warheads here. The question would be as you proceed, are they all going to be modified?

[The information follows:]

The current B–61 Life Extension Program (LEP) will consolidate 4 of the 5 B–61 variants B–61–3, 4, 7, 10) and refurbish components that were not part of the recently completed LEP (Alt 357). In particular, Alt 357 reworked the canned sub-

assembly on the B–61–7 and B–61–11 and did not include the B–61–3, B–61–4, and B–61–10 which are deployed outside the continental United States to support NATO. A two-year B–61 LEP feasibility and cost study (Phase 6.2/6.2A) began in September 2008. The cost of the LEP will be determined as part of that study.

General SCHWARTZ. And Congressman, if I may, sir——

Mr. VISCLOSKY. Yes.

General SCHWARTZ. I think what you addressed there is really an issue for the nuclear posture review, which will commence shortly and work through the middle part of this year in terms of the strategy and so on. But I would like to reiterate Secretary Donley's comments. It is important for us to recognize that there are components that need to be sustained or remanufactured in the existing stockpile: Fuses, neutron generators, things that really influence the reliability of the weapons we already possess. And so that is where the focus of the Air Force is at, on those we currently possess that allow us to maintain our deterrence posture and where we will focus going forward.

Mr. VISCLOSKY. Would you describe it, General, as a modification or an alteration of the weapon?

General SCHWARTZ. I would characterize it as sustainment of the existing weapon. This is not dramatically changing the characteristics and so on and so forth. It is making them safer. It is maintaining their reliability and, in some cases, improving their security.

Mr. VISCLOSKY. And if I could look out to 2010, my understanding is the first increment for the cost that you would ask for is about $120 million, give or take? Or if you could for the record, and that would be moneys that are available under NNSA now, and then what the request would be from the Air Force.

Mr. DONLEY. We will provide that for the record at the appropriate time. Just to be clear, at least as I understand our respective responsibilities here, DOE is responsible for the weapon and the internal operations of the weapon. We are responsible for the interface of the weapon to the platform. We share responsibilities and we share funding costs as we go forward to get this work done.

[The information follows:]

The cost of the B–61 LEP to the Air Force depends on the design option selected and will be determined as part of the Phase 6.2/6.2A study. The Air Force continues to evaluate funding options for LEP engineering studies related to the weapon/platform interface. The Air Force will address further LEP resource requirements in developing the Fiscal Year 2010 Program Objective Memorandum.

Mr. VISCLOSKY. Right, and I do just want to emphasize, because after 2 years of language and hearings, particularly with NNSA and others, there is a perception, and I speak only for myself now, that I am opposed to doing or having any changes made to any warhead. That is wrong. But I also would not want to be misunderstood. I understand we have issues on surety, safety, just use control. I am with you there but would want to make sure, because, as you point out, General, we are doing another posture review. What we are harping on, and I would say harping, whining, whatever you want to call it, the strategy, because in the end, you are looking at what changes need to be made now for some sums of money after just spending $400 million. Then the question is, to how many of those weapons will you apply that change at what cost only to find out later, well, we, because of a strategy that works, we do not need to apply it to all of these weapons maybe

we have now applied it to. And obviously, we are talking about one system here. But as you allude to, Mr. Secretary, there is a number of them. So I would want to emphasize I would want to stay in touch and appreciate the additional time from the Chairman. I just want to be very cautious here and use every opportunity, because my point then is, if you have a strategy, and not just as far as the uses of the nuclear arsenal but nonnuclear, nonkinetic, the role of proliferation, my upset in the past has been that the weapons figure goes up, and I am not necessarily again opposed to that, but the nonproliferation number in the last several has gone down. And my sense is the greatest threat this morning when we woke up is that person who cannot be deterred; they can only be stopped. And after you, then, know what the constitute weapons are, particularly it is important to Mr. Frelinghuysen and myself and others, what does the weapons complex look like? Because my fear is if we start down a road without realizing or making a final determination of what the rationalization size should be, we will never get there. So I certainly do intend to, if you would, work with you. And I just want to make sure we are very careful here. Thank you very much.

Mr. DONLEY. Understood. Thank you.

Mr. VISCLOSKY. Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Frelinghuysen, you have anything to add to this conversation?

Mr. FRELINGHUYSEN. No, I support the Chairman's questions in this hearing.

Mr. MURTHA. Mr. Kingston.

Mr. KINGSTON. Thank you, Mr. Chairman.

Mr. Secretary, General, I have a question about the inventory in general. You have an inventory of every nuclear weapon that is in the country or in the world owned by the United States.

Mr. DONLEY. Yes, 4,961 are under Air Force custody (A total of 8,938 are owned by the U.S.).

Mr. KINGSTON. How about lost nuclear weapons? Do we have an idea of any that are unaccounted for going back to the 1940s?

General SCHWARTZ. Sir, there are some, you know, that have gone down in airplane crashes in those days gone by when we actually flew missions and training missions with live nuclear weapons. Decades ago, sir.

Mr. KINGSTON. And in those cases where we know one was lost because it went down, what do we do about those? How are those being monitored today? Because they would still be nuclear capable, correct?

General SCHWARTZ. In each case, there were concerted efforts, and in one with which you might be personally familiar, very concerted efforts, even in recent years, when the possibility or new technology came along that would allow us to reconfirm areas where the weapons may have been lost due to accidents, we continued to do that work. And in fact that occurred I guess two years—no, more like 4 years ago in the effort down towards Savannah River where we used side-scanning sonar and other new technologies to try to reassure ourselves that if it was there, we were going to retrieve it even after all these years. This never goes completely off the radar screen to be sure.

Mr. KINGSTON. Okay. So, theoretically, it could be 10 years, 30 or 40 years from now we would eventually be able to find these with the right technology?

General SCHWARTZ. I think we never dismiss that as a possibility, Congressman.

Mr. KINGSTON. All right. Thank you.

I have a question about the aging B–52s, just switching subjects on dual capabilities and the bombers. We have nuclear capable B –52, B–2s and then dual capability in the F–16 and the F–15E. Has the Air Force thought about using Joint Strike Fighters and making them nuclear capable? What is going on with that?

General SCHWARTZ. The short answer is yes. That decision, given that the F–35 is an international program, we have a steering group that talks about what is on the airplane. It involves the international partners and when that goes on the airplane. We believe in the Air Force that the F–35 should be dual capable and that we will present that for consideration by the steering group this summer.

Mr. KINGSTON. Okay. And also on the question of aging fleet, the WC–135s do the atmospheric sampling on vital intelligence after nuclear detonation. And is it correct that there are only two of them and they are 50-years old or approaching 50-years old? Have we thought about using the 737s or moving in the direction of the C–40A frame I guess?

Mr. DONLEY. We have looked at that. We will continue to look at it going down the road. Those airframes, while they are very old, they still have a lot of life on them because they do not take a lot of stress in the airframe like a fighter would. They still have 20 years plus on the airframes left. We have recently been asked by the Office of the Secretary of Defense to go back and look at an analysis of alternatives. Going forward, we would want to think about how we do this mission out into the future. There may be other ways to do this, different combinations of sensors and capabilities, but we have time to work this.

Mr. KINGSTON. Well, all right.

Thank you, Mr. Chairman. I yield back.

Mr. MURTHA. Mr. Moran.

Mr. MORAN. Mr. Chairman, I have some questions, but I 6 think it is only fair- to defer to those who have been waiting longer than I to ask them. So I am willing to defer.

Mr. MURTHA. Ms. Kaptur.

Ms. KAPTUR. Thank you, Mr. Moran.

Welcome. I am interested in knowing how both of these incidents first came to public attention. The Taiwan, I remember reading it in the paper myself, and then also the Minot situation. How did it first—both—come to public attention, General?

General SCHWARTZ. Ma'am, it preceded my arrival in town. I was in a different position at the time that these situations occurred. In general, they were reported through channels once they were discovered all the way up to the Secretary of Defense and ultimately the President, in both cases. Then institutions within the Department swung into action.

Ms. KAPTUR. So you are saying, there was a public announcement by the Department?

General SCHWARTZ. No. What I am saying is, once the incidents were discovered, they were reported in command channels within the Department of Defense. I was not in town at the time, when an announcement occurred.

Ms. KAPTUR. They announced it publicly?

General SCHWARTZ. They did.

Ms. KAPTUR. Could you please explain to me, on the first incident where nuclear-related ICBM parts labeled as helicopter batteries, so, first of all, there was a mislabeling, were sent to Taiwan in 2006. All right. Do you separate in your parts supply chain the nuclear-related parts versus others? Is there a separate supply chain?

General SCHWARTZ. The supply chain was goofed up previously. We are improving but there is not a separate supply chain. This is part of the solution I described to you where we had multiple agencies responsible for different pieces of material, the so-called nuclear weapons related material. We are in the process of consolidating control of all nuclear weapons material under Air Force dedicated supervision.

Ms. KAPTUR. All right.

General SCHWARTZ. Inventory management system is associated with that as well. So that was one of the lessons learned from this incident. We followed the Navy's lead on this of doing it ourselves at one location.

Ms. KAPTUR. So you have a separated supply chain. Are all those components domestically sourced?

General SCHWARTZ. Ma'am, I would have to take that for the record.

Ms. KAPTUR. I would be very interested in knowing that.

General SCHWARTZ. Okay.

[The information follows:]

All assets defined as nuclear weapons-related materiel, which is the class of materiel involved in the Taiwan incident, are domestically sourced.

Ms. KAPTUR. Thank you very much, General. Now on the 2007 incident, where the B–52 crew mistakenly flew six nuclear weapons from one base to another, which nuclear weapons, I did not find it in your testimony, exactly which nuclear weapons were flown?

Mr. DONLEY. The weapons were attached to the bomb wing at Minot Air Force Base, and they were mistakenly flown from Minot Air Force Base to Barksdale Air Force Base.

Ms. KAPTUR. Correct. But what type of weapon?

General SCHWARTZ. Air-launched cruise missile.

Ms. KAPTUR. They are cruise missiles?

General SCHWARTZ. Right.

Ms. KAPTUR. All right. How did that happen?

General SCHWARTZ. This was an incident which involved commingling of the real deal and training assets. The truth of the matter is that——

Ms. KAPTUR. Loaded missiles versus unloaded missiles? They were not——

General SCHWARTZ. We had pylons with training devices loaded and pylons with real weapons in the same igloo, in the same weapons storage space. There were multiple failures which allowed the incorrect pylon to get put on the airplane and flown from North Dakota to Louisiana.

Ms. KAPTUR. That just seems so——

General SCHWARTZ. I agree with you completely.

Ms. KAPTUR [continuing]. Incredible.

General SCHWARTZ. It is incredible. It is embarrassing. It is profoundly unsettling, and it is why we are laser-focused on correcting the underlying reasons that this occurred, not just the superficial reasons that one or two people did not do their jobs, but rather the underlying rationale, some of which is culture-based, as Dr. Schlesinger outlined, some of which is procedure and process.

Ms. KAPTUR. General, can I be assured that every single person who goofed was under the command structure and not in a civilian contractor position? So it was a mess up internal to the Air Force——

General SCHWARTZ. With respect——

Ms. KAPTUR [continuing]. With no civilian contractors were involved in any aspect of this?

General SCHWARTZ. With respect to the Minot incident, that is true.

Ms. KAPTUR. All right. But not necessarily——

Mr. DONLEY. But not the Taiwan incident.

General SCHWARTZ. The Taiwan incident——

Mr. DONLEY. The Taiwan incident involved depot operations at Hill Air Force Base, where there are both uniformed and civilian depot employees working on nuclear-related matters. So there is a mixture of uniformed and civilian personnel.

Mr. MURTHA. Will that be changed under the new system?

Mr. DONLEY. Well, I do not believe so. All of that—what has changed is the responsibility there, which was a mixture of Air Force and DLA, has been moved to Air Force. The Air Force and DLA have agreed to move that responsibility into the United States Air Force. We still have a civilian-heavy workforce at our depots. The civilian leadership has been changed in that particular organization. But I believe we still have civilians involved in our depot-related operations.

General SCHWARTZ. But they are DOD employees.

Mr. DONLEY. They are DOD employees.

Ms. KAPTUR. I would like to have some type of information provided to the record to really look at who these—how they are classified. And of those working in the nuclear programs, how many are enlisted, how many are civilian contractors, if there is a way one can easily do that. And I am interested, for every single person under this new—is it three-star general?

General SCHWARTZ. Yes.

[The information follows:]

The Department of the Air Force has many military, civilian, and civilian contractors working nuclear programs.

The Air Force Nuclear Weapons Center, located at Kirtland AFB, MN, is the overall responsible agency for the operation of safe, secure, and reliable nuclear weapon systems to support the National Command Structure and the Air Force war-fighter and is led by an Air Force major general. The following two units are subordinate to the Nuclear Weapons Center.

The 526th ICBM Systems Group, located at the Ogden Air Logistics Center, UT, is responsible for inception-to-retirement integrated weapons system management of Minuteman and Peacekeeper weapon systems. The group develops, acquires and supports silo based ICBMs and provides program direction and logistics support as the single face to the customer. The group is also responsible for acquisition, sys-

tems engineering and depot repair; manages equipment spares; provides storage and transportation; and accomplishes modifications and equipment replacement to maintain silo-based ICBM systems.

The 498 Armament Sustainment Wing is a reporting unit of the Air Force Nuclear Weapons Center. It is responsible for sustainment of nuclear munitions and cruise missiles, including operation of two munitions maintenance and storage complexes (at Kirtland AFB and Nellis AFB, Nevada).

Unit	Officer	Enlisted	Civilian	CME *	Total
Ogden Air Logistics Center, UT					
526 ICBM Group	55	9	381	371	816
Nuclear Weapons Center, Kirtland AFB, NM					
Headquarters, Nuclear Weapons Center	33	23	108	0	164
498 Armament Sustainment Wing	66	259	241	37	603

* CME=contract man-year equivalents.

Ms. KAPTUR. All right. Do you have a ribbon if you are working in a nuclear program? Are you separate from other people in the Air Force? I do not have any such basis in my area, but I would like to know if there is a culture of teamwork that is built because of special designation for persons working in this program regardless of what title you might have in the chain of command.

General SCHWARTZ. In the lingo that is known as what patch you wear. That patch will be a Global Strike Command patch. There will be a sense of community, a sense of mission, a sense of belonging, which we lost over the last 15 or 20 years and that we are bringing back.

Ms. KAPTUR. Thank you, Mr. Chairman.

Thank you, gentlemen.

Mr. MURTHA. Ms. Granger.

Ms. GRANGER. Thank you.

In the report produced by Major General Alston, the recurring thread or theme is the underinvestment in nuclear enterprise. And my question is with the new corporate restructuring about the A10 head or position, the advocate for nuclear deterrent mission in the Air Force, with that sort of emphasis, what sort of effect will it have on other major programs within the Air Force like the F–22, the Joint Strike Fighter and the personnel?

Mr. DONLEY. Ms. Granger, we have already taken steps to realign resources inside the Air Force to get back additional focus and additional manpower and additional dollars on the nuclear mission. We started in 2008. We are it in 2009. We have a string of dollars tied to 2010 and the out years where we are beefing up the nuclear enterprise, both people and dollars. We have added a B–52 squadron, a fourth B–52 squadron that will be dedicated to One year's worth of alert time. So we have gotten all this going as a result of our roadmap. We have a pretty robust view of all the things that need to be undertaken from an equipment point of view and from a people point of view, to include operations, organization, and training. We are identifying the resources that go with that. We are making adjustments inside Air Force as we can to address this issue.

Ms. GRANGER. Right. And my question is, though, how does that affect existing programs or programs that are being built, like the F–22 and the F–35?

Mr. DONLEY. Right. I do not believe it has had any direct impact on those investment programs. Probably the biggest impact that it

has had is on our total active duty manpower. The Secretary of Defense made a decision in the summer to allow the Air Force to grow manpower back up to about 332,000 active duty end strength from a previously planned reduction down to 316,000. So one of the major resource decisions was to allocate some of that manpower back into the nuclear enterprise.

Ms. GRANGER. Thank you.

General SCHWARTZ. 2,500 spaces.

Ms. GRANGER. Thank you.

Mr. MURTHA. Mr. Moran.

Mr. MORAN. I am going to pass.

Mr. MURTHA. Mr. Boyd.

Mr. BOYD. I am going to pass.

Mr. MURTHA. Mr. Rothman.

Mr. ROTHMAN. Thank you, Mr. Chairman.

Mr. Secretary and General, thank you for being here, thank you for your distinguished careers, and all of your years of service and sacrifice for our country. And I am hoping that your present positions will be the crowning jewel of your lifetime's work.

Mr. DICKS. If you get the tanker thing right.

Mr. ROTHMAN. General Schwartz, I wanted to just touch base with you on something that I may have misunderstood in your testimony, or in your response to a question, namely that there would be two people responsible for—and remind me what those two people would be responsible for.

General SCHWARTZ. We have a policy, it is called the two person policy, and in a number of situations that relate to handling or processing of nuclear weapons that it takes two people to do it. In other words, one person cannot move it from place A to place B. It has to be done by two people. And accountability purposes has to be done again by two folks, one person and then verified by a second person.

Mr. ROTHMAN. So if I understand it, the storage of the materials in an igloo is done by two people?

General SCHWARTZ. At least two people.

Mr. ROTHMAN. At least two. Its location in the igloo is done by two people?

General SCHWARTZ. At least two people.

Mr. ROTHMAN. So every step of the way, the loading onto the aircraft by two people, the inspection of the aircraft before it takes off from a base with nuclear weapons.

General SCHWARTZ. In general, that is true, sir.

Mr. ROTHMAN. Okay. You used the words, General, "profoundly unsettling." And I do not think that that was an understatement. Each of those 6 warheads, each of them had the destructive power of up to 10 Hiroshima bombs; each of them, flying over U.S. soil and unaccounted for, for 36 hours. Each of the 6 have a destructive power of 10 Hiroshima bombs.

General SCHWARTZ. Congressman, we should not—I am not minimizing what happened. It is bad, but we shouldn't suggest that these weapons, had they left the airplane, would have detonated. Just allow me to make that caveat, that was not an issue in this instance.

Mr. ROTHMAN. Well, yes, I get that distinction, if you will. But they were without a steward——

General SCHWARTZ. Modest though it may be.

Mr. ROTHMAN. Good. There was no special guard for these weapons for 15 hours. So whether they could have been stolen by some bad guys, and then armed, and then blown up would have been extraordinarily catastrophic.

Mr. MURTHA. If the gentleman would yield, would he explain the arming process so we would know why they wouldn't have detonated?

General SCHWARTZ. Congressman, there is a—and I am not the expert on this—but fundamentally there is a complex mechanism, including codes, which have to be matched and done electronically in order for the weapons to arm.

Mr. MURTHA. From the ground or from the airplane?

General SCHWARTZ. It is from the aircraft.

Mr. DICKS. But how do they know—if they think it is a test missile and not a nuclear missile, how do they know that they have to do that?

General SCHWARTZ. There is a way to determine by looking through a small window in the body of the weapon to determine whether it is an actual weapon or not, or a training shape. Regrettably in this instance, either that was not done properly, or the person who executed that, the persons, didn't know what the hell they were looking for.

Mr. MURTHA. Well, what Mr. Rothman is asking is you say it couldn't be detonated. No chance of it being detonated. In other words, they would not have had the key, the electronic key, to arm the weapon?

General SCHWARTZ. Correct.

Mr. ROTHMAN. If I may, Mr. Chairman, but we are very concerned these days about loose nukes, and our loose nukes would have been a disaster. And the fact that they were—they were without a special guard for hours just sitting 18 there at the base is obviously what has disturbed all of us.

But to move on, if I might, to—and the fact that those four ballistic missile fuses that were unaccounted for for 17 months, you know, my understanding as a lay person is those nuclear fuses are highly sought after and very important in the building of a nuclear program, and yet we didn't know about them for 17 months.

My last question, which is a little bit of a—may require a little bit of an elaboration by each of you gentlemen, is how did this happen? General, you used 15 to 20 years. Does it go back longer than that? How did this culture develop? And I don't ask it to assign blame of any individual or administration, I ask it so that we can judge whether what you are doing now is the right fix for what the problem was. So if you can tell us the right fix and what the problem was at the time.

General SCHWARTZ. In the 1990s and the post-Cold War setting, sir, we decided, for example, weapons systems bombers that had been almost exclusively assigned to the nuclear role would have a much broader conventional responsibility to deliver conventional munitions.

In addition, there was a sense that perhaps the nuclear—the relevance of deterrence had waned in a post-Cold War situation.

Our service took on the mantra, properly, perhaps excessively, but properly, to be expeditionary and to be able to move out and take care of business wherever that might be required, again, a conventional mission.

In the process of these things occurring over time, the emphasis on the nuclear mission diminished. We go to war, and naturally there is a compulsion to do that well, to devote the resources to support the fight, to put good people and so on.

In fact, in our Air Force, the truth of the matter is that being deployed forward was more valued than sitting in a missile hole in Montana, Wyoming or North Dakota. This is symptomatic of what Dr. Schlesinger identified, of a shift of which we, as leadership, over time, didn't grasp the significance. We do now.

In establishing the Global Strike Command—and, I mean, one of the fundamental rationale for that is to have an institution in our Air Force as a major command whose singular focus is on nuclear stewardship and operations.

Mr. DONLEY. Right. If I could just add, just briefly, the Chief has outlined this, I think, very well. To give you a little bit more flavor and sort of color background to this, as the wall came down at the end of the Cold War, we made national decisions to reduce the number of nuclear weapons and forces in our inventory. We made national DOD-level decisions to take what used to be Strategic Air Command, focused on the nuclear mission, rename it, reshape it, and give it more than just nuclear missions. Within the United States Air Force, the impact of those changes were to put the bombers under a command that had other than nuclear responsibilities, Air Combat Command, which has all our bomber aircraft responsibilities.

Mr. ROTHMAN. But they are still dual use.

Mr. DONLEY. They are, but the command's focus was broader than nuclear, and, in fact, started to be oriented toward supporting joint warfighting and getting ready for other conflicts.

The missiles went to Air Force Space Command, which has responsibilities for oversight of space-related activities, launch support, all of these other matters, some affinity with nuclear missiles——

Mr. ROTHMAN. Could I just follow up on that—all right, never mind.

Mr. DONLEY. Different than a nuclear mission. I apologize, sir.

Mr. ROTHMAN. No, no, I just wondered—oh.

Mr. MURTHA. Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

Bomber fleet, you got, what, 76 B–52s, and the age of that fleet? What is the age of the B–52 fleet?

General SCHWARTZ. Congressman, it is in the neighborhood of 50 years. It was first built in the late 1950s and the early 1960s.

Mr. ROGERS. I am sorry.

General SCHWARTZ. The aircraft were built in the late 1950s and early 1960s.

Mr. ROGERS. But are some of them newer than that, though?

General SCHWARTZ. No.

Mr. ROGERS. So all of them are approaching 50 years.

General SCHWARTZ. Right.

Mr. MURTHA. Let me interrupt, Mr. Rogers. Mr. Boyd has to leave. I just wanted to give the subcommittee an idea what the schedule would be towards April. Where is Paul? Is Paul here? No. Well, that takes care of that. We are trying to get as many hearings as we can get in by April 6.

Now, the problem we are looking at is people aren't confirmed, won't be available to us, and the budget won't be done until later. We will have a series of 22, 23 hearings up until April 6, and then after we come back from our recess, we will try to get the rest in.

The intelligence hearing, which we normally have first, we are going to get as soon as we can.

The Secretary of Defense we won't get until probably after the recess because we just won't have a budget by that time. But as soon as we get a budget, we will get a lot of these people back up at the end, but we will try to finish up. We don't think we will have a product until June or July, and the supplemental will have to be done, we think, by May.

I was telling leadership this. Let us get the supplemental done as quickly as we can. It is about $20 billion short in figures. We only have couple of pages, six pages, of justification, but we will add to that because the cost of the war is not included in the supplemental.

But we will do everything we can to get that done, and, with some cooperation from the Defense Department, we will try to do as much as we can on the supplemental, get it passed. Now, if it goes past June, and you get into July, then you really got a problem with the Army. The other services can get by, but the Army really has a problem, too. We will try to work it out as quickly as we can as long as leadership goes along.

So basically that is the schedule, and we will try our best to adhere to it. I know that a lot of you, because of other responsibilities, won't be able to come, but this is as good a turnout as we will probably have the rest of the year because all of you are such high-powered Members, so many different areas. But I appreciate the turnout, and we will get a concrete schedule to you as quickly as we can.

Mr. Rogers.

Mr. ROGERS. At one point in time, at least, you had plans for a replacement aircraft for the B–52s, correct?

Mr. DONLEY. Yes.

General SCHWARTZ. Yes, sir.

Mr. ROGERS. Do you still have such a plan?

General SCHWARTZ. Yes.

Mr. ROGERS. And what is the plan?

General SCHWARTZ. It is an R&D effort at the moment. You know the term, sir, that we use is next-generation bomber.

Mr. ROGERS. When do you expect to have the next-generation bomber in operation?

General SCHWARTZ. The target for a developmental platform would be in the late teens, 2018, 2019 timeframe. Fielding would be later than that.

Mr. ROGERS. So at least 9 years?

General SCHWARTZ. Sir.

Mr. ROGERS. Now, what do you plan to do in the meantime with 50-year-old bombers that are getting older every day on the chance that you will have a replacement bomber, next-generation bomber, in 9 years?

Mr. DONLEY. We have continued to make modifications in all our bomber equipment, so B–52s have had modifications. B–52s have had many modifications over the years. We continue to upgrade them as we can and modernize them.

General SCHWARTZ. For example, Congressman, the B–52 used to be an analog airplane. In other words, it did not have a digital backbone. It does now, so we can deliver the new digital weapons like the joint direct attack munition and so on. These are the kinds of things, new sensors and global positioning capabilities and what have you.

The airplanes are not static. They might be 50 years old, but they are not static.

Mr. ROGERS. I presume they have been reengined perhaps several times.

General SCHWARTZ. The B–52s have not been reengined.

Mr. ROGERS. They have the original engines?

General SCHWARTZ. If I am not mistaken. I will take that for the record to reconfirm for you, sir.

[The information follows:]

The H model B–52, the only model still in the active inventory, is equipped with its original Pratt & Whitney TF–33 engines. However, over the years, the Air Force has completed several engine depot maintenance modifications needed to replace the high wear components, extending the service life of the engines and enhancing aircraft safety.

Mr. ROGERS. Are there any plans to reengine those aircraft? I mean, just from a lay point of view, just looking at that plane, I can tell you that engine is not working very good.

Mr. DONLEY. Well, the engines get a lot of attention in the depot process, so they get rebuilt on a regular basis. To my knowledge, we have not had any catastrophic or engine maintenance sustainment problems that has threatened the health of the B–52.

Mr. ROGERS. Well, here is my concern, and I share it with you: making that plane last until the next generation is operable, one; and, two, I am not even sure you are going to get the next generation in the time frame, at least, you are talking about. Secretary, Secretary Gates said before the Senate Armed Services Committee in January that that plane may not be on the schedule that he had first thought, right? And he said—when he had talked about the importance of that plane being available in 9 years, he said, "I made that speech at a time when the economic outlook was rather different than it is now, and the prospects for the defense budget, perhaps, differed accordingly."

Tell us what he meant.

General SCHWARTZ. I think it is pretty clear, sir, if there are not sufficient funds to do all the things the Department needs to do, we will make choices.

Your Air Force, however, would make the argument, in the appropriate forum within the Department, that this is an important

initiative for the country. We will make the argument as powerfully as we can, and we will see where it leads us.

Mr. ROGERS. Well, just any commonsense reading of what he said before the committee tells me that the plans for the next-generation plane are off.

Mr. DONLEY. I don't believe that those plans are off. I do think we are going to have a good discussion on the NGB this year, probably not going to be finally decided in the next few weeks as we put together the fiscal year 2010 budget, but probably will get a lot closer and, I would say, broader attention during the QDR and during the Nuclear Posture Review that the Department and the administration have planned for later this year. This will be in the mix, I think, for the NPR discussion.

Mr. ROGERS. Well, under your plans, what would be the first fiscal year that you would need money toward the next-generation bomber?

Mr. DONLEY. You have been supporting the R&D efforts for several years now, and there is both a white world and a black world classified dollars that go with that program. There have been dollars supporting the effort.

Mr. ROGERS. All right.

Mr. MURTHA. The time of the gentleman has expired.

Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman.

Beyond the immediate concern about inventory control, that is the fundamental issue, where do we go from here?

President Obama made several public declarations that he was committed to substantially reducing our nuclear stockpile, but there is resistance on the part of the Pentagon, as I understand it. I don't want to put words in your mouth, I want you to clarify and find the posture, if you would, that you don't want to do that until we are well on our way to a modernization of our weapons and particularly of the production capability.

Now, I know part of our problem is that it is really DOE that controls the production capability, and you distribute it and implement it. But that really seems to be the critical issue we are going to have to face.

This public commitment, which I think there is a fair consensus that over time it has to be done, but there seems to be a commitment to substantially and quickly reduce our stockpile versus the Pentagon's position that we are not ready in terms of the modernization that would make you feel comfortable, particularly with regard to production capability.

So would you address that a bit, both of you, but particularly General Schwartz?

General SCHWARTZ. Congressman, we respond to policy. I think this is why the Nuclear Posture Review is so important. It has, both within DOD and outside DOD, implications, and in the end we will accommodate to the national policy. If it is the current number or lesser number or lesser than that, we will do what policy dictates.

Mr. MORAN. I understand that, but you will also make recommendations, and that is what we are trying to get out of you,

what you would recommend, because the implementation of that public policy has not been defined.

General SCHWARTZ. Sir, my basic recommendation is whatever the number is, they have got to be viable, they have got to be safe, they have got to be secure, and there are some issues in that regard, and I think that needs attention.

Mr. MORAN. Well, let me pursue it a little more so that I can get a more specific answer, if I could. By what percentage are we really talking about? They are going to turn to you for a recommendation, General, you know that. They are not going to make it in a vacuum. I mean, he is going to want to say, well, I am following the advice of the military on this, for instance, you, with the Secretary.

So what would your recommendation likely be?

General SCHWARTZ. Sir, the way this works is that the Joint Chiefs will make a recommendation to the civilian leadership, and I can't presuppose what that recommendation will be.

I can tell you, contrary to the implication that the Department has already made a decision on this, that issue has not come to the Joint Chiefs' tank for consideration. It has not been teed up yet, and I don't think it is likely to be teed up until the Nuclear Posture Review reports out its conclusions.

The bottom line is I am not in a position, sir, to offer you other than personal insights, which I have.

Mr. MORAN. Well, personal insight.

General SCHWARTZ. Personal insight is whatever the number is—and I cannot give you a number now. I am not educated enough at the moment to do that. But whatever the number is, we have got to make sure that these things are viable, safe and secure. As your colleague mentioned earlier, there needs to be a strategy, it needs to be connected, and that is the purpose of the Nuclear Posture Review. It will come to the tank, the Chiefs will make their recommendations to the civilian leadership, and then that clearly will be, you know, ready for your consideration.

Mr. DICKS. Will the gentleman yield just briefly for a comment?

Mr. MORAN. Sure.

Mr. DICKS. The comment I would make is, you know, we have all been talking about nuclear weapons today, and one of the reasons for this whole discussion is with the advent of smart, conventional weapons that were highly accurate, you know, these things can be extremely effective and can be usable. I mean, nuclear weapons are a weapon of last resort. It is a deterrence weapon.

So I think that we ought to—when we look at our whole capability, we ought to be first looking at the conventional capability and what that gives us in order to make a decision about how many nuclear weapons do you wind up with.

We have been coming down, and I think it has been done in a safe and responsible way, but the thing that is different is the advent of these smart, conventional weapons.

Mr. MORAN. Well, reclaiming my time, even though there is none of it left, I wholly agree with you, Norm, and there is a certain irrelevancy to current and likely future threats in terms of the nuclear option, if you will.

But I didn't want to prejudice the response. I wanted to see if we could get any kind of specificity in terms of what the recommendation might be.

Thank you, Mr. Chairman.

Mr. MURTHA. I have to say that was a masterful response by General Schwartz, because he didn't really tell us anything at all.

Mr. DICKS. It is premature.

Mr. MURTHA. It is premature, too, but I think we have to be careful interceding between what the recommendations of the Armed Forces and what the President might do.

Mr. Hinchey.

Mr. HINCHEY. Thank you, Mr. Chairman, Mr. Chairman and Mr. Secretary. Thank you for your very interesting answers, although I couldn't hear every single word, interesting enough.

I think the attention recently in the context of this hearing has been focused on the issue of global security, the fact that we have seen a decline of global security over the course of the last recent years, and that is something that is going to have to be an increased focus of our attention, generally, to improve that situation. And hopefully that is going to happen, and we very much anticipate that, and, of course, it is absolutely needed.

But just focusing on the situation that we are addressing here, those two incidents that occurred, the transfer of the nuclear fuses from Taiwan and then the airplane flying over the country with nuclear weapons it, the transfer of the nuclear fuses didn't show up, at least publicly, for about 18 months.

Was there an investigation going on in the course of those 18 months, or was that the situation generally, that no one knew it for about that length of time?

General SCHWARTZ. The latter, Congressman.

Mr. HINCHEY. The latter, yes.

In the context of the investigations that had ensued on both of these incidents, has anything else shown up, any other problems that have popped up, maybe not as big as these two, but any other circumstances that you are now focusing your attention on?

General SCHWARTZ. We have had nothing, certainly, of that consequence, but we have identified—for example, in this effort to sort of make sure that the inventory is right, we have discovered ourselves that some items that should have been on the inventory that are in stock are not, and that that primarily is what has occurred.

This is the reconciliation of items with the inventory, and those are the discoveries that have ensued since that time. Going forward, we see that as positive. We are getting to ground truth on inventory, location, numbers and so on, which we did not have in sufficient measure before.

Mr. HINCHEY. So in the context of the investigation, you didn't see anything that was done here intentionally, or did you; or was it mostly something that resulted from an increased casuality in the way that these things were happening?

Mr. DONLEY. Inadvertence, lack of discipline, a lack of adherence to the published technical orders, people 2 developing their own ways of doing business locally to accommodate their work routine.

But, you know, this discussion about the two incidents is helpful, but it also points to the broader underlying issues that we need to address.

The main result of these investigations, and there were many, is that we do not just have individual problems at Minot Air Force Base and at Hill Air Force Base, we have an institutional challenge here to reinvigorate our culture of precision and discipline and reliability in the whole nuclear enterprise, so that is where we have been focusing.

All the immediate corrective action, the discipline actions on Minot, on the Taiwan fuses, those have been done. The local corrective actions have all been taking place. That is behind us. Now what we are after is getting back to the level of performance across the Air Force that we need to rebuild to get back to where we have been in the past.

Mr. HINCHEY. And in the context of that, you are focusing on the people who are involved, obviously, and the people who do it. Most of them are in the military, but we know that some are civilians. I think you said they were all Department of Defense personnel?

General SCHWARTZ. In the Air Force, that is true.

Mr. HINCHEY. In the Air Force, and so they are overseeing the proper security operations, very tight in a secure way?

General SCHWARTZ. Of course.

Mr. HINCHEY. Just one last thing I would like to mention. This new triad, can you talk a little bit about that? What are the circumstances surrounding?

General SCHWARTZ. I think this, sir, this kind of relates a little bit to what Congressman Dicks was referring to, is that in—the sort of traditional triad was missiles, bombers, and submarines. That was the sort of traditional, nuclear triad.

A subsequent version of that included missile defense, properly, and included also the use of high-precision conventional-type capabilities, which didn't exist, you know, in the original sort of formulation.

The notion of the so-called new triad is just a recognition that over the years, the decades, in fact, that technologies and such have changed would suggest to us that we should be more sophisticated about how we deter adversaries. It is not just the traditional delivering a nuclear munition, but there are other ways to effectively deter, too, and that we should take advantage of those.

Mr. HINCHEY. Thank you very much.

Mr. MURTHA. Ms. Kilpatrick.

Ms. KILPATRICK. Thank you, Mr. Chairman, Mr. Secretary, and General. This has been very instructive here this last hour. I feel a lot better than I did when I came in here in terms of what you are now doing as well as how we got to this place.

Mr. Secretary, I understand you have been the Secretary since October?

Mr. DONLEY. I have.

Ms. KILPATRICK. You anticipate that you will keep that job, or is there any way to anticipate that?

Mr. DONLEY. I am awaiting the President's determination of what he plans to do in terms of Secretaries. Secretary Gates has

asked that all senior officials remain in place until their replacements are identified and in place.

Ms. KILPATRICK. Thank you. I commend you for your service.

General Schwartz, how long have you been Chief of Staff?

General SCHWARTZ. Since the 12th of August, ma'am.

Ms. KILPATRICK. And that would apply, Mr. Secretary, to your positions as well?

General SCHWARTZ. Yes, ma'am, the Chiefs of Staff service positions are statutory four-year tours. They obviously can be curtailed, as was the case, but that is typically a four-year tour, ma'am.

Ms. KILPATRICK. And I appreciate your service and your command of your responsibilities.

You were talking earlier about the three things that the Air Force has done to get ready and to move forward. You mentioned organizationally, unified sustainment, and I don't know if you got interrupted or I missed it, but what is the third leg of that?

General SCHWARTZ. This is the headquarters representation of having a champion who works for me and the Secretaries, not embedded; he has direct access, or she has direct access, in order to be the champion for the nuclear enterprise in our Air Force. It is not filtered, it is not submerged, it has direct access to us.

Ms. KILPATRICK. I served on the Air Force Academy Board some years since I have been here, and the most outstanding part of my tenure there was the young men and women you are training, visiting Colorado and the school, and spending some time there and watching them.

I mean, I feel better for our country because of the academies, first of all, and then the dedication that you all give the young men and women is something second to none.

General SCHWARTZ. I would just say that this problem that we had as an Air Force is not about the young Airmen. This, as the Secretary suggested, was—this was an institutional failure, and that is how we are approaching it.

Ms. KILPATRICK. Thank you.

And then lastly, for me, how do we fare in the world? I hate looking at the news anyway most of the time, but sometimes you have got to look at it. How do we fare, our nuclear capabilities, in terms of the world, our partners as well as our enemies, with what is going on? How do we fit?

General SCHWARTZ. Clearly we provide a deterrence capability for more than just America. It supports allies and other institutions, NATO, for example, and so on. We clearly are a leader in this area, and it is why, when we make mistakes like we have, that it harms the perception that others have of our professionalism and the viability of our deterrent. That is why this is so profoundly important. We will not goof it up again.

Ms. KILPATRICK. Can't, can't afford to, unless—and I think the Chairman and Mr. Rogers were talking about our—you know, you have got to ask for what you want. We are the Appropriations Committee. Sometimes you can't ask for it, and some of our colleagues think we spend too much in defense. But all of us, to a person, all 535 of us, wants to be equipped and trained and educated and all of that.

So I appreciate what you do, and I yield back, Mr. Chairman. Thank you.

Mr. MURTHA. I want to say I am impressed. You have all those people with you, and you didn't have to turn to them. I always measure the witnesses by how many times they have to have the backup people answer questions, so I am impressed by what you have said.

But Mr. Dicks has one additional question.

Mr. DICKS. Just so we don't get overly confident, data from the report shows that the Air Force failed on 5 of its 22 surety tests, inspections, in 2008. It was the fourth time since 1992 that at least five failing grades were issued, the report said. And the most recent surety inspection failure took place at the 90th Missile Wing at F.E. Warren Air Force Base in Wyoming from December 2 to December 17.

The base is in charge of 150 Minuteman III missiles that are on alert 24 hours a day. The Air Force official said the 90th was given failing grades by inspectors from Space Command and Defense Threat Reduction Agency for not properly documenting tests on missiles which require strict monitoring.

The two other nuclear surety inspections took place at the 341st Missile Wing at Malmstrom Air Force Base, Montana, from October 26 to November 10, 2008; and at the 91st Missile Wing at Minor Air Force Base. This was earlier in the year, before you all took over, from January 22 to January 2008. So here we have five failures this year.

So where was our brigadier general when all of this was happening?

General SCHWARTZ. Congressman Dicks, these are not Santa Claus inspections.

Here is the fundamental thing, we have deliberately, by design, increased the intensity, the depth, the invasiveness of our inspection process. The reason is, because what happened earlier occurred in part because our evaluation and inspection process did not alert commanders to problems, to symptoms that they might well have dealt with had they been aware.

So part of the challenge, part of the reason that we failed to perform was because our inspection processes were too superficial.

So do I apologize for having five failures when we are turning over every rock, when instead——

Mr. DICKS. But what about the people out there on the bases? I mean, this is December. Haven't they gotten the message they have got to do these things properly at this point; there is no room for an inadequate report or not reporting all the testing that has gone on? I mean, they should have the word by now.

General SCHWARTZ. No doubt about that. But we are not going to paper it over it they haven't performed.

The reality is that, for example, in the prior inspection regime, we used to sample paperwork. We don't do that anymore. We do a 100 percent look at the paperwork. And in the case of F.E. Warren we discovered that there were some discrepancies in the paperwork. That is a major finding, because in this business there is only one way to do it, Congressman, and that is the Air Force way.

Mr. MURTHA. Define "failure."

General SCHWARTZ. There was a major finding, and this is the situation on a nuclear surety situation.

Mr. MURTHA. But from a technical standpoint are we talking about a technical administrative mistake? What are we talking about?

General SCHWARTZ. These were, I would characterize, as administrative errors. It still results in a failure of the inspection. You know, this is a pass-fail scenario. If you have a major finding, you fail.

Mr. DICKS. Mr. Chairman, let me just give you what they say here. The Defense Threat Reduction Agency, you know, gave them—marked them down for not properly documenting tests on missiles which require strict monitoring.

General SCHWARTZ. Right. But what they——

Mr. DICKS. That goes to your whole point about the viability of these missiles.

General SCHWARTZ. Yes, and in the case of those particular missiles, it was not an issue of whether the maintenance had been performed; it had, and that was confirmed. This was a question of whether it was properly documented.

I am not saying that we should feel better about that because this is a system issue, but what I am trying to describe to you is that I personally am convinced that being invasive, that turning over every single rock, is the way to get us back up on step where you expect us to be.

Mr. DICKS. What about training? I am just going to ask him this question. Are we going out and are we training these people? I mean, when we are obviously seeing people fail time and time again, it looks to me as if there is inadequate training.

Can you tell us what you are doing? Do we have a day when training stops, and we have focused on training these Air Force people to do these jobs right?

General SCHWARTZ. We certainly have done that. We have had stand-downs. You know, the commands have been engaged on the missile and the bomber side and in the sustainment channel as well.

As the Secretary suggested earlier, this is not an instantaneous fix. This will take some time, and we need your patience. I am not suggesting——

Mr. DICKS. With nuclear weapons, I don't think we have a lot of time. I mean, in other words, you know, I think there ought to be a sense of urgency.

General SCHWARTZ. There is. If we haven't communicated that to you here today, Congressman, we flunked.

Mr. ROGERS. Will the gentleman yield on that point?

Mr. DICKS. I yield.

Mr. ROGERS. It was not just a simple administrative pencil error, apparently, because the Defense Department Task Force report issued in October warned that the Air Force was not doing its job of securing and maintaining nuclear missile forces. The report identified "a serious erosion of senior-level attention, focus, expertise, mission readiness, resources and discipline in the nuclear weapons mission."

General SCHWARTZ. Guilty as charged.

Mr. ROGERS. That is not a simple pencil error then. It is not an administrative overlook.

Mr. DONLEY. We are all about rebuilding that discipline of precision and reliability in the nuclear business. I hope we have conveyed that 110 percent this morning. It is not about Taiwan and Minot. Those are symptoms, symptoms of deeper institutional problems that will take time to address.

We are working the local issues, each one as they come up. The results of these inspections are reported to the Secretary of Defense. We evaluate on these inspections whether or not the officers or NCOs in charge need to be relieved, and there continues to be disciplinary action in these as they go along, depending on the situation. So we are deadly serious about how we are approaching this and tightening down.

Mr. DICKS. You know, Admiral Rickover used to come out to the Puget Sound Naval Shipyard in Bremerton, Washington, where we do overhauls on nuclear-powered ships and submarines. He would come out and meet with the people who were burning the nuclear part of the shipyard and to make certain and insist that they were doing things safely.

Now, they are not perfect. They have had their problems, too, over a long period of time, but the record of the nuclear Navy is pretty amazing considering everything. That is the level of attention that was given to the issue by the Navy, and I think that is a good example.

General SCHWARTZ. And still is, and it is the gold standard, and we are doing our best to replicate it.

Mr. MURTHA. Mr. Frelinghuysen, do you have any other questions?

Mr. FRELINGHUYSEN. No, I don't, Mr. Chairman.

Mr. MURTHA. The committee is adjourned until this afternoon—Mr. Visclosky.

Mr. VISCLOSKY. Just a couple of quick comments and one question on the B–61 again. One, I would agree with my colleagues' interchange earlier, which probably we are all wrong, but I would add nonkinetic, and I would add nonproliferation as far as the strategy.

The second thing is—and I know there was already a question asked about the possible transfer in jurisdiction of the NNSA, and I know that question has been asked—but I am opposed to losing that civilian control for the very reason the Secretary is sitting here.

Third, and I appreciate your seriousness about these issues and your urgency, and I do share that. What I am trying to imbue the Department of Energy with is that same sense of urgency, because 2 years ago, when we were talking about another system—and I don't want to beat a dead horse, we were talking about 2014—but the reorganization of the Department was going to be in 2030, which means it would never happen, and that is a DOE issue, not your issue.

The question I would just ask, very briefly, what is the role of the Stockpile Stewardship Program and the facilities involved in that as you do look at the modification for the B–61?

General SCHWARTZ. Sir, that is a major function within the Department. The Nuclear Weapons Council, which is cochaired both by the civilian leadership in OSD and the Vice Chairman of the Joint Chiefs, deals with that specific matter, the stockpile, its composition and its status.

I think, at least by my observation, that gets, you know, considerable attention. You are aware that the Vice Chairman is the former STRATCOM Commander, so he is clearly well-schooled in these areas.

Mr. VISCLOSKY. I appreciate what you do, too, and thank the Chair for its indulgence.

Mr. MURTHA. We are adjourned until 1:30.

[CLERK'S NOTE.—Questions submitted by Mr. Murtha and the answers thereto follow:]

NUCLEAR SECURITY INCIDENTS

Question. As a result of nuclear security incidents and the subsequent lack of responsiveness from the Air Force, the Secretary of Defense asked for the resignations from the Secretary of the Air Force, Mike Wynne, and the Air Force Chief of Staff, Michael Mosley. After taking their new positions, Secretary Donley and General Schwartz disciplined six general officers and nine colonels for their roles in various incidents.

Secretary Donley, given the nature and severity of the nuclear incidents over the past couple of years, are you satisfied with the accountability actions (concerning the disciplinary actions) taken within the Air Force?

Answer. Yes, we are satisfied with the actions taken and we will continue to hold leaders at all levels accountable. To successfully reinvigorate the nuclear enterprise, leaders at every level must accept responsibility and demand that subordinates, peers, and superiors strive for excellence and precision.

Question. Secretary Donley, what changes has the Air Force made to inventory control of nuclear components following the Taiwan incident?

Answer. The nuclear components involved in the Taiwan incident belong to a class of materiel called nuclear weapons-related materiel or NWRM. Following the Taiwan incident, the Air Force took immediate action to gain positive inventory control of its NWRM, including emphasizing and clarifying existing policy and procedures; conducting a worldwide inventory of all nuclear weapons, nuclear components, and nuclear weapons related materiel and increasing the awareness and training of NWRM special handling procedures. The Air Force is now transferring all NWRM from the Defense Logistics Agency to Air Force controlled facilities. As part of that process, we are capturing the serial numbers of all NWRM assets, marking the assets with a corresponding tag or bar code and updating our legacy information technology inventory systems to automatically track the assets by serial number throughout the supply chain. Twice a year, the Air Force will conduct a world-wide inventory of NWRM to confirm the condition and location of the assets. We are also updating and consolidating our nuclear logistics policy, developing an assessment program to verify compliance with logistics policy and procedures and increasing the expertise of our personnel in the nuclear logistics enterprise.

Question. General Schwartz, what changes has the Air Force made to the handling and transporting of nuclear weapons following the Minot incident?

Answer. Within 60 days of the incident, the Air Force and Air Combat Command developed a formal process for coordinating, publishing and changing maintenance schedules. Additionally, Air Combat Command updated weapons loading technical orders and checklists mandating payload verification, and we published a revision to Air Force nuclear weapons maintenance procedures. This revision mandated specific procedures to record, coordinate, track and brief deviations to approved maintenance schedules. It further mandated maintenance teams validate contents of each storage structure with munitions control. This guidance prohibits co-mingling of nuclear and non-nuclear munitions within same storage structure, cell or weapons storage vault and we have mandated procedures to stanchion/cone, rope and placard all non-operational weapons and non-nuclear munitions. Formal custody transfer (signature) process for intra-area, logistics and operational weapons movements has been implemented as well.

Question. General Schwartz, how is the Air Force re-instilling the confidence of the American people that their nuclear arsenal is in safe hands?

Answer. The Air Force has taken several significant steps to reinvigorate the Air Force nuclear enterprise as we move forward towards fully regaining the confidence of the American people in our ability to safeguard our nuclear arsenal. We are creating a new major command, Air Force Global Strike Command, which will place all nuclear capable bombers and ICBMs under a single command. We are also consolidating all weapons sustainment functions under the Air Force Nuclear Weapons Center. Finally, we established the Assistant Chief of Staff for Strategic Deterrence and Nuclear Integration Directorate (AF/A10). This change provides a single directorate that is focused day-to-day on the nuclear mission and is responsible for the integration of all nuclear related policy and issues across the Air Staff and major commands. All three efforts increase the level of advocacy and repair the fragmented lines of authority within the Air Force nuclear enterprise. In addition, a comprehensive Air Force nuclear enterprise roadmap has been developed that contains detailed action plans which will restore the Air Force's world-class nuclear culture. This roadmap provides the framework to maintain an effective, credible nuclear force by strengthening our nuclear-related policies, inspections and training. The roadmap also lays out the framework for increased rigor and standardization within our nuclear inspection process and will lead to increased precision and reliability throughout the nuclear enterprise. Further, the roadmap provides a direct reporting link of nuclear enterprise-level performance metrics that are reported to the Secretary of the Air Force and me as co-chair of the Nuclear Oversight Board: this board is comprised of the top general officers in the Air Force nuclear enterprise and will ensure sustained institutional focus for this critical mission area.

TRAINING OUR NUCLEAR FORCES

Question. Secretary Donley, the Department of the Air Force is responsible by statute to train our nuclear forces to ensure effective nuclear deterrence and flawless nuclear security. The Air Force Blue Ribbon Review of Nuclear Weapons Policies and Procedures Report, issued in February 2008, observed the base of USAF personnel with nuclear experience is diminishing, nuclear units are finding it difficult to attract and train personnel with nuclear experience, and there is no standardized system to track personnel with nuclear experience, with the exception of the space and missile operations field. Further, the team observed that the Air Force needs a surety program that develops and supports a less experienced nuclear force and makes the nuclear business the core business of those engaged in it.

In your view, what caused the reduction in the number of Air Force personnel with nuclear experience?

Answer. The end of the Cold War necessitated changes in our National Security Strategy which drove a restructuring of Air Force priorities. Precision weapons became the weapons of choice both militarily and politically. Efforts to minimize collateral damage began to shift the focus of air power. With the changes in priorities, resources diminished, the nuclear weapon inventory downsized, and engagements in conventional conflicts increased. The Air Force reorganization of 1992 and subsequent BRAC closures resulted in a fragmented nuclear sustainment system, atrophy in the pool of nuclear experienced Airmen, and an erosion in nuclear expertise as less time and personnel were allocated to maintain nuclear systems proficiency. The Global War on Terror and Operations ENDURING FREEDOM and IRAQI FREEDOM further shifted focus and institutional priorities away from the nuclear mission.

In his report on Department of Defense Nuclear Management, Dr. Schlesinger noted the post-Cold War environment, the implementation of arms control treaties, attenuation of the nuclear alert posture, and the priority assigned to the conventional and space missions led the Air Force to give markedly less attention and fewer resources to the nuclear enterprise. The result was five broad, accelerating trends: 1. Nuclear missions became embedded in organizations whose primary focus is not nuclear; 2. Overwhelming emphasis was given to conventional operations; 3. The grade levels of personnel in line and staff appointments whose daily business involved nuclear weapons were lowered; 4. The nuclear mission and those who performed it were generally devalued; and 5. There was no single command to advocate for the resources required to support nuclear capabilities. Collectively this meant that no one command in the Air Force had "ownership" of the nuclear mission. These trends led to the state of the Air Force that you described in your question.

Question. What action will you take to (1) identify the number of personnel needed in the nuclear career field and (2) attract and retain personnel with nuclear experience?

Answer. The Air Force has reviewed its nuclear personnel requirements and added nuclear enterprise positions to its overall endstrength. The Air Force has established a key nuclear billet list which articulates the key positions in the nuclear enterprise and the experience requirements needed to fill these positions.

The Air Force has strategic force management practices to ensure the health of all Air Force career fields. The force management practices rely on a sustainment methodology which ensures we annually assess enough personnel into each career field to meet their requirements and to account for the retention of each career field.

Additionally, the Air Force recently chartered the Nuclear Enterprise Advisory Panel. This panel is focused on providing oversight of the management and development of our officer, enlisted, and civilian nuclear work force and will regularly review the health of the career fields that support the nuclear enterprise.

At this time, we do not envision a bonus program to target the accession or retention of strictly nuclear specialties but continually evaluate bonus needs. The Air Force currently pays special and incentive pays to some career fields in the nuclear enterprise as a part of a larger force management practice not related to nuclear issues. Aviator continuation incentive pay is paid to bomber pilots and combat systems operators as part of an aviation incentive program. Selected reenlistment bonuses are provided to enlisted career fields to encourage retention. Enlisted career fields supporting the nuclear enterprise are eligible for these bonuses as part of a larger force management strategy. We continue to advocate for the special and incentive pay programs currently in place and will make on-going modifications to meet the Air Force's strategic force management objectives.

Question. How long will it take to attract and retain a sufficient number of personnel in the nuclear field?

Answer. The Air Force has reviewed its nuclear personnel requirements and added nuclear enterprise positions to its overall endstrength. The Air Force has just started evaluating the time needed to retain a sufficient number of personnel and the force management impacts of these additions. For now, the only career field supporting the nuclear enterprise which is projected to have shortages are bomber pilots and combat systems operators.

Question. What will it cost to implement programs to attract and retain needed personnel? Where will the resources come from to cover those costs?

Answer. At this time, we do not envision a bonus program to target the accession or retention of strictly nuclear specialties but continually evaluate bonus needs. The Air Force currently pays special and incentive pays to some career fields in the nuclear enterprise as a part of a larger force management practice not related to nuclear issues. Aviator continuation incentive pay is paid to bomber pilots and combat systems operators as part of an aviation incentive program. Selected reenlistment bonuses are provided to enlisted career fields to encourage retention. Enlisted career fields supporting the nuclear enterprise are eligible for these bonuses as part of a larger force management strategy. We continue to advocate for the special and incentive pay programs currently in place and will make on-going modifications to meet the Air Force's strategic force management objectives.

RELIABLE REPLACEMENT WARHEAD

Question. The Reliable Replacement Warhead was originally envisioned to ensure the aging nuclear stockpile could meet its long term mission by improving the long term reliability, longevity, and certification of the existing weapons and associated components. However, the design effort led by Department of Energy has seemingly led to the development of a whole new program. Last year the Committee markup removed all funding for the Reliable Replacement Warhead program which was consistent with the Energy and Water Subcommittee markup which removed all Reliable Replacement Warhead funding from the Department of Energy for weapons development.

General Schwartz, in light of the fact that there was no funding appropriated to the Department for the Reliable Replacement Warhead, is it the Department's intent to support further development of a new nuclear weapon?

Answer. Capabilities of the existing weapons stockpile meet the nuclear deterrence requirements of the nuclear combatant commanders. The Air Force requires refurbished or replacement weapons to maintain existing stockpile capabilities and to enhance weapon safety and security.

Question. General Schwartz, has the Department of Defense defined its nuclear stockpile needs?

Answer. The Department of Defense defines nuclear weapons stockpile requirements annually in the Nuclear Weapons Stockpile Memorandum to the President. The plan for Fiscal Year 2009 was delivered to the President on October 16, 2008

and approved on January 16, 2009. These requirements will be reviewed in detail this year during the Nuclear Posture Review that will begin shortly.

Question. General Schwartz, will the fiscal year 2010 budget submission include any legislative proposals that would authorize development of a new nuclear weapon?

Answer. The Fiscal Year 2010 budget submission is still in formulation at this time, but we do not anticipate the submission will include any legislative proposals that would authorize development of a new nuclear weapon.

Question. General Schwartz, has the Department of Defense begun working with the Department of Energy to develop a nuclear weapons strategy for the 21st century as directed by the Appropriations Committee in the prior year's legislation?

Answer. The Department of Defense and the Department of Energy issued a joint white paper on nuclear strategy in 2008. The two departments are conducting joint studies and analyses under the auspices of the Nuclear Weapons Council that will support the Nuclear Posture Review to begin shortly.

NUCLEAR CAPABLE AIRCRAFT

Question. The current Air Force inventory for nuclear aircraft includes bombers and dual-capable fighters. Each of these platforms that are capable of delivering nuclear weapons is aging and recapitalization plans are unclear. As an example, the average age of the B–52 is over 46 years old.

What are the Air Force's future plans with regard to these aircraft?

- Nuclear capable bombers (B–52, B–2)?
- Dual-capable aircraft (F–16, F–15E)?
- Dr. Schlesinger's report emphasized the NATO alliance dependency on extended deterrence as provided by European and U.S. dual-capable aircraft. Does the Air Force intend to make the Joint Strike Fighter nuclear capable?

Answer. The Air Force is following the 2006 Quadrennial Defense Review plan to update the nuclear capable bomber fleet in three phases. Phase one will modernize the current bomber fleet of B–2s and B–52s to improve sustainability and maintain combat relevance. The second phase will field the Next Generation Bomber which will complement a modernized legacy bomber force. The third phase will evaluate cutting edge technologies for follow-on systems in the 2030 plus timeframe.

The dual-capable F–16 and F–15E aircraft will remain mission capable beyond 2020 and will be gradually replaced by the nuclear capable Joint Strike Fighter. We plan to fund the Joint Strike Fighter Dual-Capable Aircraft modification in the Fiscal Year 2012 Program Objective Memorandum.

NEXT GENERATION BOMBER

Question. Mr. Secretary, you are investing a significant amount of time, attention and money in a next generation bomber program to recapitalize the Air Force's aging fleet of bombers, yet the Secretary of Defense has noted the defense budget may not be able to sustain all efforts.

In light of Secretary Gates' recent comments to the Senate Armed Services Committee in January, what is your recapitalization strategy for the next generation of bombers?

Answer. The Air Force is continuing to pursue its three phased strategy for maintaining the Long Range Strike (LRS) capabilities needed to support the national defense strategy and combatant commanders' operational plans. Phase one will modernize the current bomber fleet to improve sustainability and maintain combat relevance. The second phase will field the Next Generation Bomber which will complement a modernized legacy bomber force. The third phase will evaluate cutting edge technologies for LRS inclusion in the 2035 plus timeframe. However, as Secretary Gates has stated, the Department of Defense will complete the Quadrennial Defense Review (QDR) over the next few months with the purpose of identifying Department of Defense and Service actions necessary to field the capabilities and force required to realize our national security goals and objectives. The Air Force's LRS recapitalization strategy, which will sustain and modernize the bomber force, will be one of the many areas reviewed during the QDR process.

Question. If not the Next Generation Bomber, how with the Air Force sustain our bomber fleet in the future?

Answer. There are three phases to the Air Force's Long Range Strike (LRS) strategy. Phase one will modernize the current bomber fleet to improve sustainability and maintain combat relevance. The second phase will field the Next Generation Bomber which will complement a modernized legacy bomber force. The third phase will evaluate cutting edge technologies for LRS inclusion in the 2035 timeframe. Under Phase 1 of LRS, the Air Force is investing over five billion dollars in current

bomber modifications over the Future Years Defense Program, focusing on requirements needed to sustain and maintain an operationally relevant force structure. Sustainment programs focus on systems like avionics and radars to mitigate safety-of-flight issues. Current modernization programs include advanced weapon and targeting pod integration to improve lethality; satellite communications and data links to increase responsiveness; and, defensive systems and stealth materials to enhance survivability.

RESOURCES TO REINVIGORATE THE AIR FORCE NUCLEAR ENTERPRISE

Question. Under the leadership and culture recommendations of his report, specifically recommendation number seven, Dr. Schlesinger proposed that the Secretary of the Air Force should provide the resources necessary for the initiatives required to upgrade and revitalize the nuclear mission.

Mr. Secretary, Dr. Schlesinger's panel asserted the Air Force underinvested in the nuclear mission. Do you agree? If so, what steps have you taken to change these conditions?

Answer. Yes. Over the past two decades, an increased focus on conventional operations due to continual air combat operations put the nuclear mission at a competitive disadvantage with other Air Force priorities, resulting in underinvestment in the nuclear deterrence mission. We are continuing to review nuclear enterprise requirements and match them against combatant commander requirements and recommendations made in the various reports, including Dr. Schlesinger's.

Question. Mr. Secretary, how do you define the Air Force's budget for the nuclear enterprise? How has it changed since these incidents? Do you feel training is adequately resourced to provide a force capable of following through on the action items of your nuclear enterprise roadmap?

Answer. For our Fiscal Year 2010 President's Budget preparation, the Air Force looked at all aspects of the nuclear enterprise. Funding for the Air Force's nuclear enterprise is defined as the Research, Development, Testing, and Evaluation (RDT&E); Procurement; Personnel; and Operations & Maintenance (O&M) funding that covers all aspects regarding the development, operations, supporting infrastructure, and sustainment of nuclear forces. This includes activities from Science and Technology (S&T)—through development, fielding, and operations—to retirement; for the equipment and personnel supporting Intercontinental Ballistic Missiles (ICBMs), nuclear capable bombers (B–52s and B–2s), and the Dual Capable Aircraft (DCA) fighters that are in U.S. Air Forces in Europe (USAFE). The Air Force Nuclear Enterprise Roadmap recommendations and action plans were used as a guide to focus resources on those areas needing the most attention.

To define the nuclear enterprise budget, the Air Force evaluated requirements for our nuclear capable bomber force (B–52 and B–2); Minuteman III ICBM (including sustainment activities); nuclear security for continental U.S. bases and European locations; and electromagnetic pulse hardening requirements at certain Ballistic Missile Early Warning System sites. The Air Force also reviewed numerous smaller requirements to address recommendations and issues. All have been thoroughly reviewed for inclusion in the Fiscal Year 2010 Air Force Budget request. The Air Force believes this represents a critical step toward reinvigorating the Air Force Nuclear Enterprise.

In addition, the Air Force requested nearly $170 million in Fiscal Year 2009 research, development, test and evaluation, and procurement funds be reprogrammed through Congressional action and we reallocated resources to execute over $144 million in Fiscal Year 2009 operations and maintenance funds to address immediate needs.

Training has been adequately resourced to address the Nuclear Roadmap action items and recommendations. During requirements validation, we included funding for any recommended additional and/or complementary training. For example, in Fiscal Year 2009, included within the $144 million of reprogrammed operations and maintenance funds, $12 million will provide realistic weapons trainers for our munitions Airmen, cruise missile trainers for increased technical training, and tools for providing realistic training on tracking and inventory systems. Of the $12 million, nearly $5 million will be dedicated to help further nuclear career path development, develop refresher courses and curriculum for nuclear specific and related career fields.

Question. General Schwartz, in your internal Blue Ribbon Review completed in February 2008, your team identified $100 million in unfunded requirements. Do you feel this list of unfunded requirements in all-inclusive? If not, what requirements are the most urgently needed?

Answer. Reinvigorating the nuclear enterprise is the Air Force's number one priority and we will ensure the proper resources are provided to upgrade and revitalize the nuclear mission. We have carefully examined all Blue Ribbon Review recommendations as well as those of the Schlesinger Panel Review for funding requirements. These are all being considered for funding in the Fiscal Year 2010 President's Budget submission.

We are confident the most pressing nuclear enterprise needs are addressed. These include: Requested reprogramming authority for $39.7 million in Research & Development funds to establish positive inventory control of our Nuclear Weapons Related Material and committed an additional $500 million in Fiscal Year 2008–2009 for security, training, sustainment and logistics requirements. In addition, the Air Force is recommending even greater increases in the out-years which will be identified in the Fiscal Year 2010 President's Budget submission.

SUSTAINING THE NUCLEAR STOCKPILE

Question. According to the Office of the Assistant to the Secretary of Defense for Nuclear Matters' website, the U.S. produced its last nuclear weapon in 1991 and performed its last Underground Nuclear Test in 1992. The Presidential decision to stop testing and to terminate weapons production resulted in a paradigm shift that required significant adjustments in the U.S. approach to nuclear weapons stockpile management.

Secretary Donley, with the U.S. producing its last nuclear weapon in 1991, what is your assessment of the nuclear industrial base?

Answer. In regards to the weapon industrial base, the Air Force looks to Department of Energy (DOE) as the lead agency. The National Nuclear Security Administration under DOE is focused on research, development efforts and long-term viability, while seeking to identify, develop, and deliver new or enhanced processes, and technologies.

Air Force industrial base concerns are focused on delivery platforms. Specifically, the Air Force supports the industrial base activities to sustain Minuteman III while developing next-generation strategic missile technologies to address future requirements.

STRATEGIC DETERRENCE

Question. The latest National Security Strategy (2006) indicated, "Safe, credible, and reliable nuclear forces continue to play a critical role. We are strengthening deterrence by developing a New Triad composed of offensive strike systems (both nuclear and improved conventional capabilities); active and passive defenses, including missile defenses; and a responsive infrastructure, all bound together by enhanced command and control, planning and intelligence systems. These capabilities will better deter some of the new threats we face, while also bolstering our security commitments to allies. Such security commitments have played a crucial role in convincing some countries to forgo their own nuclear weapons programs, thereby aiding our nonproliferation objectives."

Secretary Donley, Please describe the strategic deterrence provided by ICBMs, Nuclear-capable bombers, and dual-capable aircraft?

Answer. Our nuclear-capable ICBMs and aircraft (B–2s, B–52s, F–15Es and F–16s), provide unique, yet complimentary, capabilities to our nuclear deterrence mission.

Operationally deployed Continental United States (CONUS) based ICBMs provide the President with a highly accurate, reliable, and ready response capability with near-global range. The offensive and defensive deterrence value of the ICBM force located in hardened facilities spread over thousands of miles is a stabilizing force. Our fielded ICBM forces are survivable in almost any attack scenario we can postulate. It would take a large scale attack of unmistakable intent and origin to defeat them. Operationally deployed ICBMs, while responsive, are under positive control and can only be employed with approval of the President.

Nuclear-capable CONUS-based bombers and Overseas CONUS-based fighters provide visible deterrence and escalation control. This flexible capability is deployable and recallable, and maintains a human in the loop until the last possible moment. Furthermore, our nuclear-capable fighters serve a vital role in our extended deterrence commitment to our NATO partners.

Question. General Schwartz, do you believe the U.S. nuclear arsenal enhances our nonproliferation efforts?

Answer. A safe, secure and reliable nuclear arsenal is critical to providing a credible nuclear deterrence. This credible nuclear deterrence is not only critical to our security, but to the security of our allies and partners, thereby enhancing our non-

proliferation efforts. If our extended deterrence capability begins to falter, some non-nuclear allies may perceive a need to develop their own nuclear capability.

Question. General Schwartz, is "hair trigger alert" an accurate way to depict our ICBM nuclear forces?

Answer. No. "Hair trigger alert" is not an accurate way to depict our ICBM nuclear forces. A better way to depict the force is utilizing a term that General Chilton stated during a February 27, 2009 media engagement and that is that our ICBM force is analogous to a "weapon in a holster with two combination locks on it, requiring two people to open the locks. They can't do it without authenticated orders from the President of the United States." All U.S. nuclear forces maintain rigorous discipline and operate under very strict and demanding nuclear surety and command and control principles to insure that all weapons remain safe, secure and reliable. In addition, ICBMs provide stability in crisis by presenting any adversary a complex targeting solution while providing the President survivable and flexible response options. It is through this confidence that we plan and posture ICBM forces that provide the President with the maximum decision time and flexibility.

WC–135 AIRCRAFT

Question. The number of unstable countries with nuclear weapons capabilities is likely to grow in the coming years, specifically when considering what is happening in Iran, Pakistan, India, and North Korea. The U.S. Air Force has two WC–135 aircraft that are used to perform atmospheric sampling to collect vital intelligence following a nuclear detonation. Approaching fifty years of age, these two WC–135s are the oldest –135 airframes currently operated by the Air Force. The age of these aircraft has a tremendous impact on their ability to deploy quickly to hot-spots around the world. I understand that the Air Force is considering spending tens of millions of dollars to re-engine these nearly 50-year-old airplanes.

Have you looked at the possibility of utilizing a new aircraft like the C–40A for the mission?

Answer. Yes. In 2006 the Air Force initiated a Deputy Under Secretary of Defense (Intelligence) funded study to analyze alternatives to the WC–135. The study completed a functional area analysis, functional needs analysis and functional solutions analysis. The C–40 was one of the options. However, from January 2008 to January 2009 the WC–135 enjoyed a mission capable rate of 76.2 percent which includes all maintenance and operations reporting, and we applied resources to more pressing Air Force needs. Importantly, the aircraft has flown every collection mission tasked. In 2009, Congress approved a funding request for WC–135 cockpit upgrades. These upgrades will allow the aircraft to continue to accomplish its mission viably beyond the 2025 timeframe.

Question. The Air Force currently operated a fleet of 737s under the C–40 designation, and could realize two major benefits of going to the 737—greatly increased reliability (and therefore greater ability to deploy where necessary) and greatly reduced maintenance and operation costs. Would it not make more sense to take the current sensing equipment and install it on new C–40 airframes as opposed to continuing to maintain and operate 50-year-old airframes that are not adequately accomplishing their mission?

Answer. Although the WC–135 is one of our older aircraft, the Air Force is mitigating risk with cockpit upgrades, keeping the platform viable beyond 2025. In addition, the WC–135 has accomplished all collection missions tasked and has an overall mission capable rate of 76.2 percent over the last year.

Question. Given our current expanding nuclear threat (Iran, North Korea, unstable Pakistan), our nuclear sampling capability appears to be more critical than ever, yet it remains on nearly 50-year-old airframes. I understand that the current planes used for this mission have extremely poor mission readiness and propulsion issues. What is the Air Force's plan to ensure we have the capability to gather this critical intelligence in the future?

Answer. The Air Force has looked at options to replace or upgrade the WC–135, however, from January 2008 to January 2009, the WC–135 enjoyed a mission capable rate of 76.2 percent which includes maintenance and operations reporting. Additionally, the aircraft has flown every collection mission tasked.

In 2006, we conducted a functional area analysis, functional needs analysis and functional solutions analysis which also explored the option of WC–135 cockpit avionics upgrades. Given its mission capable rate (76.2 percent) and the fact that it has met every collection mission tasking, the cockpit upgrades were chosen as the best solution. In 2009, Congress approved an Air Force/Deputy Undersecretary for Defense (Intelligence) funding request for WC–135 cockpit avionics upgrade. These upgrades permit the aircraft to use faster and more economical flight paths appro-

priate for rapid deployment worldwide, satisfying the air sampling mission. When coupled with continued support for the jet engines and other maintenance, these upgrades should allow for WC–135 operation beyond 2025.

At this time the Air Force does not seek to replace the WC–135 as regards its current missions but does anticipate potential requirements increase associated with national technical nuclear forensics. When the national technical nuclear forensics requirements now in development become available, Air Force will examine the need for possible adjustments of the air sampling platforms.

Question. We understand that the State Department has stated that this is a high priority mission for treaty verification and compliance. Does the Air Force share this view?

Answer. The Air Force views this mission as a high priority and will continue executing this mission as tasked by our national authorities.

[CLERK'S NOTE.—End of questions submitted by Mr. Murtha.]

WEDNESDAY, FEBRUARY 11, 2009.

CONTRACT SERVICES AND ACQUISITION MANAGEMENT

WITNESSES

GENE L. DODARO, ACTING COMPTROLLER GENERAL OF THE UNITED STATES

KATHERINE V. SCHINASI, MANAGING DIRECTOR, ACQUISITION AND SOURCING MANAGEMENT

MICHAEL SULLIVAN, DIRECTOR, ACQUISITION AND SOURCING MANAGEMENT

CAROLE COFFEY, ASSISTANT DIRECTOR, DEFENSE CAPABILITIES AND MANAGEMENT TEAM

INTRODUCTION

Mr. MURTHA. Welcome, Mr. Dodaro.

When Mr. Walker came before the Committee, I said to him, when I was in Iraq, these contractors were falling all over themselves. How many contractors do we have? He could not answer that question. He did not know, he says, and I cannot get the answer. I need you to help me get the answer.

Well, it turns out, Ann reminds me that we put fencing language in and said, until you tell us how many contractors you have, you are not going to get any money. So we got the information. But when I look at the numbers, that we have 267,000 DOD contractors in CENTCOM; we have we think 190,000 in Iraq; and the figures we have, the determination we have is if we save—or if we hire them in-house, we save $44,000 per person.

Now, last year, the Committee cut 5 percent out of the contracting, $4.5 billion. We added a billion dollars so that they could hire people. Because they would veto the bill, we had to drop those provisions. And we were not able to implement that cut. We did put a $650 million cut in the budget. But when I look at the number of contractors and the cost overruns that we have had over and over and over again, I think we have to do something about contracting out. And I would ask you to look at a couple things. One is to describe what a contractor is, describe what their mission is, and so forth. Give us as much information as you can. And then make recommendations to us how we can get this under control. I think fencing the money may be the only way. But certainly we have got to do something about it. If it costs $44,000 per contractor more than it costs for a person in-house, then it seems to me the direction to go is to get rid of as many contractors as we can and hire as many people as we can in-house. But I know the trend has been going the other way. But this is just atrocious in my estimation, and we need help trying to get it under control.

Mr. Frelinghuysen.

REMARKS OF MR. FRELINGHUYSEN

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman. I am substituting for Congressman Bill Young, who sends his best and may be with us a little later in the afternoon.

I certainly would like to welcome you and the team behind you here this afternoon for what is the first in a series of three contracting hearings this year. I only point this out to illustrate how important this issue is, as the Chairman said, this issue is to all of us.

For years the contracting acquisition workforce was taken for granted. They were on the receiving end of numerous downsizing and outsourcing actions that left them barely capable of handling today's global challenges. The acquisition workforce now is a fraction of what it once was, yet their responsibilities have grown exponentially.

It appears now, however, that we have arrived full circle and must deal with the ramifications of this neglected workforce. The Department has started to address this, but much work remains to be done. In those regards, your testimony today is very important.

I welcome you and look forward to your comments.

You know that Mr. Walker has gone onto greener pastures, I might say much greener pastures, and you are left to, shall we say, provide the Committee with the information that we tried to secure during his period directing the GAO. So we look forward to your testimony.

Mr. MURTHA. Look forward to your recommendations.

Mr. Dodaro.

SUMMARY STATEMENT OF MR. DODARO

Mr. DODARO. Thank you very much, Mr. Chairman, Congressman Frelinghuysen.

I appreciate the opportunity to be here today to discuss GAO's work as it relates to contracting at the Department of Defense as it relates to weapons systems acquisition and service contracting as well. We have had a number of concerns and pointed out a number of challenges in both of these areas.

First, in the acquisition of weapons systems, as you pointed out, Mr. Chairman, there has been considerable cost growth in this area. When we last did a comprehensive assessment of 95 weapons systems that were in the DOD portfolio in 2007, we noted that there had been cost growth from the initial estimates of close to $300 billion. In 44 percent of those 95 programs, the cost growth had been over 25 percent from the initial estimates. In addition to that, the average schedule delay for bringing new weapons systems on line had been up to 21 months, which was up 5 months over 16 months previously in 2000 before that. So the cost growth is going up, the schedule delays are there as well. And this has been a problem.

We pointed out it is a problem at two levels. First is a strategic level, which is where the Department is not making clear priority choices across the Department on which weapons systems to deploy. Still largely a process driven by the services, and that needs to change going forward if you are going to get that part of it under

control. Then, at the individual program level, we have noted that there is not always a good business case for moving forward with the weapons systems, from research and development into deployment. That technologies are not always matured before they move forward with decisions. And best practices are not employed. And we think there needs to be more discipline at that process as well. And we made recommendations on both of these fronts to the Department.

Now, we were pleased in December 2008; DOD adopted some changes in their guidance in these areas and put in place some best practices, which we encouraged. I have also been encouraged by the Secretary's recognition recently that this is a big institutional challenge for them in terms of their acquisition of weapons systems. But, ultimately, the policies are not enough if they are not implemented very effectively. And that is one area where we have consistently seen DOD have some difficulties. So implementation of these new policies is really paramount to bringing about change to bring costs down and bring systems in on time.

Now, on the service contracting area, you have additional concerns there. The amount of money for contracting, as you point out, has doubled in real terms over the last 6 years to $200 billion a year just in service contracting alone. We have pointed out that the Department has used some risky contracting vehicles, time and materials contracts, undefinitized contracts, and they have not managed those very effectively.

Also there has not been enough training provided to contracting personnel throughout the acquisition workforce. And they really do not have enough people to be able to adequately oversee the contractors. While the size of the contracting budget has doubled during the last 6 years, the acquisition workforce, contracting workforce rather, has only increased by 1 percent. So there really has to be better management and control——

Mr. MURTHA. Say that again.

Mr. DODARO. It is in our statement, Mr. Chairman.

The contracting budget has doubled over the last 6 years, I believe. But the acquisition or do the contracting workforce, the acquisition workforce has only grown by 1 percent during that period of time.

Mr. MURTHA. Do you define that contracting workforce as contractors or you define it as people working for the Defense Department as government employees? Which one?

Mr. DODARO. The latter. These are people that are working for the Department and are responsible for overseeing the contractors. You know, basically what I am saying is they are using more contractors, money is going up, but the amount of DOD people managing the contractors has stayed roughly about the same.

Mr. DICKS. Mr. Chairman, would you yield just on this point for a second? What about—I mean, there was a period where we cut back the acquisition force. Is not that correct?

Mr. DODARO. That is correct. That was during the 1990s, following the Cold War, end of the Cold War.

Mr. DICKS. I remember hearing a former chairman of the Armed Services Committee saying these are shoppers; they are not impor-

tant. He demeaned and cut the budget for them. Now how much was it cut?

Mr. DODARO. Let me just——

Mr. DICKS. From say the middle of the 1990s forward.

Mr. DODARO. I can provide that.

Mr. DICKS. Any idea?

Mr. DODARO. How much was the acquisition workforce cut during the 1990s? My staff tells me it was about in half during that period of time.

Mr. DICKS. So it has been cut by 50 percent. Now we wonder why we have a problem.

Mr. DODARO. Right.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. DODARO. This is a key point that you are bringing out. We bring it out in our report as well. And it is really very important because regardless of how much you reduce the numbers of contractors, you are still going to be relying on them to some level. But the real key is to make sure you effectively manage the contractors so we bring things in on time, within cost, and we have the right outcome as it is received.

Now with regard to our recommendations on the service contracting, DOD put some additional controls in place to provide some additional training and established a focal point. So they have reacted to some of our recommendations and put in place some recent changes. But, again here, implementation of the new policies is going to be very important.

Now, one of our main recommendations here, and just sort of in closing, and I am happy to answer any questions you have, there are really three things that we are recommending at this point, particularly in light of DOD's recent adoption of our recommendations: Number one, DOD has to translate these new policies into practice. Implementation is paramount. Number two is that there has to be follow-through to make sure that the new policies are implemented and people are held accountable in the Department for implementing these new policies and really making sure that they happen. Then three, and this goes to the heart of your opening statement, Mr. Chairman, we have recommended that the Department do a comprehensive assessment as to what should be done by contractors and what should be done by employees. This is really a strategic decision that needs to be made by the Department. What we have pointed out, and they have recognized, is that we are where we are right now at the Department of Defense because of the collection of thousands of individual decisions that have been made to contract out, but it has not occurred within a framework of a strategic vision on where to take the Department over time and then how to build in the necessary controls and the skills to oversee that contractor workforce. And we think that is a very important recommendation. I think it goes to the heart of your concerns that whatever is done in terms of the balance between the Federal employees and the contractors produces good results. And right now, the current process does not do that.

[The statement of Mr. Dodaro follows:]

United States Government Accountability Office

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Testimony

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DEFENSE MANAGEMENT

Actions Needed to Overcome Long-standing Challenges with Weapon Systems Acquisition and Service Contract Management

Statement of Gene L. Dodaro
Acting Comptroller General of the United States

GAO-09-362T

February 11, 2009

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Highlights

Highlights of GAO-09-362T, a testimony before the Subcommittee on Defense, Committee on Appropriations, House of Representatives

DEFENSE MANAGEMENT

Actions Needed to Overcome Long-standing Challenges with Weapon Systems Acquisition and Service Contract Management

Why GAO Did This Study

Today's testimony addresses the challenges DOD faces to improve the efficiency and effectiveness of its weapon systems acquisition and contract management. GAO has designated both areas as high risk areas since the early 1990s. DOD's major weapon systems programs continue to take longer to develop, cost more, and deliver fewer quantities and capabilities than originally planned. DOD also continues to face long-standing challenges managing service contracts and contractors. For example, the oversight of service contracts has been recognized as a material weakness in the Army. The current fiscal environment combined with the current operational demands elevates the need to improve weapon systems acquisition and contract management.

DOD has taken steps in response to recommendations GAO has made over the past decade. Taken collectively, these actions reflect the commitment of DOD senior leadership. However, to fully address these challenges the department needs to (1) translate policy into practice, (2) ensure steps undertaken result in intended outcomes, and (3) conduct a fundamental reexamination of its reliance on contractors.

In preparing this testimony, GAO drew from issued reports, containing statements of scope and methodology used, and testimonies.

To view the full product, including the scope and methodology, click on GAO-09-362T. For more information, contact Janet St. Laurent at (202) 512-4402 or stlaurentj@gao.gov or Katherine V Schinasi at (202) 512-4841 or schinasik@gao.gov.

What GAO Found

Several underlying systemic problems at the strategic level and at the program level continue to contribute to poor weapon systems acquisition. The total acquisition cost of DOD's 2007 portfolio of major programs has grown by 26 percent over initial estimates. At the strategic level, DOD does not prioritize weapon system investments, and its processes for matching warfighter needs with resources are fragmented and broken. DOD largely continues to define warfighting needs and make investment decisions on a service-by-service basis and assesses these requirements and their funding implications under separate decision-making processes. Invariably, DOD and the Congress end up continually shifting funds to and from programs—undermining well-performing programs to pay for poorly performing ones. At the program level, weapon system programs are initiated without sufficient knowledge about requirements, technology, and design maturity. Instead, managers rely on assumptions that are consistently too optimistic, exposing programs to significant and unnecessary risks and ultimately cost growth and schedule delays. In December 2008, DOD revised its guidance to improve its acquisition of major weapon systems, consistent with recommendations GAO has made. We have, however previously raised concerns with DOD's implementation of guidance on weapon systems acquisition.

In fiscal year 2008, DOD obligated about $200 billion for contractor-provided services, more than doubling the amount it spent a decade ago when measured in real terms. GAO's previous work has highlighted several examples of the risks inherent in using contractors, including ethics concerns, diminished institutional capacity, potentially greater costs, and mission risks. Further, the lack of well-defined requirements, difficulties employing sound business practices, and workforce and training issues hinder efforts to effectively manage and oversee contracts and contractors. These factors ultimately contribute to higher costs, schedule delays, unmet goals, and negative operational impacts. These issues take on a heightened significance in Iraq and Afghanistan, where DOD estimated that more than 200,000 contractor personnel were engaged as of July 2008, exceeding the number of uniformed military personnel there. As of October 2008, the number of contractor personnel in both countries had increased to over 230,000. DOD has taken several steps in response to GAO's recommendations aimed at improving management and oversight of contractors. These include issuing policy and guidance addressing contract management, identifying skill gaps in DOD's acquisition workforce, improving training for military commanders and contract oversight personnel, and creating a focal point within the department for issues associated with the use of contractors to support deployed forces. DOD, however, has not conducted a comprehensive assessment to determine the appropriate mix of military, civilian, and contractor personnel.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today to discuss the challenges the Department of Defense (DOD) must overcome if it is to improve the efficiency and effectiveness of its weapon systems acquisitions and service contract management. This hearing is timely—about 3 weeks ago, we issued our 2009 update to our high-risk series that identified both of these areas as being at risk for fraud, waste, abuse and mismanagement.[1] The issues we identified in each area are not new; we first designated DOD weapon systems acquisition as a high-risk area in 1990, and 2 years later, we took the same action with regard to DOD contract management.

With an annual appropriation of about $512 billion in fiscal year 2009 and supplemental funding of about $807 billion over the past several years to support the global war on terrorism, DOD has a larger budget than any other federal agency. As the Secretary of Defense testified last month, however, "the spigot of defense funding opened by 9/11 is closing." The Secretary noted that with two major ongoing campaigns, the economic crisis and resulting budget pressures will force hard choices on DOD, including hard choices regarding defense acquisitions. He further identified defense acquisition as the chief institutional challenge facing the department. While the combat effectiveness of U.S. forces and weapon systems is unparalleled, DOD has not been as effective in managing its ongoing business operations, which have adversely affected mission performance and increased the department's vulnerability to fraud, waste, abuse, and mismanagement. The department's senior leadership has shown a commitment to transforming business operations, including its weapon systems acquisition and contract management processes, but challenges remain in sustaining and building on this momentum.

DOD's major weapon systems continue to take longer to develop, cost more, and deliver fewer quantities and capabilities than originally planned. Current operational demands have highlighted the impact of these persistent problems as DOD has been forced to work outside of its traditional acquisition process to acquire equipment that meets warfighter needs, as was the case with the Mine Resistant Ambush Protected vehicle. Further, investment in weapons acquisition programs is now at its highest level in two decades. The department was expected to invest more than

[1] GAO, *High-Risk Series: An Update*, GAO-09-271 (Washington, D.C.: January 2009). Appendix I provides a list of GAO's 2009 high-risk areas.

$357 billion over the next 5 years on the development and procurement of major defense acquisition programs. Given the size of this investment, poor outcomes in DOD's weapon system programs reverberate across the entire federal government. Every dollar wasted during the development and acquisition of weapon systems is money not available for other priorities within DOD and across the government.

In fiscal year 2008, DOD spent about $200 billion on contractor services, an amount that has more than doubled in real terms over the past decade. DOD estimated that over 200,000 contractor personnel were supporting operations in Iraq and Afghanistan in July 2008, exceeding the number of uniformed military personnel in both countries. As of October 2008, the number of contractor personnel in both countries had increased to over 230,000. In both the United States and at deployed locations, DOD relies heavily on contractors to help meet critical missions. At installations within the United States, contractors provide base operations support (e.g., food and housing) and other administrative and logistical support. In Iraq and Afghanistan, contractors not only provide traditional logistical support—such as base operations support and the maintenance of weapons systems—but also intelligence analysis and interpreters who accompany military patrols. It is important to note that the increased use of contractors both in the United States and at deployed locations is the result of thousands of individual decisions and not the result of comprehensive planning across the department. For example, the Secretary of Defense recently stated that the growth of contractor services in Iraq in many respects happened without a coherent strategy.

GAO has issued numerous reports over the last decade discussing DOD's long-standing challenges managing and overseeing service contractors. A recent memorandum issued by the Assistant Secretary of the Army for Acquisition, Logistics, and Technology underscored these challenges, stating that oversight of service contracts is a recognized material weakness in the Army and that when appropriate contract administration is not performed or is performed only by exception, it exposes the Army to an unacceptable risk of contract fraud and affects the Army's ability to fully leverage all its resources toward prosecuting the global war on terrorism. He went on to note that nothing short of a culture change is needed to correct the contract administration problems the Army continues to experience.

Today, I will discuss the challenges that affect DOD's acquisition of major weapon systems, DOD's management and oversight of service contracts, and steps DOD has taken in response to our recommendations for these

issues. I will conclude with some observations on what further actions the department should take to address these challenges.

In preparing this testimony, we relied on our extensive body of work on DOD's acquisition of weapon systems and contract management issues. A list of these products is provided in appendix II. This work was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Fragmented Processes, Unexecutable Business Cases, and Lack of Knowledge Underlie Poor Weapon Program Outcomes

Since fiscal year 2000, DOD has significantly increased the number of major defense acquisition programs and its overall investment in them. During this same time period, acquisition outcomes have not improved. For example, in last year's assessment of selected DOD weapon programs, we found that total acquisition costs for the fiscal year 2007 portfolio of major defense acquisition programs increased 26 percent and development costs increased by 40 percent from first estimates—both of which are higher than the corresponding increases in DOD's fiscal year 2000 portfolio.[2] In most cases, the programs we assessed failed to deliver capabilities when promised—often forcing warfighters to spend additional funds on maintaining legacy systems. Our analysis showed that current programs experienced, on average, a 21-month delay in delivering initial capabilities to the warfighter, a 5-month increase over fiscal year 2000 programs as shown in table 1. Continued cost growth results in less funding being available for other DOD priorities and programs, while continued failure to deliver weapon systems on time delays providing critical capabilities to the warfighter. We are currently updating our analysis and intend to issue our assessment of DOD's current portfolio in March.

[2] GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-08-467SP (Washington, D.C.: Mar. 31, 2008).

Table 1: Analysis of DOD Major Defense Acquisition Program Portfolios

Fiscal year 2008 dollars

	Fiscal year		
	2000 portfolio	2005 portfolio	2007 portfolio
Portfolio size			
Number of programs	75	91	95
Total planned commitments	$790 billion	$1.5 trillion	$1.6 trillion
Commitments outstanding	$380 billion	$887 billion	$858 billion
Portfolio performance			
Change to total RDT&E costs from first estimate	27 percent	33 percent	40 percent
Change in total acquisition cost from first estimate	6 percent	18 percent	26 percent
Estimated total acquisition cost growth	$42 billion	$202 billion	$295 billion
Share of programs with 25 percent or more increase in program acquisition unit cost	37 percent	44 percent	44 percent
Average schedule delay in delivering initial capabilities	16 months	17 months	21 months

Source: GAO analysis of DOD data.

Note: Data were obtained from DOD's Selected Acquisition Reports (dated December 1999, 2004, and 2006) or in a few cases, data were obtained directly from program offices. Number of programs reflects the programs with Selected Acquisition Reports. In our analysis we have broken a few Selected Acquisition Report programs (such as Missile Defense Agency systems) into smaller elements or programs. Not all programs had comparative cost and schedule data, and these programs were excluded from the analysis where appropriate. Also, data do not include full costs of developing Missile Defense Agency systems.

Several underlying systemic problems at the strategic level and at the program level continue to contribute to poor weapon system program outcomes. At the strategic level, DOD does not prioritize weapon system investments and the department's processes for matching warfighter needs with resources are fragmented and broken.[3] DOD largely continues to define warfighting needs and make investment decisions on a service-by-service basis and assess these requirements and their funding implications under separate decision-making processes. Ultimately, the process produces more demand for new programs than available resources can support, promoting an unhealthy competition for funds that

[3] DOD has three major processes involved in making weapon system investment decisions, including the Joint Capabilities Integration and Development System for identifying warfighting needs; the Planning, Programming, Budgeting and Execution system, for allocating resources; and the Defense Acquisition System for managing product development and procurement.

encourages programs to pursue overly ambitious capabilities, develop unrealistically low cost estimates and optimistic schedules, and to suppress bad news. Similarly, DOD's funding process does little to prevent programs from going forward with unreliable cost estimates and lengthy development cycles, which is not a sound basis for allocating resources and ensuring program stability. Invariably, DOD and the Congress end up continually shifting funds to and from programs—undermining well-performing programs to pay for poorly performing ones.

At the program level, programs are started without knowing what resources will truly be needed and are managed with lower levels of product knowledge at critical junctures than expected under best practices standards. For example, in our March 2008 assessment, we found that only 12 percent of the 41 programs we reviewed had matured all critical technologies at the start of the development effort.[4] None of the 26 programs we reviewed that were at or had passed their production decisions had obtained adequate levels of knowledge. In the absence of such knowledge, managers rely heavily on assumptions about system requirements, technology, and design maturity, which are consistently too optimistic. These gaps are largely the result of a lack of a disciplined systems engineering[5] analysis prior to beginning system development, as well as DOD's tendency to allow new requirements to be added well into the acquisition cycle. This exposes programs to significant and unnecessary technology, design, and production risks, and ultimately damaging cost growth and schedule delays. With high-levels of uncertainty about technologies, design, and requirements, program cost estimates and related funding needs are often understated, effectively setting programs up for failure.

When DOD consistently allows unsound, unexecutable programs to pass through the requirements, funding, and acquisition processes, accountability suffers. Program managers cannot be held accountable when the programs they are handed already have a low probability of success. Moreover, program managers are not empowered to make go or no-go decisions, have little control over funding, cannot veto new requirements, have little authority over staffing, and are frequently

[4] GAO-08-467SP.

[5] Systems engineering translates customer needs into specific product requirements for which requisite technological, software, engineering, and production capabilities can be identified through requirements analysis, design, and testing.

changed during a program's development. Consequently, DOD officials are rarely held accountable for these poor outcomes, and the acquisition environment does not provide the appropriate incentives for contractors to stay within cost and schedule targets, making them strong enablers of the status quo.

With regard to improving its acquisition of weapon systems, DOD has made changes consistent with the knowledge-based approach to weapons development that GAO has recommended in its work. In December 2008, DOD revised DOD Instruction 5000.02, which provides procedures for managing major defense acquisition programs in ways that aim to provide key department leaders with the knowledge needed to make informed decisions before a program starts and to maintain discipline once it begins. For example, the revised instruction includes procedures for the completion of key systems engineering activities before the start of the systems development, a requirement for more prototyping early in programs, and the establishment of review boards to monitor weapon system configuration changes. We have previously raised concerns, however, with DOD's implementation of guidance on weapon systems acquisition. At the same time, DOD must begin making better choices that reflect joint capability needs and match requirements with resources. Given the nation's ongoing financial and economic crisis, DOD's investment decisions cannot continue to be driven by the military services that propose programs that overpromise capabilities and underestimate costs simply to start and sustain development programs.

DOD Continues to Face Long-standing Challenges Managing Service Contracts and Contractors

DOD Has Yet to Fully Assess Which Functions and Activities Should be Performed by Contractors, Limiting Its Ability to Mitigate Risks

DOD has increasingly relied on contractors to support its missions and operations, due in part to such factors as the reductions in DOD's civilian and military personnel following the collapse of the Soviet Union, the increasing complexity of weapons systems, and more recently, the increased demands related to the global war on terrorism, such as the need for large numbers of Arabic speakers. DOD officials have stated that without a significant increase in its civilian and military workforce, the

department is likely to continue to rely on contractors both in the United States and overseas in support of future deployments. For example, in October 2008, the then-Under Secretary of the Army stated that the Army has more requirements than available force structure and that much of the Army's mission would be impossible without the support provided by contractors. Similarly, the Deputy Under Secretary of Defense for Logistics and Materiel Readiness testified in 2008 that the structure of the U.S. military has been adapted to an environment in which contractors are an indispensable part of the force. In that regard, DOD estimated that more than 230,000 contractor personnel were supporting operations in Iraq and Afghanistan as of October 2008.

This reliance on contractors to support DOD's current mission was not the result of a strategic or deliberate process but resulted from thousands of individual decisions to use contractors to provide specific capabilities. As the Secretary of Defense testified last month, DOD has not thought holistically or coherently about the department's use of contractors particularly when it comes to combat environments. DOD has long-standing guidance for determining the appropriate mix of manpower—military, civilian, and contractors—necessary to accomplish the department's mission. This guidance, however, is primarily focused on individual decisions whether to use contractors to provide specific capabilities and not the overarching question of what the appropriate role of contractors should be. In October 2008, the Under Secretary of the Army acknowledged that DOD has not made much progress in assessing the appropriate role of contractors on the battlefield and stated that any serious or purposeful discussion about the future size of the Army must include the role of contractors.

We have increasingly called for DOD to be more strategic in how it uses contractors. For example, in November 2006, we reported that DOD lacked a proactive strategic approach to managing services acquisitions and needed to determine, among other things, areas of specific risks that were inherent when acquiring services and that should be managed with greater attention.[6] Indeed, we have called on DOD to conduct a fundamental reexamination of when and under what circumstances DOD should use contractors as opposed to civil servants or military personnel. Similarly, in January 2008, we testified that DOD needs to determine the

[6] GAO, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, GAO-07-20 (Washington, D.C.: Nov. 9, 2006).

appropriate balance between contractors and military personnel in deployed locations.[7] Without a fundamental understanding of its reliance on contractors and the capabilities they should provide, DOD's ability to mitigate the risks associated with using contractors is limited.

Our previous work has highlighted several examples of the risks inherent to using contractors, including ethics concerns, diminished institutional capacity, potentially greater costs, and mission risks. Examples include:

- Certain contractor employees often work side-by-side with government employees, performing such tasks as studying alternative ways to acquire desired capabilities, developing contract requirements, and advising or assisting on source selection, budget planning, and award-fee determinations. Contractor employees are generally not subject, however, to the same laws and regulations that are designed to prevent conflicts of interests among federal employees.[8]

- The Army Contracting Agency's Contracting Center of Excellence relied on contractors to support acquisition and contracting decisions, which raised concerns about the Army's efforts to mitigate the risks of conflicts of interest or losing control over decision making.[9] Similarly, for 11 Air Force space program offices, contractors accounted for 64 percent of cost-estimating personnel, raising questions from the cost-estimating community about whether numbers and qualifications of government personnel are sufficient to provide oversight of and insight into contractor cost estimates.[10]

- One underlying premise of using contractors is that doing so will be more cost-effective than using government personnel. This may not always be the case. In one instance, we found that the Army Contracting Agency's Contracting Center of Excellence was paying up to 27 percent more for

[7] GAO, *Military Operations: Implementation of Existing Guidance and Other Actions Needed to Improve DOD's Oversight and Management of Contractors in Future Operations*, GAO-08-436T (Washington, D.C.: Jan. 24, 2008).

[8] GAO, *Defense Contracting: Additional Personal Conflict of Interest Safeguards Needed for Certain DOD Contractor Employees*, GAO-08-169 (Washington, D.C.: Mar. 7, 2008).

[9] GAO, *Defense Contracting: Army Case Study Delineates Concerns with Use of Contractors as Contract Specialists*, GAO-08-360 (Washington, D.C.: Mar. 26, 2008).

[10] GAO, *Space Acquisitions: DOD Needs to Take More Action to Address Unrealistic Initial Cost Estimates of Space Systems*, GAO-07-96 (Washington, D.C.: Nov. 17, 2006).

contractor-provided contract specialists than it would have for similarly graded government employees.

- Reliance on contractors can create mission risks when contractors are supporting deployed forces. For example, because contractors cannot be ordered to serve in contingency environments, the possibility that they will not deploy can create risks that the mission they support may not be effectively carried out. Further, if commanders are unaware of their reliance on contractors they may not realize that substantial numbers of military personnel may be redirected from their primary responsibilities to provide force protection or assume functions anticipated to be performed by contractors and commanders therefore may not plan accordingly. The Chairman of the Joint Chiefs of Staff has directed the Joint Staff to examine the use of DOD service contracts (contractors) in Iraq and Afghanistan in order to better understand the range and depth of contractor capabilities necessary to support the Joint Force.

In assessing the appropriate role of contractors, it is important to recognize that contractors can provide important benefits such as flexibility to fulfill immediate needs. In some cases, DOD's specific needs may be too limited, too technical or have other characteristics that do not make it cost-effective for DOD to develop an organic capability. For example, we reported in 2008 that the repair of battle-damaged Stryker vehicles was contracted out because DOD did not have people with the specific welding skills required to perform this type of repair.[11] In other cases, contractors are used because they are cheaper. For example, we reported in 2007 that the Army's decision to contract for the operation and maintenance of the firing range at Fort Hood resulted in an estimated $6 million savings.[12] In addition, both DOD and others have stated the department has limited capacity to pick up some or all of the capabilities currently provided by contractors. For example, DOD has reported that replacing the 13,000 armed private security contractors currently supporting the department in Iraq and Afghanistan, would require at least an additional 40,000 military personnel, given DOD's current rotation policies.

[11] GAO, *Military Operations: DOD Needs to Address Contract Oversight and Quality Assurance Issues for Contracts Used to Support Contingency Operations*, GAO-08-1087 (Washington, D.C: Sept. 26, 2008).

[12] GAO, *Defense Budget: Trends in Operation and Maintenance Costs and Support Services Contracting*, GAO-07-631 (Washington, D.C.: May 18, 2007).

DOD Continues to Face Challenges in Employing Sound Business Practices When Contracting for and Managing Service Contracts

Once the decision has been made to use contractors to support DOD's missions or operations, it is essential that DOD clearly defines its requirements and employs sound business practices, such as using appropriate contracting vehicles and the collection and distribution of critical information. Our work, however, on DOD's use of time-and-materials contracts and undefinitized contract actions—two contracting practices that are often used when requirements are uncertain or changing—identified weaknesses in DOD's management and oversight, increasing the government's risk. Examples include:

- In June 2007, we found numerous issues with DOD's use of time-and-materials contracts.[13] DOD reported that it obligated nearly $10 billion under time-and-materials contracts in fiscal year 2005, acquiring, among other services, professional, administrative, and management support services. Some specific examples of the services DOD acquired included subject matter experts in the intelligence field and systems engineering support. These contracts are appropriate when specific circumstances justify the risks, but our findings indicate that they are often used as a default for a variety of reasons—ease, speed, and flexibility when requirements or funding are uncertain. Time-and-materials contracts are considered high risk for the government because they provide no positive profit incentive to the contractor for cost control or labor efficiency and their use is supposed to be limited to cases where no other contract type is suitable. We found, however, that DOD underreported its use of time-and-materials contracts; frequently did not justify why time-and-materials contracts were the only contract type suitable for the procurement; made few attempts to convert follow-on work to less risky contract types; and was inconsistent in the rigor with which contract monitoring occurred.
- In that same month, we reported that DOD needed to improve its management and oversight of undefinitized contract actions (UCAs), under which DOD can authorize contractors to begin work and incur costs before reaching a final agreement on contract terms and conditions, including price.[14] The contractor has little incentive to control costs during this period, creating a potential for wasted taxpayer dollars. We found that DOD did not know the full extent it used UCAs because the government's federal procurement data system did not track UCAs awarded under

[13] GAO, *Defense Contracting: Improved Insight and Controls Needed over DOD's Time-and-Materials Contracts*, GAO-07-273 (Washington, D.C.: June 29, 2007).

[14] GAO, *Defense Contracting: Use of Undefinitized Contract Actions Understated and Definitization Time Frames Often Not Met*, GAO-07-559 (Washington, D.C.: June 19, 2007).

certain contract actions, such as task or delivery order contracts. Moreover, we found that (1) the use of some UCAs could have been avoided with better acquisition planning; (2) DOD frequently did not definitize the UCAs within the required time frames thereby increasing the cost risk to the government; and (3) contracting officers were not documenting the basis for the profit or fee negotiated, as required. We called on DOD to strengthen management controls and oversight of UCAs to reduce the risk of DOD paying unnecessary costs and potentially excessive profit rates.

- In a separate report, issued in July 2007, we found that DOD's failure to adhere to key contracting principles on a multibillion dollar contract to restore Iraq's oil infrastructure increased the government's risk.[15] In this case, we found that the lack of timely negotiations on task orders that were issued as UCAs contributed significantly to DOD's decision to pay nearly all of the $221 million in costs questioned by the Defense Contract Audit Agency (DCAA). All 10 task orders we reviewed were negotiated more than 180 days after the work commenced, and the contractor had incurred almost all its costs at the time of negotiations. The negotiation delays were in part caused by changing requirements, funding challenges, and inadequate contractor proposals.

Our previous work has also identified cost and oversight risks associated with inconsistent or limited collection and distribution of information. Examples include:

- Our 2008 review of several Army service contracts found that the Army's oversight of some of the contracts was inadequate due in part to contracting offices not maintaining complete contract files documenting contract administration and oversight actions taken, in accordance with DOD policy and guidance. As a result, incoming contract administration personnel did not know whether the contractors were meeting their contract requirements effectively and efficiently and therefore were limited in their ability to make informed decisions related to award fees, which can run into the millions of dollars.

- In addition, several GAO reports and testimonies have noted that despite years of experience using contractors to support deployed forces in the

[15] GAO, *Defense Contract Management: DOD's Lack of Adherence to Key Contracting Principles on Iraq Oil Contract Put Government Interests at Risk*, GAO-07-839 (Washington, D.C.: July 31, 2007).

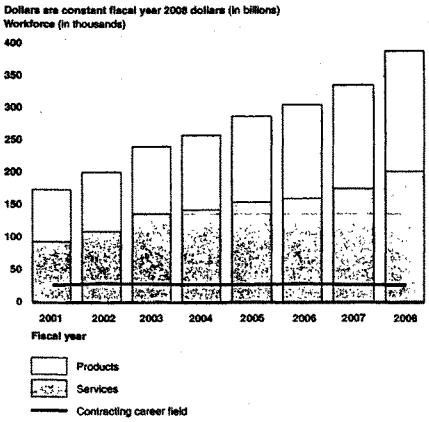
Balkans, Southwest Asia, Iraq, and Afghanistan, DOD has made few efforts to systematically collect and share lessons learned regarding the oversight and management of contractors supporting deployed forces. As a result, many of the management and oversight problems we identified in earlier operations have recurred in current operations. Moreover, without the sharing of lessons learned, substantial increases in forces in Afghanistan are likely to exacerbate those contract management and oversight challenges already present in Afghanistan.

Workforce Issues and Lack of Training Continue to Limit DOD's Ability to Provide Adequate Contract Oversight and Management

Properly managing the acquisition of services requires a workforce with the right skills and capabilities. In that regard, there are a number of individuals and organizations involved in the acquisition process, including contracting officers who award contracts, as well as those individuals who define requirements, receive or benefit from the services provided, and oversee contractor performance, including DCAA and the Defense Contract Management Agency (DCMA).

We and others have raised questions whether DOD has a sufficient number of trained acquisition and contract oversight personnel to meet its needs. For example, the increased volume of contracting is far in excess of the growth in DOD contract personnel. Between fiscal years 2001 and 2008, DOD obligations on contracts when measured in real terms, have more than doubled to over $387 billion in total, and to more than $200 billion just for services. Over the same time period, however, DOD reports its contracting career field grew by only about 1 percent as shown in figure 1. In 2008, DOD completed an assessment of its contracting workforce, in which more than 87 percent of its contracting workforce participated. DOD reports that this assessment provides a foundation for understanding the skills and capabilities its workforce currently and is in the process of determining how to close those gaps, such as through training or hiring additional personnel. DOD, however, lacks information on the competencies and skills needed in its entire workforce, particularly those who provide oversight or play other key roles in the acquisition process. We are currently assessing DOD's ability to determine the sufficiency of its acquisition workforce and its efforts to improve its workforce management and oversight and will be issuing a report in the spring.

Figure 1: Changes in DOD's Contract Obligations and Contracting Workforce, Fiscal Year 2001 to Fiscal Year 2008



Source: GAO analysis, Federal Procurement Data System-Next Generation, DOD.

Having too few contract oversight personnel presents unique difficulties at deployed locations given the more demanding operational environment compared to the United States because of an increased operational tempo, security considerations, and other factors. We and others have found significant deficiencies in DOD's oversight of contractors because of an inadequate number of trained personnel to carry out these duties. Examples include:

- We noted in January and September 2008 that the lack of qualified personnel hindered oversight of contracts to maintain military equipment in Kuwait and provide linguist services in Iraq and Afghanistan.[16] We found

[16] GAO-08-1087 and GAO, *Defense Logistics: The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Kuwait*, GAO-08-316R (Washington, D.C: Jan. 22, 2008).

that without adequate levels of qualified oversight personnel, DOD's ability to perform the various tasks needed to monitor contractor performance may be hindered. For example, we found that poor contractor performance can result in the warfighter not receiving equipment in a timely manner.

- In addition, the Army Inspector General reported in October 2007 that shortages of contracting officers, quality assurance personnel, and technically proficient contracting officer's representatives were noticeable at all levels, while the 2007 Commission on Army Acquisition and Program Management in Expeditionary Operations (the Gansler Commission) noted that shortages in personnel contributed to fraud, waste, and abuse in theatre.[17] If left unaddressed, the problems posed by personnel shortages in Iraq and elsewhere are likely to become more significant in Afghanistan as we increase the number of forces and the contractors who support them there.

An additional, long-standing challenge hindering management and oversight of contractors supporting deployed forces is the lack of training for military commanders and oversight personnel. As we testified in 2008, limited or no pre-deployment training on the use of contractor support can cause a variety of problems for military commanders in a deployed location, such as being unable to adequately plan for the use of those contractors and confusion regarding the military commanders' roles and responsibilities in managing and overseeing contractors.[18] Lack of training also affects the ability of contract oversight personnel to perform their duties. The customer (e.g., a military unit) for contractor-provided services at deployed locations is responsible for evaluating the contractor's performance and ensuring that contractor-provided services are used in an economical and efficient manner. Often this involves the use of contracting officer's representatives—individuals typically drawn from units receiving contractor-provided services, who are not normally contracting specialists, and for whom contract monitoring is an additional duty. We have repeatedly found that contract oversight personnel received little or no pre-deployment training on their roles and responsibilities in monitoring contractor performance, hindering the ability of those individuals to effectively manage and oversee contractors.

[17] Commission on Army Acquisition and Program Management in Expeditionary Operations, *Urgent Reform Required: Army Expeditionary Contracting* (Oct. 31, 2007).

[18] GAO-08-436T.

While performing oversight is often the responsibility of military service contracting officers or their representatives, DCAA and DCMA play key roles in the oversight process. DCAA provides a critical internal control function on behalf of DOD and other federal agencies by performing a range of contract audit services, including reviewing contractors' cost accounting systems, conducting audits of contractor cost proposals and payment invoices, and providing contract advisory services to help assure that the government pays fair and reasonable prices. To be an effective control, DCAA must perform reliable audits. In a report we issued in July 2008, however, we identified a serious noncompliance with generally accepted government auditing standards at three field audit offices responsible for billions of dollars of contracting.[19] For example, we found that workpapers did not support reported opinions and sufficient audit work was not performed to support audit opinions and conclusions. As a result, DCAA cannot assure that these audits provided reliable information to support sound contract management business decisions or that contract payments are not vulnerable to significant amounts of fraud, waste, abuse, and mismanagement. The DCAA Director subsequently acknowledged agencywide problems and initiated a number of corrective actions. In addition, DOD included DCAA's failure to meet professional standards as a material internal control weakness in its fiscal year 2008 agency financial report.[20] We are currently assessing DCAA's corrective actions and anticipate issuing a report later this spring.

Similarly, DCMA provides oversight at more than 900 contractor facilities in the United States and across the world, providing contract administration services such as monitoring contractors' performance and management systems to ensure that cost, performance, and delivery schedules comply with the terms and conditions of the contracts. DCMA has also assumed additional responsibility for overseeing service contracts in Iraq, Afghanistan, and other deployed locations, including contracts that provide logistical support and private security services. In a July 2008 report, we noted that DCMA had increased staffing in these locations only by shifting resources from other locations and had asked the services to provide additional staff since DCMA did not have the resources to meet

[19] GAO, *DCAA Audits: Allegations That Certain Audits at Three Locations Did Not Meet Professional Standards Were Substantiated*, GAO-08-857 (Washington, D.C.: July 22, 2008).

[20] DOD, *Fiscal Year 2008 Agency Financial Report, Department of Defense* (Washington, D.C.: Nov. 17, 2008).

the requirement.[21] As a result, it is uncertain whether DCMA has the resources to meet its commitments at home and abroad.

DOD Has Taken Some Steps to Address Service Contract Management and Oversight Challenges in Response to GAO Recommendations

GAO's body of work on contract management and the use of contractors to support deployed forces has resulted in numerous recommendations over the last several years. In response, DOD has issued guidance to address contracting weaknesses and promote the use of sound business arrangements. For example, in response to congressional direction and GAO recommendations, DOD has established a framework for reviewing major services acquisitions; promulgated regulations to better manage its use of contracting arrangements that can pose additional risks for the government, including time-and-materials contracts and undefinitized contracting actions; and has efforts under way to identify and improve the skills and capabilities of its workforce. For example, in response to recommendations from the Gansler Commission, the Army has proposed increasing its acquisition workforce by over 2,000 personnel. However, the Army also acknowledged that this process will take at least 3 to 5 years to complete.

DOD has also taken specific steps to address contingency contracting issues. GAO has made numerous recommendations over the past 10 years aimed at improving DOD's management and oversight of contractors supporting deployed forces, including the need for (1) DOD-wide guidance on how to manage contractors that support deployed forces, (2) improved training for military commanders and contract oversight personnel, and (3) a focal point within DOD dedicated to leading DOD's efforts to improve the management and oversight of contractors supporting deployed forces. As we reported in November 2008, DOD has been developing, revising, and finalizing new joint policies and guidance on the department's use of contractors to support deployed forces (which DOD now refers to as operational contract support).[22] Examples include:

- In October 2008, DOD finalized Joint Publication 4-10, "Operational Contract Support," which establishes doctrine and provides standardized

[21] GAO, *Rebuilding Iraq: DOD and State Department Have Improved Oversight and Coordination of Private Security Contractors in Iraq, but Further Actions Are Needed to Sustain Improvements*, GAO-08-966 (Washington, D.C.: July 31, 2008).

[22] GAO, *Contract Management: DOD Developed Draft Guidance for Operational Contract Support but Has Not Met All Legislative Requirements*, GAO-09-114R (Washington, D.C.: Nov. 20, 2008).

guidance for planning, conducting, and assessing operational contract support integration and contractor management functions in support of joint operations.

- DOD is revising DOD Instruction 3020.41, "Program Management for the Preparation and Execution of Acquisitions for Contingency Operations," which strengthens the department's joint policies and guidance on program management, including the oversight of contractor personnel supporting a contingency operation.

DOD has also taken steps to improve the training of military commanders and contract oversight personnel. As we reported in November 2008, the Deputy Secretary of Defense issued a policy memorandum in August 2008 directing the appointment of trained contracting officer's representatives prior to the award of contracts.[23] U.S. Joint Forces Command is developing two training programs for non-acquisition personnel to provide information necessary to operate effectively on contingency contracting matters and work with contractors on the battlefield. In addition, the Army has a number of training programs available that provide information on contract management and oversight to operational field commanders and their staffs. The Army is also providing similar training to units as they prepare to deploy, and DOD, the Army, and the Marine Corps have begun to incorporate contractors and contract operations in mission rehearsal exercises.

In October 2006, the Deputy Under Secretary of Defense for Logistics and Materiel Readiness established the office of the Assistant Deputy Under Secretary of Defense (Program Support) to act as the focal point for DOD's efforts to improve the management and oversight of contractors supporting deployed forces. This office has taken several steps to help formalize and coordinate efforts to address issues related to contractor support to deployed forces. For example, the office took a leading role in establishing a community of practice for operational contract support—comprising subject matter experts from the Office of the Secretary of Defense, the Joint Staff, and the services—that may be called upon to work on a specific task or project. Additionally, the office helped establish a Council of Colonels, which serves as a "gatekeeper" for initiatives, issues, or concepts, as well as a Joint Policy Development General Officer Steering Committee, which includes senior commissioned officers or

[23] GAO-09-114R.

civilians designated by the services. The committee's objective is to guide the development of the Office of the Secretary of Defense, Joint Staff, and service policy, doctrine, and procedures to adequately reflect situational and legislative changes as they occur within operational contract support.

Concluding Observations

DOD has recognized it faces challenges with weapons systems acquisition and contract management and the department has taken steps to address these challenges, including those outlined in this testimony. The current economic crisis presents an opportunity and an imperative for DOD to act forcefully to implement new procedures and processes in a sustained, consistent, and effective manner across the department. In this context, to overcome these issues, the department needs to take additional actions. These include:

- In the near-term, DOD needs to ensure that existing and future guidance is fully complied with and implemented. Doing so will require continued, sustained commitment by senior DOD leadership to translate policy into practice and to hold decision makers accountable.
- At the same time, the department and its components have taken or plan to take actions to further address weapons systems acquisition and contract management challenges. However, many of these actions, such as the Army's efforts to increase its acquisition workforce, will not be fully implemented for several years and progress will need to be closely monitored to ensure the steps undertaken result in their intended outcomes.
- Risk is inherent when relying on contractors to support DOD missions. At the departmentwide level, DOD has yet to conduct the type of fundamental reexamination of its reliance on contractors that we called for in 2008.[24] Without understanding the depth and breadth of contractor support, the department will be unable to determine if it has the appropriate mix of military personnel, DOD civilians, and contractors. As a result, DOD may not be totally aware of the risks it faces and will therefore be unable to mitigate those risks in the most cost-effective and efficient manner.

[24] GAO, *Defense Management: DOD Needs to Reexamine Its Extensive Reliance on Contractors and Continue to Improve Management and Oversight*, GAO-08-572T (Washington, D.C.: Mar. 11, 2008).

The implementation of existing and emerging policy, monitoring of the department's actions, and the comprehensive assessment of what should and should not be contracted for are not easy tasks, but they are essential if DOD is to place itself in a better position to deliver goods and services to the warfighters. Moreover, with an expected increase of forces in Afghanistan, the urgency for action is heightened to help the department avoid the same risks of fraud, waste, and abuse it has experienced using contractors in support of Operation Iraqi Freedom.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or members of the subcommittee may have at this time.

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Appendix I: GAO's 2009 High-Risk List

Addressing Challenges in Broad-Based Transformations	• Modernizing the Outdated U.S. Financial Regulatory System (New)
	• Protecting Public Health through Enhanced Oversight of Medical Products (New)
	• Transforming EPA's Processes for Assessing and Controlling Toxic Chemicals (New)
	• 2010 Census (New in March 2008)
	• Strategic Human Capital Management
	• Managing Federal Real Property
	• Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures
	• Implementing and Transforming the Department of Homeland Security
	• Establishing Effective Mechanisms for Sharing Terrorism-Related Information to Protect the Homeland
	• DOD Approach to Business Transformation
	  • Business Systems Modernization
	  • Personnel Security Clearance Program
	  • Support Infrastructure Management
	  • Financial Management
	  • Supply Chain Management
	  • Weapon Systems Acquisition
	• Funding the Nation's Surface Transportation System
	• Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests
	• Revamping Federal Oversight of Food Safety

Managing Federal Contracting More Effectively	• DOD Contract Management • DOE's Contract Management for the National Nuclear Security Administration and Office of Environmental Management • NASA Acquisition Management • Management of Interagency Contracting
Assessing the Efficiency and Effectiveness of Tax Law Administration	• Enforcement of Tax Laws • IRS Business Systems Modernization
Modernizing and Safeguarding Insurance and Benefit Programs	• Improving and Modernizing Federal Disability Programs • Pension Benefit Guaranty Corporation Insurance Programs • Medicare Program • Medicaid Program • National Flood Insurance Program

Appendix II: Selected GAO Products

High-Risk Series	*High-Risk Series: An Update.* GAO-09-271. Washington, D.C.: January 2009.
Weapon Systems	*Defense Acquisitions: Fundamental Changes Are Needed to Improve Weapon Program Outcomes.* GAO-08-1159T. Washington, D.C.: September 25, 2008. *Defense Acquisitions: Assessments of Selected Weapon Programs.* GAO-08-467SP. Washington, D.C.: March 31, 2008.
Best Practices	*Defense Acquisitions: A Knowledge-Based Funding Approach Could Improve Major Weapon System Program Outcomes.* GAO-08-619. Washington, D.C.: July 2, 2008. *Best Practices: Increased Focus on Requirements and Oversight Needed to Improve DOD's Acquisition Environment and Weapon System Quality.* GAO-08-294. Washington, D.C.: February 1, 2008. *Space Acquisitions: Actions Needed to Expand and Sustain Use of Best Practices.* GAO-07-730T. Washington, D.C.: April 19, 2007.
Investment Strategy	*Defense Acquisitions: DOD's Requirements Determination Process Has Not Been Effective in Prioritizing Joint Capabilities.* GAO-08-1060. Washington, D.C.: September 25, 2008. *Tactical Aircraft: DOD Needs a Joint and Integrated Investment Strategy.* GAO-07-415. Washington, D.C.: April 2, 2007. *Best Practices: An Integrated Portfolio Management Approach to Weapon System Investments Could Improve DOD's Acquisition Outcomes.* GAO-07-388. Washington, D.C.: March 30, 2007.
Weapon System Reviews	*Defense Acquisitions: Cost to Deliver Zumwalt-Class Destroyers Likely to Exceed Budget.* GAO-08-804. Washington, D.C.: July 31, 2008. *Defense Acquisitions: Progress Made in Fielding Missile Defense, but Program Is Short of Meeting Goals.* GAO-08-448. Washington, D.C.: March 14, 2008.

Joint Strike Fighter: Recent Decisions by DOD Add to Program Risks. GAO-08-388. Washington, D.C.: March 11, 2008.

Defense Acquisitions: 2009 Is a Critical Juncture for the Army's Future Combat System. GAO-08-408. Washington, D.C.: March 7, 2008.

Contract Management

DCAA Audits: Allegations That Certain Audits at Three Locations Did Not Meet Professional Standards Were Substantiated. GAO-08-857. Washington, D.C.: July 22, 2008.

Defense Contracting: Post-Government Employment of Former DOD Officials Needs Greater Transparency. GAO-08-485. Washington, D.C.: May 21, 2008.

Defense Contracting: Army Case Study Delineates Concerns with Use of Contractors as Contract Specialists. GAO-08-360. Washington, D.C.: March 26, 2008.

Defense Contracting: Additional Personal Conflict of Interest Safeguards Needed for Certain DOD Contractor Employees. GAO-08-169. Washington, D.C.: March 7, 2008.

Defense Contract Management: DOD's Lack of Adherence to Key Contracting Principles on Iraq Oil Contract Put Government Interests at Risk. GAO-07-839. Washington, D.C.: July 31, 2007.

Defense Contracting: Improved Insight and Controls Needed over DOD's Time-and-Materials Contracts. GAO-07-273. Washington, D.C.: June 29, 2007.

Defense Contracting: Use of Undefinitized Contract Actions Understated and Definitization Time Frames Often Not Met. GAO-07-559. Washington, D.C.: June 19, 2007.

Defense Acquisitions: Improved Management and Oversight Needed to Better Control DOD's Acquisition of Services. GAO-07-832T, Washington, D.C.: May 10, 2007

Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes. GAO-07-20. Washington, D.C.: November 9, 2006.

Operational Contract Support	*Contract Management: DOD Developed Draft Guidance for Operational Contract Support but Has Not Met All Legislative Requirements.* GAO-09-114R. Washington, D.C.: November 20, 2008. *Contingency Contracting: DOD, State, and USAID Contracts and Contractor Personnel in Iraq and Afghanistan.* GAO-09-19. Washington, D.C.: October 1, 2008. *Military Operations: DOD Needs to Address Contract Oversight and Quality Assurance Issues for Contracts Used to Support Contingency Operations.* GAO-08-1087. Washington, D.C: September 26, 2008. *Rebuilding Iraq: DOD and State Department Have Improved Oversight and Coordination of Private Security Contractors in Iraq, but Further Actions Are Needed to Sustain Improvements.* GAO-08-966. Washington, D.C.: July 31, 2008. *Defense Management: DOD Needs to Reexamine Its Extensive Reliance on Contractors and Continue to Improve Management and Oversight.* GAO-08-572T. Washington, D.C.: March 11, 2008. *Military Operations: Implementation of Existing Guidance and Other Actions Needed to Improve DOD's Oversight and Management of Contractors in Future Operations.* GAO-08-436T. Washington, D.C.: January 24, 2008. *Defense Acquisitions: DOD's Increased Reliance on Service Contractors Exacerbates Longstanding Challenges.* GAO-08-621T. Washington, D.C.: January 23, 2008. *Defense Logistics: The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Kuwait.* GAO-08-316R. Washington, D.C.: January 23, 2008. *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces.* GAO-07-145. Washington, D.C.: December 18, 2006. *Rebuilding Iraq: Continued Progress Requires Overcoming Contract Management Challenges.* GAO-06-1130T. Washington, D.C.: September 28, 2006.

Military Operations: Background Screenings of Contractor Employees Supporting Deployed Forces May Lack Critical Information, but U.S. Forces Take Steps to Mitigate the Risks Contractors May Pose. GAO-06-999R. Washington, D.C.: September 22, 2006.

Rebuilding Iraq: Actions Still Needed to Improve the Use of Private Security Providers. GAO-06-865T. Washington, D.C.: June 13, 2006.

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REPORT ON CONTRACTORS

Mr. MURTHA. Well, one of the worst examples I heard last year was the budget for the Comptroller of the Defense Department wanted to hire contractors to send a budget over to us. You know, we stopped that. But the point was everybody was looking for contractors. And part of this happened because the Armed Services Committee cut the acquisition force so substantially, and so they had to hire contractors who were not as responsive.

But say again, it comes down to accountability and how do we, for instance, how do we get the information? Okay, we can fence the money and say, look, unless you come up with this comprehensive report the GAO asked for, we are not going to give you any money. How much time should they have in order to come up with this comprehensive report?

Mr. DODARO. I would think within the next year they should be able to produce something.

Mr. MURTHA. Can we not force the issue by, say our bill is ready to go by June or July, cannot we get the information from them that quick?

Mr. DODARO. You would have to ask DOD that question. We have had this recommendation on the books for a while now. I am not sure how far along they are in that area. But I think it would be a very important question to ask them. I mean, our goal here would be to make sure that they do it correctly. They could perhaps give you some short-term answers and then a longer-term strategy that would cover more years down the road.

I would also point out here that there are two other factors in addition to the cutback in the acquisition workforce in the 1990s. One is the complexity of the weapons systems that are being procured. You may want to ask for a strategy on weapons systems acquisition apart from service contracting because there are different levels of sophistication here. The complexity of those weapons systems is a critical issue where DOD is going to need to have the capability to manage. And it could be more difficult to build all that in-house.

And the other area is the extent to which these demands have been driven by the immediacy of the needs for the global war on terrorism in the past few years. And particularly it is going to be an issue if we are going to deploy additional forces over to Afghanistan. It is important that the lessons learned about training people before they are deployed to manage contractors in Afghanistan is heeded as well.

Mr. MURTHA. I just talked to the National Security Adviser, and I told him how important it was to get us information to this Committee as quickly as he could about what his plans are so we would have some idea of what is going to happen.

Now, for instance, we do not know whether they are going to take troops in by land or have to fly them in, which is going to be a substantial additional expense. But what you say about the acquisition system, we found LCS just all kinds of problems. One of the worst examples is that helicopter one, the Marine One. That thing increased so much. I had people in here, and I said to them, we are not going to pay $500 million for one helicopter, period. And

there are 14 people sitting there. And finally, they said, well, we will put off the decision until the new administration comes in. I mean, it is just frightening how they throw money around like it is out of style.

Well, we will listen for any advice you have and try to come up with some recommendations. But when I look through the increased cost of the weapons systems, the increased cost of doing business, and the personnel costs and so forth, it is not sustainable in what it amounts to, particularly as we are going to build down the budget. But I appreciate the work you folks do. The staff tells me you are leaning forward on this issue. And it is so important to us.

Mr. Frelinghuysen.

RETIREMENTS AND INSTITUTIONAL MEMORY

Mr. FRELINGHUYSEN. I am sure there will be a lot of time to talk about how long it took to develop the F–22, the Future Combat System, the littoral combat ships. I just have a few sort of basic questions. There has been a reduction in the acquisition workforce. That is recognizable. You also have the issue of retirements. Would you briefly comment on that?

And the complexity of the systems, it is great to say that we want, you know, DOD personnel as opposed to private contractors, but sometimes the complexity of the system calls upon the very people who are familiar with how it was developed to provide that information. Would you comment a little bit on the potential retirement of what I would call institutional memory, and also the issue of competition in the workplace for people who would be qualified to make up the group that would replace the diminished acquisition force?

Mr. DODARO. All right. Yes. Those are both very important issues.

First, on the retirement issue, that is a problem. And it is not only a problem in DOD; it is a problem across the Federal Government in terms of the age of the workforce and the impending retirements. Now a lot of that is driven by demographics and the Baby Boom generation, et cetera, but it is a concern. I know in leading the GAO, I spend a lot of time on this myself making sure we have good succession planning in place to go forward. And it will be an issue that the Department's going to have to confront, and it will be a problem, particularly in having the numbers of people who have the experience and the background to oversee contractors or carry out some of the activities. The team and I were just talking about this before we came to the hearing. We can provide some additional information on that area.

Mr. FRELINGHUYSEN. I assume you have some information. I mean, normally people have some information about how many people are, you know, eligible to retire. Somebody must have that figure.

Mr. DODARO. I know we have it, and we can provide it. I do not have it with me. But I can provide it.

[The information follows:]

According to DOD demographic data dated December 2008, about 11 percent of the department's 670,492 permanent employees covered by the Civil Service Retire-

ment System (CSRS) and the Federal Employee's Retirement System (FERS) are currently eligible for optional retirement. As of December 31, 2013, about 30 percent, or 193,880 civilian employees will be eligible for optional retirement. Optional retirement is available to federal employees who have reached the required age and years of service necessary to receive an immediate retirement benefit. For example, under CSRS, an employee who is 55 years of age with 30 years of service is eligible for optional retirement An employee under FERS who is 60 years of age and has 20 years of service is eligible for optional retirement

DOD's demographic data also shows that, in addition to those permanent employees eligible for optional retirement, about 15 percent, or 100,605 civilian employees are currently eligible for early retirement. Further, as of December 31, 2013, 32 percent, of DOD's civilian workforce will be eligible for early retirement. Early retirement is available to federal employees that meet special requirements. For example, for an employee to take an early retirement, his or her agency must be undergoing a major reorganization, reduction-in-force, or transfer of function determined eligible by OPM.

Mr. FRELINGHUYSEN. All right.

Mr. DODARO. And on the complexity of the weapons systems, that is a very important point. Things are becoming more complex. I think the issue here is DOD, like a lot of agencies, is going to have to rely on contractors to some extent. I mean, there is just not going to be any substitute for a certain portion of people will need to be contractors with the appropriate technical skills. What DOD needs to make sure is it has people that can oversee and manage the contractors. The competition in the workplace is an important issue here. But you need a certain cadre of people that have some technical skills to oversee the contractors so you are not totally relying on the contractors. So you need that core expertise there. You are not going to ever be able to replace the full complement of technical people that the contractors can bring to the table. And an important issue here——

Mr. FRELINGHUYSEN. Some of these systems have been studied for so long that some of the very people that are most knowledgeable might have been there at the beginning, but I would think would be heading out the door in a retirement queue.

Mr. DODARO. That could be an issue. But you also have a lot of changes that take place.

Mr. FRELINGHUYSEN. What about competition for good people?

Mr. DODARO. I think the competition, particularly for the highly skilled people, is an issue in the government. I mean, it is hard to compete under some of our salary structures for the really highly technical people. I know I face that at the GAO as well. And so that is an issue. And I think we are going to have to, if the government wants to build some of that capacity, and we do it at some of our national labs and other places, I mean, we have got a lot of technical people. We are going to have to consider the proper salary incentive and retention structures to be able to do something like that. But I think the more practical and immediate need is to make sure we have the capacity at the government with government people to oversee the contractors. And that I think is where we need to start.

Mr. FRELINGHUYSEN. All right.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Dicks.

SUBCONTRACTORS

Mr. DICKS. You know, another part of this problem, you know, you talk about the 95 weapons systems that I have noticed in the things that I follow is that the prime contractors, the big companies now, I am talking about Boeing, Lockheed, Northrop-Grumman, Raytheon, all of them seem to have a major problem monitoring the subcontractors. In other words, they get the work, and then they subcontract it out to all these other companies. And then, you know, on several major weapons systems, we have had major problems with the subcontractors not performing. And then that delays the whole program. And that forces up the cost. Have you guys looked at that at all as one of your things to take into account?

Mr. DODARO. Yes.

Mr. DICKS. That is where, again, you are so right, if you do not have the acquisition personnel who is not only monitoring the prime contractor on these major weapons systems but actually getting down to see what these subs are doing and ensuring that the prime contractor is overseeing the subcontractors. It is shocking to me to find out how sometimes, until they get into major trouble, these prime contractors are not monitoring their own subcontractors. And again, I think it is the failure of having adequate government personnel there to do their job to insist that that be done. And because of that, we have these delays and escalations in cost.

Mr. DODARO. I am going to ask Mr. Sullivan to elaborate on this. But one point I would bring to your attention in that area is it is not only, you know, adequately monitoring, but there need to be intermediary metrics that people are held accountable to, particularly for these long development projects, where there can be discrete decision points made and you either meet the decision point or you do not. A lot of times things are let to continue on into the next phase when they have not completed the prior phase. And so I think, you know, holding people to metrics and monitoring is very important in this regard. But Mike leads a lot of our weapons systems work. And I would like him to elaborate on your specific questions.

Mr. SULLIVAN. I think, just specifically to what you are talking about, about managing——

Mr. DICKS. Pull that just a little closer.

Mr. SULLIVAN [continuing]. Managing major subcontractors as well as the overall, I think, supplier base——

Mr. DICKS. Right.

Mr. SULLIVAN [continuing]. On a major weapons systems program, we recently did a study that was focused on looking at why the quality assurance problems that we always found at the end of programs. And the study led to actually three key findings, I think, that get at what you are talking about. And in fact, it drives right up into the Department's workforce. There is a lack of systems engineering knowledge, both in the Department as overseers of these major weapons systems. I do not have exact numbers, but I know that the systems——

Mr. DICKS. Systems engineering, what was the last word?

Mr. SULLIVAN. Knowledge.

Mr. DICKS. Knowledge.

Mr. SULLIVAN. Systems engineers as part of the acquisition workforce that would be able to oversee requirements setting, for example, understanding the requirements and if they are doable given the resources that are available to the government at both the government level as overseers and in the major prime contractors and all the way down to probably through the contracted workforce. That is an area that probably the private sector is able to attract people a lot better than the government can for the reasons that Mr. Dodaro was pointing out earlier. And there are other things. You know, I would say the requirements-setting process and oversight is the key thing to that. But in addition to that, they do not have good supplier management processes in place. The kind of contracting methods they use, cost-reimbursable contracts, things like that make it harder to incentivize people to do that and oftentimes the designs. When designs on major weapons systems are not stable because of their complexity, it makes it difficult to manage that process.

ACQUISITION STRATEGY FOR MAJOR PROGRAMS

Mr. DICKS. The other point I want to make, and I think this is something that we have to insist on, and I found this out as we were going through, Mr. Chairman, the acquisition on the tankers, that there are DOD acquisition regulations that require it to examine the industrial base impacts in developing the acquisition strategy for major programs. Now, I confronted Secretary Young on this point. I do not think they are doing this. They are supposed to be doing this. It is in the law that they are supposed to be doing it. Do you have any idea that they do an industrial base impact analysis on every major weapons system before they start the acquisition? We have got the—you got the information on this. We will get you the information on where in the law it says you are supposed to do this.

Mr. DODARO. Okay.

[The information follows:]

10 U.S.C. 2440 requires the Secretary of Defense to prescribe regulations requiring DOD to consider the national technology and industrial base when developing and implementing acquisition plans for each major defense acquisition program. DOD's existing guidance requires that the contents of a written acquisition plan for a major defense acquisition program include an analysis of the capabilities of the national technology and industrial base to develop, produce, maintain, and support the program including the consideration of factors related to foreign dependency, requirements for efficient manufacture of the systems to be procured under the program, and methods to encourage investment by U.S. domestic sources in advanced manufacturing technology production equipment and processes. This guidance also requires the program to have an industrial capability strategy that assesses the capability of the U.S. industrial base to achieve identified surge and mobilization goals, or explain the rationale for why no strategy has been developed. According to a DOD official, the Department is revising its current guidance, in part to require industrial capability assessments earlier in the acquisition process and to require program managers to evaluate the impact of their program's acquisition strategy on the competitive market place.

Mr. DICKS. But this would be something interesting to see if GAO could find out whether in fact they are doing this or not. I do not think they are. They say, well, we do not have to. I do not

think the law gives them any discretion. Do you know anything about this?

Mr. DODARO. We have not done any work on it, my team tells me. But we would be happy to look at your citation and look into the issue.

Mr. DICKS. Has your study of DOD acquisition found any trends or results about how well, you know, I mean, I think the industrial base issue is part of the problem here, where you do not have as much competition. I mean, what have we got? Three major companies, Lockheed, Boeing and Northrop-Grumman. I mean, you know, they are all intertwined in these things. Somebody wins the prime, and then, I mean the major contract, and the other ones come in as subcontractors. I mean, is the lack of having enough competitors part of the problem here in terms of the raising costs and not getting these things built right?

Mr. DODARO. The one thing I would say we know is that the adequate management of whatever the original decisions are is really probably the most difficult or most contributing factor to the increase in cost growth. I am not sure, and I cannot comment on the competition issue, you know, from a general perspective.

Mr. DICKS. Okay. Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Kingston.

ABILITY OF LOCAL CONTRACTORS TO WIN DOD CONTRACTS

Mr. KINGSTON. Thank you, Mr. Chairman.

I was wondering something that might be a little more routine, and I am not sure if it comes into your purview or not, but the ability of a local contractor to get military construction-type jobs on military installations or to sell a product to the military; it seems to me that it is really the domain of large contractors and large vendors, and not the small entrepreneurial local guy. Can you comment to that?

Mr. DODARO. Let me ask Katherine to comment on that.

Ms. SCHINASI. The ability of local contractors to win DOD contracts?

Mr. KINGSTON. Yes.

Ms. SCHINASI. Yes, there are. DOD has certain requirements that it must provide, you know, award a portion of its contracts to certain categories of business. Local is not one of those, but small is one of those. Small and disadvantaged is another one. So as an overall measure, DOD has a requirement at the macro level to do that. But they do it in different ways that might or might not capture someone in every locality.

Mr. KINGSTON. I have had the honor of representing Fort Stewart, for example, for 16 years now. At the present level it has about $500 million worth of military construction going on, largely because of a lot of the good things this committee and the other committee has done, and the Chairman has been down there personally. But it is very frustrating to the local vendors, painters, sheetrock guys, masonry, concrete workers, heat and air, people who have been in business 10, 15 years, who do a solid day's work and deliver a good product, but because they are not really geared up for it, they cannot get on the post. And it seems like the front end is an inside track. What can we tell—and I have been working for

years to try to open it up more but have not had much success in that.

Ms. SCHINASI. I do not have an answer for an individual company. But I do know that the Department is required, at that macro level. But it is up to the individual companies at each location to compete for those contract awards.

Mr. KINGSTON. Well, who would be a point of contact within your office that I could talk to, maybe bring down to Fort Stewart and have a vendors and a contractors job fair, if you will?

[The information follows:]

Congressman Kingston asked us to identify a person at Ft. Stewart, Georgia who could be contacted regarding the process for small and disadvantaged businesses to obtain contracts at Ft. Stewart. Accordingly, we are providing the name and contact information for Deborah Swindell, the senior person within the Office of Small and Disadvantaged Business Utilization at Ft. Stewart. She may be contacted at 912–767–8425.

Ms. SCHINASI. We can get you that information. But I would offer up the Department's own Office of Small and Disadvantaged Businesses. They are the ones, OSDBU. That name might be more appropriate for what you are looking for. Those are the individuals who are on—their responsibility is to keep the Department honest, if you will, in terms of meeting the requirements that they have to give a certain amount of the contract awards to small businesses. So that might be a more helpful person for you.

Mr. KINGSTON. Okay. Mr. Chairman, if we have a second round I wanted to follow up on this, but I will yield back. Thank you.

Mr. MURTHA. Mr. Visclosky.

OVERSEEING THE CONTRACTORS

Mr. VISCLOSKY. Thank you, Mr. Chairman. You had talked earlier about the mix of Federal employee and contractor. And I certainly would assume there is no set formula. And even within a department, you have so many different missions and functions taking place. But you do talk about the disparity as far as the number of contractors and government employees——

Mr. DODARO. Overseeing the contractors.

Mr. VISCLOSKY [continuing]. Overseeing the contractors. And not wanting to keep bringing up the Department of Energy, and I know that is not part of the hearing, but the ratio is nine to one. And I think just human nature, you got nine people and one supervising, human nature takes hold. How are we supposed to know what the right mix is? It seems like there is an imbalance. But when do we know we are back in balance?

Mr. DODARO. I think there are two parts to that equation. One is the recommendation that we did make to figure out how many contractors should you have to begin with versus employees? And then I think one of the ways that you know is whether or not what you are contracting out for is being delivered on time, within budget, and you get the deliverables you have. And then, secondly, the type of problems that we and the Inspector General and others have found, you know, lack of documentation in some of the contracts, the fact that the people are not trained properly to be able to do it. So you have the level of activity, but number one is you get what you pay for without as much cost overruns as we have

seen in the period of time and you get it on time. And so those type of metrics are the type of things that should be in place. And you do not have as many problems that are identified by people in your contracting activities. You know, those I think would be the two things I would say off the top of my head that are really important ways to gauge.

Mr. VISCLOSKY. And I assume numbers are not everything. Part of it is also the skill and talent of the people who are doing the supervision.

Mr. DODARO. Right.

Mr. VISCLOSKY. I assume just from the questions and statements I have been reading here that that also is a problem that needs to be addressed as well.

Mr. DODARO. Yes. Yes. Right now, the Department is going through and identifying what competencies that they need for some of their acquisition workforce and where they have skill gaps. And there definitely is a qualitative component of this, having not only the numbers properly but the right skills necessary to be able to do it. You know, the main reason we are bringing this up is to just show, why there continues to be problems with many of the contractors. We are trying to get, at some of the root causes here. And one of the root causes is the fact that you have not had a comprehensive strategic decision made on what to do. And then following from that, having the right kind of workforce plan with the right skills and the right numbers of people and then the right metrics to track it. And so that all has to be, I think, recalibrated in a comprehensive way.

Mr. VISCLOSKY. And you are still asking DOD to provide a clearer statement as to what an inherent governmental position is versus a private sector position?

Mr. DODARO. Well, that is part of the issue. Let me ask Katherine to elaborate on that.

Mr. VISCLOSKY. If I could, just, and again and from some of the notes I have in front of me, it appears that the Army has started down this road and identified at least a thousand contract positions that are inherently governmental and moving them back over, if you could.

Ms. SCHINASI. The Office of Management and Budget was directed last year to come up with a definition of inherently governmental that would be more useful——

Mr. VISCLOSKY. For everybody.

Ms. SCHINASI [continuing]. For people making decisions about whether or not to hire a contractor. They are in the process, they are just starting that right now, they are in the process of trying to determine by regulation what that means.

Mr. VISCLOSKY. Are there standards today in place?

Ms. SCHINASI. Yes, there are. The Federal Acquisition Regulations lay out certain activities that are prohibited, that are reserved for a government official. For example, signing a contract must be done by a government official. But in addition to the inherently governmental definition, there are also a number of things that are associated with that or closely associated with that that we would still want to have more discussion about even after a regulation is put in place. Because, for example, if you have the prohi-

bition against a contractor signing a contract, but how about the basis, how about the analysis that he was given to make the decision whether to sign it or not? Who performed that analysis for him? So we are calling that closely associated with inherently governmental function.

So you have not just the definition that OMB is working on in a regulatory manner, but you also have a management imperative to look at how those decisions are actually made. What are the costs and risks associated with having a private individual perform a function than having a government employee perform that function?

Mr. VISCLOSKY. Is there a timeline as to when OMB is supposed to finish their——

Ms. SCHINASI. They are just now starting.

Mr. VISCLOSKY. And are the principles, are they more principles as opposed to job classification definitions that are in place today?

Ms. SCHINASI. That is my understanding. And actions. Not just principles, but actions.

Mr. VISCLOSKY. So that would not necessarily be as helpful.

Ms. SCHINASI. Not sufficient. Necessary, but not sufficient.

Mr. DODARO. Yeah. What I would say on this issue, Congressman, is that, you know, for decades this issue about inherently governmental, you know, the A–76 process and other processes have been in place probably for over 50 years in the government with this inherently governmental kind of definition. But there is a narrow legal definition to it. But as we have seen greater reliance on contractors at DOD and other agencies, you know, the sphere of things that are involved in being contracted out and management has grown considerably. So I think, one suggestion I have is, while this is an important issue, there is a broader issue as to what management risk the government is willing to bear, whether it falls in that narrow legal definition or not. And are we getting the right type of service at the right type of cost? So there are a lot of risks in making sure that the government is properly using contractors that fall outside of that narrow legal definition that are really important, too. And I think they are ones that are a little easier to get to because they are tied to mission and what kind of outcomes that you want to achieve.

Mr. VISCLOSKY. Thank you for your work.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Moran.

REMARKS OF MR. MORAN

Mr. MORAN. All right.

Mr. Chairman, this issue is not going to be a pleasant one for the administration, even though some of the folks that will be responsible were not initially responsible for creating this situation. We know that we have always had mercenaries in the Army. We did in the Revolutionary War. We always had contracted with some support personnel. But it is way out of control right now. And we look for the reasons.

I think part of it was ideological. But we have also seen that while military pay went up by 26 percent in the last decade, civilian pay went up by 10 percent. From what we can gather, contrac-

tors went up by a hundred percent, even though we do not have specific numbers. This subcommittee in almost every single hearing has asked about contract personnel. And now, 8 years later, we are talking about figuring out what the definition of inherently governmental is. We have looked at some of the situations that have arisen which boggle the mind, really, and it goes to this definition. Now, we know that military and civilian and even contract personnel have always worked side by side. But the Pentagon has had contractors manage other contractors and even manage other government and military personnel. In March of this past year, the GAO found that 42 percent of the Army's Contracting Center of Excellence was staffed by contractors.

We also learned that the Comptroller had contracted for the development of the budget justification for the fiscal year 2008 supplemental funding request. I used to work in the budget office. I cannot imagine having contractors come in and developing the budget justification. Well, I mean, seriously, talk about how far we have gone, I do not think it has been in the right direction. We found that we have had contractors making decisions on the expenditure of government resources, determinations of agency policy, directing and controlling other Federal employees, the intelligence analysis, weapons systems maintenance. I could go on and on.

The GAO found that poor planning, changing requirements, and inadequate number of contract oversight personnel in Iraq and Afghanistan led to an average 385 percent cost increase in the service contracts that the GAO investigated. I mean, this is unbelievable. And it is not for lack of concern expressed by this subcommittee that has funded all this. They found that the total acquisition cost for DOD's 2007 portfolio of major programs under development or in production has grown by nearly $300 billion over initial estimates. So, obviously, something is wrong.

And here is an issue that the Chairman has been particularly on top of, but apparently to no avail. We now find out, CBO told us just in the last few months that there are 190,000 private personnel operating under U.S.-funded contracts in Iraq alone; 150,000 of them are Defense contract personnel. So who is fighting this war? The contractors. Now, the first question, and you are probably wondering, is he ever going to get to a question, the first question is what are your plans to draw down contractors? If we have got——

Mr. DICKS. This is the GAO. This is not the Defense Department.

Mr. MORAN. Oh, this is Dodaro, I know it.

Mr. DICKS. They are just reporting to us what the issue is. They do not run——

Mr. MORAN. I know. I am just getting warmed up for the Army that is coming. Thank you. It is true. But the question, let me rephrase, the question I want you to ask of the military, what plans exist for drawing down contract personnel when we draw down the military? It just seems if you have got as many contract personnel as uniform personnel, how are we ever going to get them out? Now, have we asked that, Mr. Dodaro?

Mr. DODARO. Yes. We issued a report for the planning for the draw down in Iraq, where the status was with the DOD planning.

We listed a number of factors. We would be happy to provide that to you. But we are now, at the request of the Congress, looking at how that will ripple through the contract draw down as well, because as you point out, there are as many contractors in these areas as there are military personnel right now.

[The information follows.]

During a discussion of DOD's planning for a draw down from Iraq with Congressman Moran, I indicated that GAO had issued a report on DOD's draw down planning efforts and promised to provide a copy of the report. The report, GAO–08–930, is attached.

United States Government Accountability Office

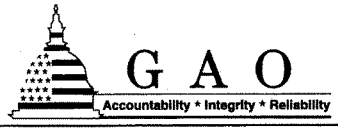
GAO

Report to Congressional Committees

September 2008

OPERATION IRAQI FREEDOM

Actions Needed to Enhance DOD Planning for Reposturing of U.S. Forces from Iraq



GAO-08-930

September 2008

GAO
Accountability-Integrity-Reliability
Highlights

Highlights of GAO-08-930, a report to congressional committees.

OPERATION IRAQI FREEDOM

Actions Needed to Enhance DOD Planning for Reposturing of U.S. Forces from Iraq

Why GAO Did This Study

The redeployment of U.S. forces from Iraq, a process the Department of Defense (DOD) refers to as "reposturing," will be a massive and expensive effort. As of March 2008, for example, there were about 173,000 pieces of equipment in Iraq, worth about $16.5 billion, that will need to be returned to the United States. The redeployment process following Operation Desert Storm in 1991, a much shorter war, lasted at least 14 months. DOD guidance emphasizes the importance of early planning for this redeployment process.

GAO performed this work under the Comptroller General's Authority. GAO examined the (1) status of logistical planning for reposturing U.S. forces from Iraq and associated assumptions and (2) extent to which DOD established roles and responsibilities for managing and executing retrograde from Iraq. GAO also identified issues that DOD will need to consider in its reposture planning. GAO reviewed documents and interviewed officials from over 20 DOD organizations in the United States and Kuwait.

What GAO Recommends

GAO recommends that the Secretary of Defense take steps to clarify the chain of command over logistical operations for retrograde of equipment and materiel. Also, Congress may wish to consider directing DOD to report specific details on the status of reposturing plans and how it intends to mitigate issues such as those we identify. DOD generally concurred with our recommendations.

To view the full product, including the scope and methodology, click on GAO-08-930. For more information, contact William M. Solis at 202-512-8365 or solisw@gao.gov

What GAO Found

While the pace and overall extent of reposturing in Iraq is yet to be determined, various defense commands began planning for reposturing in fall 2007, and DOD began coordinating these individual planning efforts in May 2008 to develop a logistical framework based on three key assumptions. The result of this planning was an order published by Multi-National Forces-Iraq (MNF-I) that contained the process for reposturing units, materiel, and equipment and established working groups to continue the planning and seek solutions to emerging challenges. DOD's three key assumptions are: (1) any reposturing initiative will be based on MNF-I and Department of State assessments of conditions on the ground; (2) there will be sufficient lead time to refine reposture plans once an order with a specific timetable and force posture in Iraq is issued; and (3) the reposturing of forces will be deliberate and gradual, predicated on a 180-day process for units leaving Iraq and a sustained flow of no more than 2.5 brigades' worth of equipment and materiel out of Iraq each month.

While efforts have been made to synchronize planning for reposturing, DOD, U.S. Central Command (CENTCOM), and the military services have not yet clearly established all of the roles and responsibilities for managing and executing the retrograde of materiel and equipment from Iraq. Although CENTCOM has designated U.S. Army Central (ARCENT) as executive agent for synchronizing retrograde of materiel and equipment from the Iraqi theater of operations, no unified or coordinated structure exists to account for the roles of the variety of teams and units engaged in retrograde operations. Until recently ARCENT did not have operational control over the two units responsible for retrograding the bulk of equipment in Iraq.

We identified the following nine issues that DOD should consider as it develops a comprehensive plan for reposturing U.S. forces from Iraq: (1) agreed-upon guidance for environmental cleanup and the disposition of property, which could affect the time and cost of closing bases in Iraq; (2) guidance and plans for the reposturing of contractors from Iraq; (3) accountability and disposition of contractor-managed government-owned property; (4) the possibility of restrictive conditions on the use of facilities in Kuwait and other neighboring countries; (5) availability of power-washing equipment and stands, called wash racks, and the number of customs inspectors in Kuwait; (6) capacity of military transports and convoy security assets, including limits on the main supply route; (7) increased demand for access to mental health care providers; (8) infrastructure requirements of returning units; and (9) requirements for training and equipment reset to restore readiness. DOD has begun to address these issues.

While the National Defense Authorization Act for fiscal year 2008 directs DOD to brief the congressional defense committees on certain issues related to reposturing, DOD is not required to provide the specific information identified in our report. We believe that without more specific reporting from DOD, Congress may not be able to effectively exercise its oversight responsibilities.

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United States Government Accountability Office
Washington, DC 20548

September 10, 2008

Congressional Committees

Following Operation Desert Storm in 1991, a 100-hour war during which U.S. forces advanced approximately 190 miles into Iraq, it took some 14 months to redeploy most of the deployed materiel and equipment out of the theater. Operation Iraqi Freedom began in March 2003, and since that time the United States has maintained a sizeable presence in Iraq, rotating forces into and out of the country in support of ongoing operations. As of April 26, 2008, there were approximately 149,400 Department of Defense (DOD) contractors and, as of July 1, 2008, approximately 147,400 U.S. troops deployed in support of Operation Iraqi Freedom. DOD officials reported that these forces were located on approximately 311 installations, matured during 5 years of operations, with some installations more than 500 miles from Kuwait. Most of the equipment used by U.S. troops in Iraq—approximately 80 percent according to DOD officials—is theater provided equipment, which is a pool of permanent stay behind equipment consisting of specific line items of modified table of organization and equipment property, issued Army prepositioned stocks, and items purchased specifically for Operation Iraqi Freedom that remains in Iraq. Although much of this equipment has remained in Iraq as units rotate in and out, significant amounts will be brought back to the United States if and when there is a decrease in the size of U.S. forces in Iraq. As of March 2008, this pool of theater provided equipment totaled approximately 173,000 major end items such as High Mobility Multipurpose Wheeled Vehicles (HMMWV) and Mine Resistant Armor Protected (MRAP) vehicles, worth approximately $16.5 billion. The retrograde process for returning these equipment items to the United States will be a massive and expensive effort.

In January 2007, the president announced he would temporarily increase, or "surge," the U.S. force level in Iraq by an additional 5 brigades, bringing the total number of brigade combat teams in Iraq to 20.[1] The brigades were in place by June 2007 and began withdrawing in September 2007. In his April 2008 Report to Congress on the Situation in Iraq the commander,

[1]This figure includes Army brigade combat teams and equivalent Marine Corps organizations.

Multi-National Force-Iraq (MNF-I), recommended that the drawdown from 20 to 15 brigade combat teams continue and that, upon the withdrawal of the last of these combat teams in July 2008, MNF-I undertake a 45-day period of consolidation and evaluation. At the end of that period, MNF-I would commence a process of assessment to examine the conditions on the ground and, over time, determine when it could make a recommendation for further reductions. In July 2008, however, the Chairman of the Joint Chiefs of Staff stated that, based on what he observed during a recent trip to Iraq, he expects to be able to recommend further troop reductions to the President and Secretary of Defense in the fall of 2008. In addition, in June 2008 GAO also issued its own assessment of progress in Iraq and called for a new strategy given the changing conditions.[2] Finally, the National Defense Authorization Act for Fiscal Year 2006 (as amended by the National Defense Authorization Act for Fiscal Year 2008) requires the President to report to the Congress quarterly on U.S. policy and military operations in Iraq, including, to the extent practical, (1) an assessment of the levels of U.S. Armed Forces required in Iraq for the 6-month period following the date of the report, the missions to be undertaken by the Armed Forces in Iraq for such period, and the incremental costs or savings of any proposed changes to such levels or missions; and (2) a description of the range of conditions that could prompt changes to the levels of U.S. Armed Forces required in Iraq for the 6-month period following the date of the report or the missions to be undertaken by the Armed Forces in Iraq for such period, including the status of planning for such changes to the levels or missions of the Armed Forces in Iraq. Not later than 30 days after submission of each subsequent report, appropriate senior DOD officials are required to brief the congressional committees on these same matters.[3]

While we have been monitoring the full range of challenges that DOD would likely face, both in Iraq and here in the United States, as it begins to draw down its forces in Iraq, this report is focused on the logistical organizations and processes that would support a drawdown from Iraq or, as DOD officials call it, a "reposturing" effort, especially the retrograde of

[2]GAO, *Securing, Stabilizing, and Rebuilding Iraq: Progress Report: Some Gains Made, Updated Strategy Needed*, GAO-08-837 (Washington, D.C.: June 23, 2008).

[3]National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163, § 1227 (2006) (as amended by the National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1223 (2008)).

materiel and equipment.[4] Our analysis indicated that the redeployment of military personnel, although important, was not as complex, resource intensive, or time consuming.[5] Because of the complexity of the issues and broad congressional interest and requests, we have been assessing DOD's planning for the reposturing effort since August 2007, under the authority of the Comptroller General to conduct evaluations at his own initiative. Specifically, our objectives were to determine (1) the extent to which logistical planning for the reposturing of U.S. forces from Iraq has begun and the assumptions upon which it is based, and (2) DOD has established roles and responsibilities for managing and executing the retrograde of materiel and equipment from Iraq. In addition, we identified several issues that DOD will need to consider as it develops a comprehensive plan for reposturing U.S. forces from Iraq.

To determine what planning has been done regarding the potential reposturing of forces from Iraq and upon what assumptions DOD has based its plans, we reviewed relevant documents, to include command briefings and in-progress reviews, orders, and staff analyses that we obtained from several DOD organizations including U.S. Central Command (CENTCOM), MNF-I, and U.S. Army Central (ARCENT).[6] We also interviewed officials who were directly involved in the logistical planning efforts to determine the status and scope of these efforts. We also traveled to Kuwait in May 2008 and met with DOD officials from a variety of organizations who participated in a logistical summit held at Camp Arifjan, Kuwait. We also obtained copies of the briefings and the logistical reposturing order that resulted from this summit. Based on these discussions as well as the documents we obtained, we were able to determine the assumptions upon which the planning effort was based.

[4]We focused our review primarily on the Army because it has the largest logistical footprint in Iraq The majority of units, materiel, and equipment in the Iraqi theater belong to the Army with relatively few additional services' units, materiel, and equipment. Marine Corps officials told us that the Marines will use Army logistics systems and pipeline to enter and exit the Iraqi theater. In addition, DOD officials have stated that the Air force and Navy have negligible logistical footprints in Iraq.

[5]Discussion with DOD officials in Kuwait indicated that the capacity of the base infrastructure in Kuwait to temporarily house and out-process personnel could be rapidly expanded with 30 days notice. Moreover, during unit redeployments the majority of personnel from each redeploying unit are quickly moved to the United States, leaving only a small stay-behind detachment to manage the retrograde of unit equipment.

[6]For a listing of all the organizations visited during the course of this engagement see app. I.

To determine the extent to which DOD has established roles and responsibilities for managing and executing the retrograde of materiel and equipment from Iraq, we reviewed and analyzed briefings, e-mail correspondence, orders, joint and Army doctrine, relevant sections of the U.S. Code, and other data obtained from DOD organizations in both the United States and Kuwait. These officials provided us with information about the way the retrograde process is supposed to work as well as any challenges they have encountered. While in Kuwait, we also visited locations at which various aspects of the redeployment and retrograde process are performed and spoke with local commanders and on-site supervisors about their experiences and challenges.

During the course of this engagement we identified several issues that DOD will need to consider as it develops a comprehensive plan for reposturing U.S. forces from Iraq. We identified these issues by reviewing our past work as well as documents we obtained from various defense commands and activities, including staff analyses, briefings, orders, doctrinal publications, and relevant laws and regulations. The officials we spoke with included commanders and staff officers who had direct knowledge of the issues we identified. Moreover, we visited several locations in both the United States and Kuwait where the issues we identified would have an impact and, while there, we discussed the possible ramifications of these issues with local DOD officials.

We conducted our audit from August 2007 through August 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I includes more detailed information on our scope and methodology.

Results in Brief

While the pace and overall extent of reposturing in Iraq has yet to be determined, various defense commands began planning for reposturing in fall 2007, and in May 2008 DOD began coordinating these individual planning efforts to develop a logistical framework based on three key assumptions. According to DOD officials, initial planning efforts were uncoordinated because the three organizations undertaking them—the Defense Logistics Agency (DLA), the Army Materiel Command(AMC), and Headquarters, Department of the Army—conducted their planning effort on their own initiative and with little input from CENTCOM and MNF-I,

the commands overseeing operations in Iraq. By late 2007, however, a move began to synchronize and coordinate the efforts of DOD organizations engaged in planning for a reposturing of U.S. forces in Iraq. This culminated in a May 2008 logistics summit at Camp Arifjan, Kuwait, and resulted in an order published by MNF-I that contained the process for the redeployment of units and retrograde of materiel and equipment. The order also established a working group chartered to continue the planning with an eye toward seeking solutions to challenges, including several of the challenges we discuss later in this report. DOD's planning efforts to date have been based on the following three key assumptions:

- any reposturing initiative will be based on MNF-I and Department of State assessments of conditions on the ground;
- there will be sufficient lead time to refine reposture plans once an order with a specific timetable and force posture in Iraq is issued; and
- the reposturing of forces will be deliberate and gradual, predicated on a 180-day process for units leaving Iraq and a sustained flow of no more than 2.5 brigades' worth of equipment and materiel out of Iraq each month.

Although efforts have begun to synchronize planning for reposturing, DOD, CENTCOM, and the military services have not clearly established roles and responsibilities for managing and executing the retrograde of materiel and equipment from Iraq. Joint doctrine states that unity of command must be maintained through an unambiguous chain of command, well-defined relationships, and clear delineation of responsibilities and authorities. However, although CENTCOM has designated an executive agent for the synchronization of the retrograde of materiel and equipment from the Iraqi theater of operations, no unified or coordinated structure exists to account for the role of a variety of teams and units engaged in retrograde operations, such as the disposition of excess property and maintaining accountability of major end items like tanks and High Mobility Multipurpose Wheeled Vehicles (HMMWV). This results in confusion and a lack of clarity on the ways those teams should be utilized. In addition, while the Army has designated ARCENT as its lead element for retrograde of Army material and equipment from the CENTCOM AOR, until recently ARCENT had no direct command authority over the two Army units responsible for the retrograde of the bulk of materiel and equipment in Iraq, a situation that resulted in inefficiency and significant amounts of materiel and equipment in Kuwait sitting idle and awaiting disposition instructions. Finally, another example of this lack of unity of command is that data systems used during the retrograde process

are incompatible. Although a fix for this data system incompatibility has been identified, the fix has not yet been implemented.

We identified several other issues that will affect the development of plans for reposturing U.S. forces from Iraq. Specifically, based on our discussion with DOD officials and analysis of planning efforts to date, the effectiveness and efficiency of DOD's redeployment of equipment and people will depend on the extent to which it develops plans that address and include:

- guidance for the management of hazardous materials and waste and the disposition of property, which could affect the time and cost of closing installations in Iraq;
- guidance and plans for reposturing of contractors from Iraq;
- accountability and disposition of contractor-managed government-owned property;
- the possibility of restrictive conditions on the use of facilities in Kuwait and other neighboring countries;
- availability of wash racks and the number of customs inspectors in Kuwait;
- capacity of military owned and operated transports and convoy security assets, including limits on the main supply route;
- increased demand for access to mental health care providers;
- infrastructure requirements of returning units; and
- requirements for training and equipment reset to restore readiness.

DOD has begun to address these issues. For example, it is addressing the accountability of contractor-managed property and increasing the number of mental health providers. The National Defense Authorization Act for Fiscal Year 2008 requires DOD to brief the congressional defense committees on certain matters that were to be addressed, to the extent practicable, in the President's report. These matters include an assessment of U.S. force levels required in Iraq, the missions they will undertake in Iraq, the incremental costs or savings of any proposed changes to such levels or missions, and a description of the range of conditions that could prompt changes to the levels of U.S. forces required in Iraq, including the status of planning for such changes to the levels or missions of U.S. forces in Iraq. However, certain issues we have identified above are not specifically covered by this requirement. [7] We believe that more specific

[7]National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163, § 1227 (2006) (as amended by the National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1223 (2008)).

reporting from DOD on these issues and DOD's mitigation plans related to these issues will enable Congress to better exercise effective oversight of DOD's plans.

In light of our observations, to ensure that DOD can efficiently and effectively retrograde its materiel and equipment from Iraq, we recommend that the Secretary of Defense, in consultation with CENTCOM and the military departments, take steps to clarify a unified or coordinated chain of command over logistical operations in support of the retrograde effort. We also recommend that the Secretary of Defense, in consultation with the military departments, correct the incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while they are in-transit. Further, to enhance its ability to exercise its oversight responsibilities, Congress may wish to consider directing DOD to modify its briefings submitted in accordance with the National Defense Authorization Act for Fiscal Year 2008 to include specific details on the status of its reposturing planning and how it intends to mitigate issues such as those we identified in this report.

In written comments on a draft of this report, DOD partially concurred with the first recommendation and fully concurred with the second recommendation. The department also provided a number of general comments and technical comments that we considered and incorporated, as appropriate. The department's comments and our evaluation of those comments are discussed in detail in a later section of this report. A complete copy of DOD's written comments, including the department's general and technical comments and our evaluation of each of those comments, is included in appendix II.

Background

According to DOD officials, U.S. forces in Iraq will not be "drawn down" but rather "repostured." MNF-I defines "resposture operations," a non-doctrinal term, as "the realignment of forces, basing, and resources to adjust to changes in the operating environment."[8] Joint doctrine, as outlined in DOD's joint publications for both operations and planning emphasizes the importance of end-state planning and planning for the termination of combat operations. Inherent in DOD's reposture planning is the concept of redeployment, which joint doctrine defines as "the transfer of forces and materiel to support another joint force commander's operational requirements, or to return personnel, equipment, and materiel

[8]Annex E to MNF-I FRAGO 08-232, *Logistics Reposture Guidance* (May 28, 2008).

to the home and/or demobilization stations for reintegration and/or out-processing."[9] Associated with redeployment is another non-doctrinal concept—retrograde.[10] As of May 2008 there was no agreed-upon definition for retrograde as it applies to reposture planning. However, according to some of the proposed definitions the term generally refers to the evacuation of materiel and equipment from Iraq. Moreover, our analysis of DOD documents indicates that the terms "retrograde" and "redeployment" are often used interchangeably. For clarity we use the term "redeployment" to refer to the movement of units (including a unit's complement of personnel, equipment, and materiel) and "retrograde" when referring to the movement of materiel and equipment.

Our analysis of previous GAO reports and testimonies on Operations Desert Shield and Desert Storm indicated that retrograde of materiel and equipment would consume the most time and resources throughout the reposturing effort.[11] Since the 1990s, we have identified DOD's supply chain management as a high-risk area, because DOD has been unable to consistently meet its goal of delivering the "right items to the right places at the right time." Since 1991, we have issued a number of reports highlighting weaknesses in DOD's supply chain management throughout Operations Desert Shield and Desert Storm and Operation Iraqi Freedom.[12]

The logistics infrastructure that supports the redeployment and retrograde effort in the Iraqi theater of operations is large and complex, consisting of

[9]Joint Publication 1-02, *DOD Dictionary of Military and Associated Terms* (May 30, 2008).

[10]The terms "retrograde movement," "retrograde operation," and "retrograde personnel" are doctrinal terms defined in JP 1-02. However, these definitions do not apply to the way in which the term "retrograde" is being used by logistics planners with regard to the reposture planning.

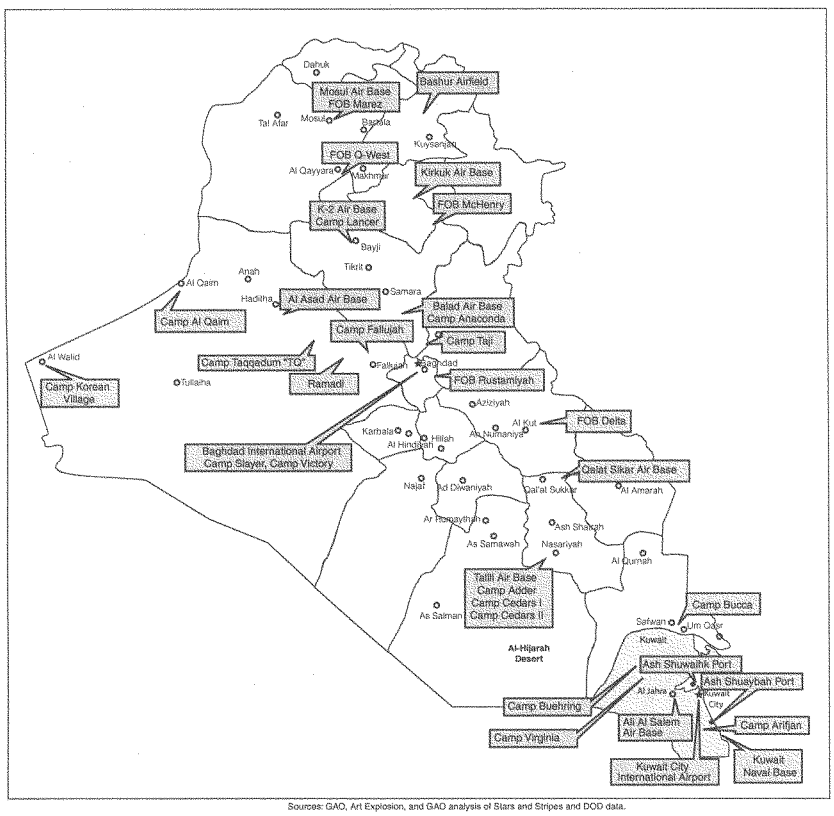
[11]See GAO Operation Desert Storm: DOD's Funding Actions Relating to Leftover Inventories, GAO/NSIAD-93-143FS (Washington, D.C.: Apr. 26, 1993); Materiel Disposal: Alleged Improper Disposition and Destruction of Serviceable Materiel and Supplies in Saudi Arabia, GAO/NSIAD-93-139R (Washington, D.C.: Mar. 11, 1993); Operation Desert Storm: Lack of Accountability Over Materiel During Redeployment, GAO/NSIAD-92-258 (Washington, D.C.: Sept. 23, 1992); and Desert Shield/Storm Logistics: Observations by U S. Military Personnel, GAO/NSIAD-92-26 (Washington, D.C.: Nov. 13, 1991).

[12]See GAO, Desert Shield and Desert Storm Reports and Testimonies: 1991-93, GAO/NSIAD-94-134W (Washington, D.C.: Mar. 1994); *Defense Logistics: Preliminary Observations on the Effectiveness of Logistics Activities during Operation Iraqi Freedom*, GAO-04-305R (Washington, D.C.: Dec. 18, 2003); and *Defense Logistics: Actions Needed to Improve the Availability of Critical Items during Current and Future Operations*, GAO-05-275 (Washington, D.C.: Apr. 8, 2005).

military organizations that operate in both Iraq and Kuwait, and it is through Kuwait's three seaports and two airports that the vast majority of U.S. forces, materiel, and equipment flow out of the theater of operations. Moreover, there are myriad logistics organizations in both Iraq and Kuwait that also support these operations, including elements CENTCOM, U.S. Transportation Command, DLA, ARCENT, the 1st Theater Sustainment Command, AMC, U.S. Marine Corps Central Command, U.S. Naval Forces Central Command, U.S. Air Forces Central Command, and U.S. Special Operations Command Central..

In this report we examine certain components of the logistics infrastructure that support the redeployment and retrograde effort as well as certain aspects of the redeployment and retrograde processes. To properly frame this discussion, however, it is necessary to have some sense of the size of the force in Iraq and the logistics activities in Kuwait that support the redeployment and retrograde of this force. (Figure 1 shows the locations of select installations in Iraq and key logistics activities in Kuwait.) For example, although public discussion of the size of the U.S. force in Iraq generally emphasizes the number of brigade combat teams, according to DOD officials as of May 2008 there were the equivalent of 47 brigades' worth of materiel and equipment in Iraq spread over some 311 installations of varying size. The majority of this materiel and equipment, some 80 percent according to DOD officials, is theater provided equipment, approximately 582,000 pieces of equipment worth about $15.5 billion. Theater provided equipment is permanent stay behind equipment consisting of specific line items of modified table of organization and equipment property, issued Army prepositioned stocks, and items purchased specifically for Operations Iraqi Freedom that remain in Iraq. The 582,000 pieces of equipment include all the accountable line items on the property books for the theater provided equipment such as up-armored HMMWVs, Mine Resistant Armored Program Vehicles, other wheeled and tracked vehicles, generators, body armor, and technologies used to counter improvised explosive devices. In addition, as of summer 2007 there were more than 60,000 materiel containers in Iraq and over 127,000 short-tons of ammunition in Iraq and Kuwait.

Figure 1: Select Installations in Iraq and Key Logistics Activities in Kuwait



Sources: GAO, Art Explosion, and GAO analysis of Stars and Stripes and DOD data.

Planning Efforts, Begun in Fall 2007 and Coordinated in 2008, Are Predicated on Three Key Assumptions

While various individual defense commands began planning for the reposturing of postsurge forces from Iraq in the fall of 2007, those planning efforts were not coordinated until May 2008 and were based on three key assumptions. At the outset these planning efforts were uncoordinated and lacked a joint perspective. However, in late 2007, an effort was begun to synchronize the planning efforts of various DOD organizations as they related to reposture operations in the Iraqi theater of operations. The result of this effort was a series of logistics synchronization conferences as well as MNF-I's publication of a logistics reposture order in May 2008.

Reposture Planning Began Fall 2007 but Initial Efforts Were Uncoordinated

In the fall of 2007 three DOD organizations—AMC, DLA, and Headquarters, Department of the Army (HQDA)—began separate planning initiatives designed to deal with issues relating to the retrograde of materiel and equipment from Iraq. As part of their planning processes, each of the three organizations established working groups or forums for subordinate entities to communicate about issues arising from their planning. Despite working on the same broad set of issues, however, there was little coordination among the three organizations. Moreover both CENTCOM, the combatant command whose area of responsibility includes Iraq and Kuwait, and MNF-I, the headquarters responsible for operations in Iraq, provided little input and guidance to these efforts.

Army Materiel Command officials told us that they issued a warning order on September 6, 2007, directing its subordinate units to be prepared to develop plans in support of the transition from current operations to the reduction of forces in Iraq. The warning order established a biweekly video teleconference, which first met on September 14, 2007, as a forum for all AMC units and staff to discuss upcoming requirements in support of Iraqi theater reposturing efforts. Moreover, the command also stood up a Theater Drawdown Working Group. The original intent of this working group was to conduct a mission analysis of what it would take to redeploy multiple brigade combat teams quickly; however, by November 2007 the working group became an umbrella organization that synchronized AMC's various planning efforts in support of a reposturing of forces from Iraq. Among the issues AMC and its subordinate organizations explored were the capacities of its depots, the disposition of excess equipment in the Iraqi theater of operations, additional resources that might be required in theater based on the pace of the unit redeployments, rebuilding Army Prepositioned Stocks in theater, AMC capabilities in theater to support the reposturing effort, identifying what AMC support was required for reducing the number of installations in theater, and identifying the need for changes in contracts or additional funding.

According to Defense Logistics Agency officials, their agency established a Retrograde Task Force in September 2007 when it became clear that DOD was looking at the reposturing of forces in Iraq.[13] The mission of the Retrograde Task Force was to plan and coordinate the execution of DLA actions in support of retrograde operations from Operation Iraqi Freedom. It was also to develop an integrated support plan for those operations by December 2007. The Retrograde Task Force canvassed DLA's customers—such as the military services, CENTCOM, and ARCENT—to gather data on their respective roles and responsibilities for a reposturing effort and conducted a mission analysis to coordinate and anticipate future DLA actions and identify gaps and seams in the overall retrograde effort.

Headquarters, Department of the Army issued its guidance for the retrograde of materiel from the CENTCOM area of responsibilities on October 23, 2007. HQDA designated ARCENT as the Army's "lead element for retrograde" of Army material and equipment from the CENTCOM AOR, but also stated that AMC is "responsible for executing HQDA retrograde policy." The order provided a set of business rules—by class of supply[14]—that all Army units, commands, and agencies involved in the retrograde process in the CENTCOM area of responsibility were to follow. It also provided disposition instructions for these classes of supply. Finally, the order also established a monthly video teleconference, hosted by the HQDA, G-4 (Logistics), to provide a forum in which issues and obstacles affecting retrograde operations could be discussed.

Although these DOD organizations made efforts to synchronize their planning—for example, both AMC and DLA participated in Headquarters, Department of the Army's monthly video teleconferences and DLA identified Service headquarters as "external links" to its Retrograde Task Force—there was, according to DOD officials, little coordination among the separate retrograde planning efforts. In particular, while AMC and HQDA focused solely on the retrograde of Army materiel and equipment, other DOD officials felt a joint approach headed by either the Joint Staff or CENTCOM was required. Moreover, CENTCOM and MNF-I provided little guidance; according to officials from CENTCOM, they were waiting on

[13]According to DLA officials, although organization of the Retrograde Task Force began in late summer 2007, the Retrograde Task Force was not officially active until September 10, 2007.

[14]DOD classes of supply, and what is included in each class of supply, are laid out in app. III of this report.

input from MNF-I while according to officials representing MNF-I, all discussion of reposturing was "close hold" in that headquarters until after the MNF-I commander's congressional testimony in April 2008.

Reposture Planning Coordinated by May 2008

The synchronization of planning efforts by various defense commands for reposturing of post-surge forces began in late 2007, but was not coordinated until May 2008. According to DOD officials, by late 2007 it had become clear that not only were the various reposturing planning efforts uncoordinated and lacking a joint focus, but the perspectives of organizations in the United States differed from those of organizations in the Iraqi theater of operations. To rectify this, senior DLA officials met with their counterparts in CENTCOM and MNF-I to discuss means by which reposture planning could be better coordinated and more inclusive. Recognizing the added value of a more inclusive and coordinated planning effort, CENTCOM and MNF-I officials invited DLA to embed members of its Retrograde Task Force inside logistics organizations in Kuwait and Iraq. This action established an in-theater planning cell embedded in the organizations involved with logistical planning for reposturing within the Iraqi theater of operations. These organizations included MNF-I, Multi-National Corps, Iraq, ARCENT, the 1st Theater Sustainment Command, the CENTCOM Deployment and Distribution Operations Center, and the 401st and 402nd Army Field Support Brigades.

As a result of these efforts, coordination among DOD organizations involved in redeployment and retrograde planning increased. For example, when representatives from DLA arrived in Iraq and Kuwait they discovered that CENTCOM and ARCENT were holding separate retrograde video teleconferences; these were eventually merged into one joint video teleconference. In addition, although the major focus had been on Army retrograde processes because the Army has the largest ground presence in the theater, once a coordinated reposture planning effort was undertaken other services got involved in the redeployment and retrograde planning process as well.

The end result of the increased coordination and synchronized planning among the organizations involved with reposture planning for Iraq was a logistics summit held at Camp Arifjan, Kuwait, from May 4-9, 2008. At this summit the logistics processes for the retrograde of all classes of supply were synchronized, discussions about what to do with contractor-acquired, government-owned property were held, and general and flag officers were briefed. Representatives from CENTCOM, U.S. Transportation Command, DLA, MNF-I, MNC-I, ARCENT, the 1st Theater

Sustainment Command, HQDA, and the Navy, Marine Corps, Special Operations, and Air Force component commands in theater attended the summit. Based on the summit, MNF-I finalized and published its overarching guidance for logistics reposturing operation on May 28, 2008. This order defined retrograde disposition processes for each class of supply within the Iraqi theater of operations, codified a 180-day unit redeployment template, and addressed basing.[15] Moreover, the order also established a Logistics Reposture Working Group[16] and assigned the group three key tasks:

- Analyze the allocation of resources available to execute the logistics reposturing processes to identify potential shortfalls and to address synchronization issues between various operational and strategic entities.
- Review limitations, constraints, and risks associated with the logistics reposturing processes and develop mitigation measures.
- Review after action report issues from unit redeployments and base reposturing in order to identify policy and procedural gaps and inconsistencies.

Assumptions Guiding Reposture Planning

Based on GAO analysis as well as discussion with DOD officials, both the May 2008 conference and the subsequent logistics reposture order were based on three assumptions. The first is that any reposturing initiative will be based on MNF-I and Department of State assessments of conditions of the ground. The second is that there will be sufficient lead time to refine the plans for reposturing once an order with a specific timetable and force posture in Iraq is issued. The third is that the reposturing of forces will be deliberate and gradual, predicated on a 180-day redeployment template for units leaving Iraq and a model that states the theater logistics infrastructure can sustain the deployment and redeployment of no more than a total of five brigades' worth of equipment and materiel in and out of Iraq, per month.

[15]Basing options include a base's closure, a transfer to the government of Iraq, or a "shrink and share" of a base where both Iraqis and Coalition forces collocate in a landlord-tenant relationship.

[16]The Logistics Reposture Working Group is an enduring forum with all key legistics organizations in the Iraq and Kuwait theater. It meets monthly and addresses strategic, operational, and theater-level logistics issues. It assigns Offices of Primary Responsibility or Operational Planning Teams to develop solutions to logistics-related issues.

The MNF-I 180-day template, summarized in table 1, details the actions U.S. Army and Marine Corps units must complete 180 days prior to the unit's available-to-load date.[17] Twenty-two total organizations–17 separate theater entities plus 5 additional property and retrograde support teams–participate in this process.[18]

Table 1: Multi-National Forces-Iraq 180-day Template

Number of days before departure	Actions
180 to 160	ID types of equipment, request disposition and plan coordination with all retrograde teams
150 to 100	Finalize any early reset plans, set deployment timeline
100 to 80	Disposition instructions issued, request and authorize donation authority
80 to 60	Schedule strategic transportation
60 to 40	Order containers, dispose of excess supplies, develop detailed movement plan, schedule wash racks
40 to 20	Move excess vehicles, validate movement of people
20 to 0	Complete customs and agriculture inspections, move equipment from wash racks to sterile yard to marshaling yard to pier to ship

Source: GAO analysis based on MNF-I FRAGO 08-232.

In addition to the 180-day redeployment template, logistics planners in the Iraqi theater of operation assume the theater's logistics infrastructure can sustain a flow of approximately 2.5 brigades' worth of materiel and equipment into and out of Iraq each month based on a rate-of-flow model they have created. (See appendix V for a more detailed discussion of this model). This model takes into consideration historical property book data, the number of convoys that can be run each month, and the average time it takes a unit to clean its equipment and clear customs in Kuwait. However, according to DOD officials and GAO analysis, while this rate-of-flow model may be a useful planning tool, it should not be used to predict how long it would take to retrograde all the equipment and materiel in Iraq. One reason for this is the actual amount of equipment and materiel with which any one brigade will redeploy varies and these amounts directly affect the number of convoys required to move the unit and the amount of time it will take the unit to clean its equipment before it can be retrograded. For example, during the summer of 2008 the average heavy brigade combat team redeployed with significantly less equipment and materiel than

[17]The available-to-load date is the period of time in which a unit's materiel and equipment is ready to be loaded at a sea or airport.

[18]See App. IV for a list of the support teams and their higher headquarters.

projected in the model because the unit used a large amount of theater provided equipment that remained in Iraq when it redeployed. Moreover, GAO has identified several issues, explained in detail later in this report, that may affect both the volume and pace at which materiel and equipment can flow through the retrograde pipeline. Several of these issues are not currently accounted for by the model.

Executive Agent for Retrograde of Materiel and Equipment Lacks Necessary Authority

Despite recent initiatives to synchronize and coordinate the planning efforts of DOD organizations with regard to the reposturing of forces from Iraq, clear roles and responsibilities with regard to managing and executing the redeployment and retrograde process have not yet been established. According to joint doctrine, "unity of command must be maintained through an unambiguous chain of command, well-defined command relationships, and clear delineation of responsibilities and authorities."[19] Combatant commanders exercise "authoritative direction over logistics," and may organize logistics resources within theater according to operational needs.[20] CENTCOM's retrograde order designates an executive agent for the synchronization of retrograde operations in Iraq. At the same time, because each military department has unique authorities and roles, including the requirement to provide logistical support to its own assigned forces, CENTCOM efforts to establish a truly unified command structure with respect to logistics may be complicated.[21] With no unified or coordinated structure to account for the roles of the theater property and retrograde support teams that assist units with the retrograde of material and equipment, there is confusion and a lack of clarity about how these teams should be utilized. In addition, while the Army has designated ARCENT as its lead element for retrograde of Army material and equipment from the CENTCOM AOR, until recently ARCENT did not have direct command authority over the two Army units in the theater responsible for retrograding the vast bulk of the equipment in Iraq. Because of this the retrograde process was inefficient and resulted in significant amounts of theater provided equipment sitting idle in Kuwait awaiting disposition instructions. Finally, based on GAO analysis, a significant manifestation of the lack of unity of command over the

[19]Joint Publication 1, *Doctrine for the Armed Forces of the United States*, IV-19 (May 14, 2007).

[20]Joint Publication 4-0, *Joint Logistics*, *V-2* (July 18, 2008).

[21]Joint Publication 4-0 notes that "the joint logistician will rarely have unity of joint logistics command, and subsequently control of joint logistics is more challenging."

retrograde process is the use of incompatible data systems. Although a fix for this incompatibility has been identified, the implementation of the fix has not been enforced.

No Single Organization Has Authority over Theater Property and Retrograde Support Teams

No single organization has command authority over all of the theater property and retrograde support teams that facilitate the redeployment and retrograde process. According to ARCENT, the lack of unity of command over these teams makes their use unclear and confusing. There are 10 theater property and retrograde support teams that assist units with redeployment and the retrograde of material and equipment.[22] ARCENT has tactical control authority over only 2 of these teams, the Mobile Redistribution Team and the Redistribution Property Assistance Team.[23] The Mobile Redistribution Team assists redeploying units with identifying, documenting, and providing disposition instructions for excess supplies and repair parts in order to reintegrate required supplies into the distribution pipeline. The Redistribution Property Assistance Team is focused primarily on accountability, turn-in, and retrograde of theater provided equipment. Of the remaining 8 theater property and retrograde support teams, 2 report to AMC, 2 report to MNC-I, and 1 each report to U.S. Transportation Command, the Surface Deployment and Distribution Command, DLA, and the Marine Corps Logistics Command. Each of these 8 teams also provides redeploying units with essential services and expertise. For example, the Joint Redeployment Support Team, which reports to U.S. Transportation Command, has the mission of supplying customs, disposition, hazardous material, and transportation expertise to redeploying units and is to enable in-transit visibility over a unit's materiel and equipment from its forward operating base to the unit's home station or to an identified depot. Another team, the Inventory Property Assistance Team, reports to MNC-I. The Inventory Property Assistance Team's mission is to track material and equipment shortages and excesses for units in Iraq and, when a unit is redeploying, provide instructions for either the redistribution or retrograde of that unit's material and equipment. It has the added mission of conducting inventories during the

[22]See App. IV for a complete list of the theater property and retrograde support teams.

[23]ARCENT has tactical control over Task Force 586, which is the headquarters that controls these units. This allows ARCENT to control and direct these assets through Task Force 586. However, Army Materiel Command also exercises some control over the RPAT because the RPAT supports the 402nd Army Field Support Brigade, over which AMC has command authority through its subordinate command, Army Sustainment Command.

closure of forward operating bases, conducting the transfer of government-furnished equipment,[24] and conducting inventories of "found" equipment containers in Iraq. ARCENT has proposed a command structure within MNF-I and MNC-I to coordinate command and control over the assistance teams in order to better synchronize retrograde efforts in the theater, but as of May 2008 this structure has not been adopted. As a result, according to ARCENT, the use of the various teams during the retrograde process is both unclear and confusing.

Until Recently No Theater Logistical Organization Had Command Authority over Units Responsible for the Retrograde of Most Equipment in Theater

Until recently, there was no single theater logistical organization with command authority over the two units responsible for retrograding theater provided equipment, which accounts for 80 percent of the equipment in Iraq. As a result significant amounts of theater provided equipment were sitting idle in Kuwait awaiting disposition instructions. The two units responsible for retrograding theater provided equipment are the 402nd Army Field Support Brigade in Iraq and the 401st Army Field Support Brigade in Kuwait. Together, these field support brigades relieve redeploying units of accountability for theater provided equipment, arrange for its transportation from Iraq to Kuwait, and process the equipment through the wash racks, customs, and on to its designated destination. According to emerging Army doctrine (currently in draft), when Army field support brigades are deployed in support of a contingency mission to an operational theater and when directed by higher authority, they will fall under the operational control of a theater or expeditionary sustainment command.[25] According to joint doctrine,[26] a theater sustainment command is the logistics command and control element assigned to the Army Service Component Command and is the single Army logistics headquarters in a theater of operations. Theater sustainment commands may also employ one or more expeditionary sustainment commands to aid them with command and control.

Prior to June 2008 in the Iraqi theater of operations, neither ARCENT—CENTCOM's Army Service Component Command and Army's designated lead element for retrograde operations in the theater—nor ARCENT's

[24]Government-furnished equipment is equipment provided to a contractor for use in fulfilling the terms of a contract. This equipment is maintained by the contractor and returned to the government at the contract's conclusion and/or termination.

[25]FM 4-93.41, *Army Field Support Brigade Operations*, Initial Draft, (May 1, 2008).

[26]JP 4-0, *Joint Logistics* (July 18, 2008).

subordinate theater and expeditionary sustainment commands had any direct command authority over the 401st or 402nd Army Field Support Brigades. Instead, higher headquarters for both the field support brigades was the Army Sustainment Command located at Rock Island Arsenal, Illinois.[27] This command relationship appeared to be inconsistent with emerging Army doctrine and Joint doctrine, and HQDA had apparently denied ARCENT authority over all Army organizations in the CENTCOM AOR that support the retrograde process, including the 401st and 402nd. In an effort to provide some in-theater oversight for the retrograde process, AMC has designated the ARCENT G-4 as the commander, Army Materiel Command, southwest Asia (AMC-SWA). However, like ARCENT and its theater and expeditionary sustainment commands, this commander had no direct command authority over the field support brigades whose actions he is charged to synchronize and oversee. Moreover, he did not have a staff to assist him in his duties aside from a chief of staff. According to CENTCOM officials, in June 2008 CENTCOM designated ARCENT as having operational control over the 401st Army Field Support Brigade and the 402nd Army Field Support Brigade. While CENTCOM's action may result in changes in the retrograde process for transferring theater provided equipment from Iraq to Kuwait, we have not yet evaluated the effect of this change.

Before this change occurred, the lack of unity of command made the process for transferring theater provided equipment from Iraq to Kuwait inefficient and resulted in significant amounts of this equipment sitting idle in Kuwait awaiting disposition instructions. This was because the headquarters with the authority to coordinate the theater provided equipment retrograde process (Army Sustainment Command) lacked visibility over the process while the headquarters with visibility over the process (AMC-SWA) lacked the command authority and the staff to coordinate the actions of the field support brigades that execute the process. For example, on May 16, 2008, 177 pieces of theater provided equipment rolling stock[28] that were no longer needed in theater were sitting idle in Kuwait awaiting disposition instructions, some since March

[27]Army Sustainment Command is a subordinate organization to Army Materiel Command and is responsible for field support, materiel management, contingency contracting, and Army pre-positioned stocks.

[28]Class VII Items are further divided into rolling stock and nonrolling stock. Rolling stock includes wheeled vehicles, tracked combat vehicles, wheeled/tracked construction equipment, trailers, semitrailers, and standard trailer-mounted equipment such as generators. Nonrolling stock includes all class VII items not classified as rolling stock.

2008. Army Sustainment Command took no actions to rectify this situation and the commanding general, AMC-SWA, who is also the ARCENT G-4, did not have authority to direct that action be taken. Instead, he used his personal contacts with DOD officials in the United States to obtain the needed disposition instructions. Despite these actions, however, problems persisted with the retrograde process. For example, a DOD official in Kuwait provided documentation showing that over 2,100 non-rolling stock items of theater provided equipment—including such items as 120mm mortars, gun mounts, radio sets, and generators—were also sitting idle in Kuwait awaiting disposition instructions.

Logistical Organizations Have Not Enforced or Lack the Authority to Enforce Improvements to the Retrograde Process

One significant manifestation of the lack of unity of command is that logistical organizations have not enforced or lack the authority to enforce improvements to a retrograde process that is slow and does not maintain in-transit visibility. ASC has identified a solution to the problem and ordered its implementation, but it has not enforced its order despite having the authority to do so. Until recently, ARCENT lacked the necessary authority over the field support brigades to enforce Army Sustainment Command's solution. As a result, significant stores of TPE that are no longer needed in theater are sitting idle in Kuwait awaiting disposition instructions.

Retrograde Process for Certain Theater Provided Equipment Is Slow and Does Not Maintain In-Transit Visibility

The current process for retrograding theater provided equipment no longer needed in Iraq is lengthy and does not maintain in-transit visibility.[29] This is caused by the frequent manual manipulation of data. According to DOD's Supply Chain Materiel Management Regulation, all DOD components shall structure their materiel management to provide responsive, consistent, and reliable support to the warfighter (customer) during peacetime and war using DOD standard data systems that provide timely, accurate in-transit asset information.[30]

Currently, when theater provided equipment moves to Kuwait the 401st Army Field Support Brigade undertakes two concurrent manual processes to establish accountability and visibility for the equipment. Accountability is established by manually entering equipment data into one system, while

[29]A detailed explanation of the systems and organization involved in this process is contained in App.VI.

[30]See *DOD Supply Chain Materiel Management Regulation* Chapter 1, DOD 4140.1-R, § C1.3.1.1; § C1.3.1, § C1.3.2 and § C5.8, (May 23, 2003).

a second manual entry is made in a different system to provide visibility over each item by serial number. The visibility system, however, is a nonstandard Army information system. DOD guidance states that the DOD components should execute a supply chain strategy that promotes the use of shared common data and that wherever possible, adopt commercial data exchange and user interface standards and procedures while ensuring interoperability.

Once accountability and visibility over theater provided equipment has been established, personnel from the 401st Army Field Support Brigade request disposition instructions. This labor-intensive manual process involves sending spreadsheets populated with equipment data from Kuwait to Army Sustainment Command headquarters in Rock Island, Illinois, and then on to the specific Life Cycle Management Command[31] responsible for each particular item, which, in turn, sends disposition instructions back through this chain to the 401st. This process can take months because of the manual workarounds used to pass and manipulate the data.

While equipment can be shipped once disposition instructions are received in Kuwait, in-transit visibility of the equipment is temporarily lost during shipment because the process used to direct shipment of the equipment—called Inter-Depot Transfer—bypasses the Global Transportation Network, DOD's system for providing near real-time in-transit visibility information. This lack of in-transit visibility is contrary to current DOD guidance that requires timely, accurate in-transit asset information be available to all users and logistics managers and in a standard format adequate to satisfy needs.

The 401st Army Field Support Brigade uses another manual process to compensate for this lack of in-transit visibility by coordinating with Surface Deployment and Distribution Command elements at Kuwaiti ports in order to obtain final load manifests for each vessel. The manifest is forwarded to item managers in the United States so they can prepare to receive the equipment; however, manifest information does not reach the brigade until 24 to 48 hours after a vessel sets sail.

[31]The Army Materiel Command has five Life Cycle Management Commands, each of which is responsible for certain types of equipment. They are: Aviation and Missile, Chemical Materials Agency, Communications-Electronics, Joint Munitions & Lethality, and Tank-automotive & Armaments Command.

Army Sustainment Command has stated that "the current process used...to manage and obtain disposition is slow and cumbersome with a high potential to be overwhelmed if reposturing is accelerated." In addition to the more than 2,100 pieces of nonrolling stock TPE awaiting dispositions instructions cited above—some reportedly for years—a DOD official stated that in the past rolling stock has been sitting idle in Kuwait for anywhere from 3 to 9 months.

Logistical Organizations Have Not Enforced or Lack the Authority to Enforce Compliance with Orders to Implement Improvements to the Retrograde Process

Although Army Sustainment Command has issued an order outlining changes to the retrograde process that corrects the problems we have identified, neither of the field support brigades in the Iraqi theater of operations have followed it. In April 2008, Army Sustainment Command issued an order directing the 401st and 402nd Army Field Support Brigades to use Property Book Unit Supply Enhanced transactions to transfer equipment between Iraq and Kuwait in order to maintain accountability and visibility.[32] Moreover, the order directed that disposition instructions for all theater provided equipment not required in theater should be requested through the Standard Army Retail Supply System.[33] According to a DOD official this will allow the automated request of disposition instructions, thereby reducing the time necessary to receive the instructions. Moreover, the system will provide data to the Global Transportation Network, thereby improving in-transit visibility over equipment. However, for reasons that were not made clear, this order has not been implemented and Army Sustainment Command has not compelled the field support brigades to comply.

In January 2008, ARCENT, as the lead agent for retrograde, requested that Headquarters, Department of the Army delegate to ARCENT more authority over the retrograde process. Specifically, according to ARCENT officials, ARCENT requested that it be given authority to determine and issue disposition instructions and that it be given authority to direct all Army organizations in the CENTCOM area of responsibility that support the retrograde process. As of May 2008, ARCENT had not received these

[32]Army Sustainment Command Operations Order 30-08, *Retrograde of Theater Provided Equipment (TPE)* (Apr. 18, 2008).

[33]The Standard Army Retail Supply System is a Combat Service Support peacetime and wartime logistics Standard Army Management Information System that (1) performs the supply functions of ordering, receiving, storing, and issuing supplies; (2) supports supply management functions such as excess disposition and redistribution; and (3) offers improved communications and advanced automation functionality. One of its benefits is providing asset visibility at the Brigade Combat Team, Corps, theater, and national levels.

authorities. Until recently, ARCENT had no authority to direct the field support brigades to comply with Army Sustainment Command's order to fix the data incompatibility problem in theater. While CENTCOM's action designating ARCENT as having operational control over the support brigades may result in changes in the disposition instruction process, we have not yet evaluated the effect of this command change.

Issues That DOD Needs to Consider in Its Reposture Planning

We identified nine issues that will affect the development of plans for reposturing U.S. forces from Iraq. These nine issues are discussed, in detail, in the following sections. Although the pace and overall extent of a potential reposturing are uncertain, DOD has begun to address these issues. While DOD officials are not required to report specific information about these nine issues or possible mitigation plans related to these issues, as part of the briefings they are required to provide to the congressional defense committees,[34] we believe that without more specific reporting from DOD, Congress may not be able to effectively exercise oversight responsibilities of DOD's plans.

Time and Cost Estimates for Base Closures in Iraq

According to ARCENT officials, closing or handing over U.S. installations in Iraq will be time-consuming and costly, although time and costs are difficult to estimate without a bilateral agreement addressing base closures. As of May 31, 2008, 311 U.S. installations in Iraq will have to be closed or turned over to the Iraqis during a reposturing effort, depending on the scope of U.S. reposturing. According to ARCENT officials, experience has shown it takes 1 to 2 months to close the smallest platoon- or company-size installations, which contain between 16 and 200 combat soldiers or marines. However, Multi-National Corps-Iraq has never closed an installation the size of complex installations such as Balad Air Force Base, which contains approximately 24,000 inhabitants and has matured over 5 years, making accurate predictions about the time it will take to close them difficult. ARCENT officials estimate it could take longer than 18 months to close a base of that size, likening the process to shutting down and moving a small U.S. city.

[34]National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163, § 1227 (2006) (as amended by the National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1223 (2008)).

According to DOD officials, time and costs are difficult to estimate without an agreement between the United States and Iraq on base closure, especially with regard to guidance of the management of hazardous materials and waste and the transfer of personal property.[35] ARCENT officials stated that both issues are traditionally addressed in Status of Forces Agreements; however, as of July 18, 2008, the United States and Iraq do not have such an agreement.[36] Hence, although CENTCOM guidance states that the base commander is responsible for the removal or remediation of all hazardous materials and waste, ARCENT officials stated that base commanders do not know to what extent they must remediate the waste, and therefore may have difficulty estimating the time and cost of cleaning installations. In addition, according to ARCENT officials, absent an agreement with Iraq on the disposition of personal property, "all bunkers, trenches, fighting positions, and force protection barriers... will be removed" in accordance with CENTCOM policy.

ARCENT officials asserted that, absent a bilateral agreement with Iraq addressing the base closure or hand-over process, the U.S. will have to negotiate the terms of closure for each base individually, which could potentially slow the base closing process. For example, ARCENT officials noted that since the owners or lessees of the land on which the installations currently reside include the Iraqi Ministries of Interior, Defense, and Justice, and other Iraqi national government entities as well as private individuals, property transfers would be complicated and time consuming. Moreover, ARCENT officials stated that in the absence of a bilateral agreement that provides guidance for the management of hazardous waste and materials, it is normal practice to follow the established guidelines for this management, which generally are more stringent and therefore potentially more costly and time consuming.

[35]MNF-I defines personal property as any property than can be moved and reused without significant refurbishment or degradation from its intended purpose. Personal property includes government property (those items owned by services and components) and items owned by individuals. Examples include re-locatable buildings, window air conditioning units (not to include split air conditioning unit), generators, desks, chairs, computers, office supplies, cots, foot lockers, and clothing.

[36]As of July 18, 2008, the U.S. and Iraqi governments were still negotiating the terms of their bilateral agreement, although the exact nature of the agreement was still being negotiated.

Uncertainties Regarding Plans for Contractors

From late 2007 through July 2008, planning for the reposturing of U.S. forces in Iraq did not include a theater-wide plan for the reposturing of contractors. According to MNF-I's May 2008 logistics reposture order, logistics planners were to coordinate with the Defense Contracting Management Agency (DCMA) to identify contractual issues associated with logistics reposture operations. But as of June 2008, DCMA officials stated that they were not aware of a theater-wide plan for the reposturing of contractors. In fact, according to DOD officials, CENTCOM contracting planners did not begin participating in planning for the reposturing operations until July 2008.

While there is no theater-wide plan, since May 2008 Army LOGCAP officials have been participating in theater-wide logistics reposturing planning. Reposture planning for LOGCAP is significant, given that it is the largest logistical support contract in Iraq. According to a DOD official, examples of such participation include LOGCAP personnel attending a series of logistics conferences held at Camp Arifjan, Kuwait in May 2008, working with logistics reposture planning teams in MNF-I and MNC-I, and participating in the Logistics Reposture Working Group. However, according to a DOD official responsible for coordinating LOGCAP planning efforts with reposturing planning efforts, challenges remain in the planning for the reposturing of LOGCAP contractor personnel. For instance, decisions about reposturing of these contractors are often made before requirements have been clearly identified and DOD officials responsible for planning the reposturing of these contractors do not receive timely and accurate information from the customers or units using these contracts.

Accountability and Disposition of Contractor-Managed Government-Owned Property

Maintaining accountability for and managing the disposition of U.S. government property under the control of contractors may present challenges to reposturing from Iraq. According to Defense Contract Management Agency officials, there is at least $3.5 billion worth of contractor-managed government-owned property[37] in Iraq. According to the same officials, the largest portion of all contractor-managed government-owned property in Iraq, $3.37 billion, falls under the LOGCAP, an Army program to provide contracted resources to support U.S.

[37]For simplicity, we use the term contractor-managed government-owned property to incorporate all items which the contractor manages expressly to perform under the contract, including items given to the contractor by the government (government-furnished equipment), or acquired/fabricated by the contractor.

contingency operations. Examples of LOGCAP equipment include laundry and bath facilities, food service, sanitation, housing, maintenance, transportation, construction, and power generation and distribution. According to Defense Contract Management Agency officials, non-LOGCAP contractor-managed government-owned property falls into four main categories. These are the Air Force Contract Augmentation Program, selective programs under DOD's Joint Contracting Command-Iraq/Afghanistan, programs run by the Gulf Region Division of the Army Corps of Engineers, and hundreds of smaller programs run by individual U.S. government agencies. Defense Contract Management Agency officials reported that property in these four categories includes, but is not limited to, plant equipment and materiel to support various reconstruction efforts like the Iraqi Department of Public Works.

Several DOD organizations have already begun planning for the disposition of excess contractor-managed government-owned property from Iraq.[38] For example, in October 2007, the Deputy Under Secretary of Defense for Logistics and Materiel Readiness increased the donation threshold for all excess U.S.-owned personal property in Iraq from $5,000 to $10,000[39] and delegated this donation authority to MNF-I. According to DOD officials, in June 2008, the Deputy Under Secretary of Defense for Logistics and Materiel readiness increased the authority to transfer (formerly known as donation authority) for all U.S.-owned excess personal property in Iraq from $10,000 to $15,000. In addition, in 2007 the Army published guidelines for the retrograde of contractor-acquired government-owned property from CENTCOM's area of responsibility.[40] The Army followed this up in December 2007 with a business case analysis of the effective disposition of contractor-acquired government-owned property and a conference in May 2008 during which it updated and developed polices and processes for maintaining accountability over this

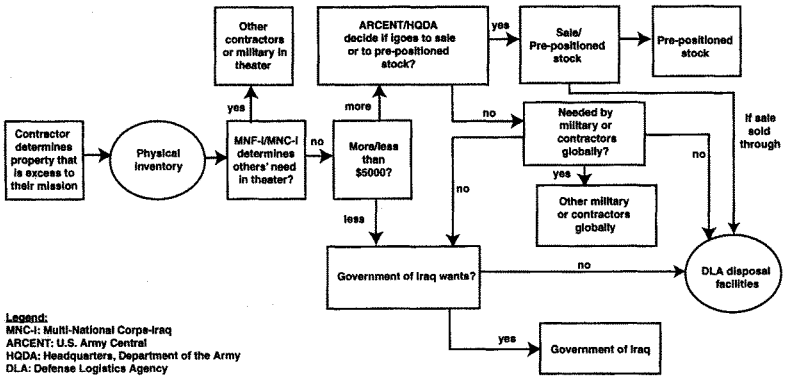
[38]Excess contractor-managed government-owned property is a subset of foreign excess personal property, which is defined as U.S.-owned personal property located outside of the United States that is excess to government needs.

[39]The October 2007 memo increasing donation authority to $10,000 updated an August 4, 2006, DOD memo based on the Defense Reutilization and Marketing Service's cost-benefit analysis dated June 9, 2006, which estimated the cost at which care and handling of an item exceeds the proceeds from its sale.

[40]Headquarter, Department of the Army, HQDA *Materiel Retrograde Policy*, (October 23, 2007).

property.[41] The Army's analysis indicates that approximately 85 percent of all contractor-acquired government-owned property in Iraq should be transferred,[42] sold, or scrapped in Iraq once it is declared excess,[43] while the remaining 15 percent can be sold or reused elsewhere. Finally, in its Logistics Reposture Guidance, MNF-I established policies and procedures for disposing of contractor-managed government-owned property in Iraq. This process is shown in figure 2 below.

Figure 2: MNF-I Process for Disposing of Contractor-Managed Government-Owned Property



Source: GAO analysis of DOD information

Despite the above efforts, however, three challenges exist to maintaining accountability for and managing the disposition of contractor-managed

[41]According to an Army official, this analysis included property acquired/fabricated by the contractor, but not government-furnished equipment. Consequently, the analysis included much, but not all contractor-managed government-owned property.

[42]The property can be transferred to other military units or contractors in theater, the government of Iraq, or other military units or contractors around the world.

[43] The Army's analysis considers this property to be (1) uneconomical to return to the United States or (2) prohibited from return to the United States given policy, regulations, or agreements.

government-owned property in Iraq. The first challenge is determining the original or fair-market value of contractor-managed government-owned property and determining any security restrictions on its disposition. According to MNF-I, the failure to sort and identify U.S. government materiel in Iraq has already resulted in the retrograding of items that are unserviceable, are still needed in theater, or are uneconomical to retrograde. Moreover, according to the Department of the Army's business case analysis, the LOGCAP property book kept by the prime contractor had numerous omissions, and many items were not properly listed, creating doubt about the inventory's accuracy. Without accurate accountability of contractor-managed government-owned property in Iraq, the U.S. government may fail to realize all possible financial and practical gains from this property.

The second challenge facing DOD, according to Defense Contract Management Agency officials, is the time-consuming and labor-intensive task of accounting for and determining the disposition of contractor-managed government-owned property. According to MNF-I, before contractor-managed government-owned property can be disposed of it must be transferred from the contractor's records to a military unit's property book. However, officials from the Defense Contracting Management Agency stated that contractors and government officials must perform a joint inventory of all property before it is transferred. Defense Contract Management Agency officials assert that completing this inventory will require planning, travel to storage locations, and the physical staging of property for easier counting, all of which are time consuming. Moreover, the same officials stated that security concerns have previously hindered their ability to travel to all inventory locations. According to AMC, if the security situation inhibits contractors from moving equipment, the contractors can abandon the equipment to U.S. forces that will then be responsible for its disposition. Defense Contract Management Agency officials stated that without adequate time and resources to plan and execute a thorough inventory of contractor-managed government-owned property in Iraq, the risks of losing accountability over this property will increase.

The third challenge is that DLA may not have sufficient data to adequately plan capacity needs at the Defense Reutilization and Marketing Offices in

theater.[44] MNF-I policy states that contractor-managed government-owned property that is excess to government requirements, and is not donated to the Iraqi government, will be disposed of at DLA facilities. To prepare for this, DLA officials attached to MNF-I told us they spent 3 months performing a detailed analysis of how much equipment will end up at these facilities in theater. Despite these efforts, however, there are six factors that may affect DLA's ability to accumulate sufficient data to adequately plan capacity needs at DLA's disposal facilities.

- LOGCAP inventory accuracy. A Department of the Army business case analysis stated that problems with the LOGCAP property book created doubt about the inventory's accuracy. While according to an Army official the LOGCAP prime contractor is currently performing an inventory of all of its property in Iraq, the process is adding new items to their property books, making older property estimates outdated.
- Lack of property disposal estimates. According to DOD officials, MNF-I requested but never received the services' estimates of what they anticipate sending to the disposal facilities.
- Lack of property book data. According to DOD officials, MNF-I did not receive property books from the Army Corps of Engineers and only received partial information from the Air Force Contract Augmentation Program.
- Lack of visibility over non-DOD property. According to Defense Contract Management Agency officials, it is difficult to determine how much equipment is managed by contractors under the hundreds of smaller programs run by individual U.S. government agencies.
- Lack of individual item accountability. According to DOD officials, many of the systems used to account for contractor-managed government-owned property only track types of items, but not necessarily the individual items themselves, making detailed estimates difficult.
- Insufficient training. According to DOD officials, some retrograde process teams sent to aid redeploying units have not had sufficient training, causing them to send unnecessary property to disposal facilities.

DLA has implemented other initiatives to mitigate and prepare for increased operations at the disposal facilities. For example, DLA fielded

[44]DLA runs four Defense Reutilization and Marketing Offices in Iraq and one in Kuwait, which are responsible for disposing of surplus DOD property through reutilization, transfer, donation, and sale. The sale of this surplus property is accomplished by awarding contracts to vendors that in turn resell the property.

individuals to accompany a key retrograde assistance team to prevent unnecessary equipment from ending up at these facilities and, according to DLA officials, in one instance they successfully rerouted 194 of 200 containers, reducing the chance of double-handling this property. However, without a comprehensive picture of all property in theater, DLA may not be able to fully prepare its disposal facilities for the contractor-managed government-owned property that will flow to them, particularly in the event of a full-scale reposturing.

Use of Facilities in Kuwait and Other Neighboring Countries

The pace at which units can be redeployed and equipment and materiel retrograded as part of any reposturing of U.S. forces from Iraq would be governed by the capacity of facilities in neighboring countries as well as restrictions on the use of those facilities. According to DOD officials, Kuwait is the main point of exit for all personnel, equipment, and materiel in Iraq. At present there are three U.S. bases and five Kuwait facilities that the United States is using to support operations in Iraq, including retrograde and redeployment operations. The U.S.-Kuwait Defense Cooperation Agreement governs the use of these facilities. According to DOD officials, any reposturing effort must take into consideration the terms of the Defense Cooperation Agreement and ongoing negotiations related to that agreement, particularly given that in their view, the government of Kuwait desires to limit the size of the U.S. footprint in Kuwait. DOD has explored alternative routes and ports through which to redeploy units and retrograde equipment and material but these, too, are constrained because of capacity and other considerations. For example, in February 2008 the Marine Corps began testing the feasibility of using an alternate port in the region for redeployment and retrograde operations.[45] However, Marine Corps officials stated that though the tests have been successful, at present the country in which that port is located only allows the transport of containerized cargo through its territory and will not permit U.S. military security detachments to escort the cargo. As a result of these restrictions, Marine Corps officials reported they could retrograde only 20 to 30 percent of their nonsensitive materiel and equipment in Iraq through this port. ARCENT officials are also studying the feasibility of using two other alternate ports in the region. However, according to ARCENT documents, one port has limited utility as a retrograde port because the shallow draft of the harbor makes its unsuitable for larger

[45] The Marines have previously used this alternate port to resupply its forces in western Iraq.

ships, the port's facilities are in need of significant renovation, and local security at the port is questionable. The third port is limited to containerized cargo as well as being limited by the amount of cargo traffic that can travel along the port's approach roads.

Availability of Wash Racks and Customs Personnel

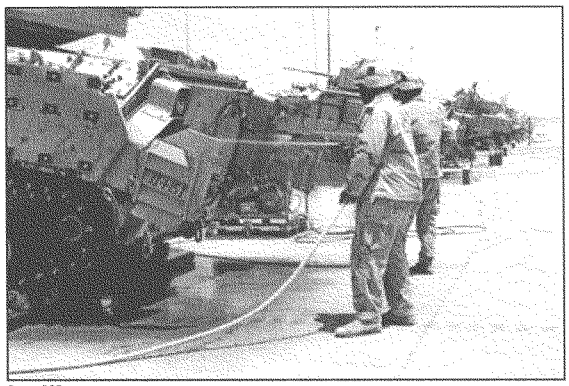
Limits on the availability of wash racks in Kuwait and a limited number of customs inspectors comprise another constraint on the pace at which retrograde operations can be effected. Prior to returning to the United States all materiel and equipment must be cleaned to U.S. Department of Agriculture (USDA) standards. These standards are outlined in The Armed Forces Pest Management Board Technical Guide No. 31, which states that "USDA inspection standards only allow a thin film of road dust on vehicles and equipment arriving at the CONUS [continental United States] final port of entry," which DOD officials interpret to mean that materiel and equipment cannot have even a "pinchable" amount of dirt. To meet these standards of cleanliness, DOD officials stated that all vehicles returning to the United States are pressure washed. This involves, first, removing the vehicle's secondary equipment and any add-on armor. Next, the vehicle moves to a wash rack where the pressure washing occurs. For larger vehicles, such as tanks, Bradley Fighting Vehicles, and M88 recovery vehicles this can take anywhere from 40 to 80 hours (larger vehicles must also have their engines removed and the engine compartment cleaned as well). Smaller vehicles, such as HMMWVs, take anywhere from 4 to 8 hours.

At present there are 211 wash racks available for use by U.S. forces in Kuwait, 81 at Camp Arifjan and another 130 at Kuwait Naval Base.[46] According to DOD officials, the wash racks at Camp Arifjan operate 24 hours a day. However, wash rack operations at Kuwait Naval Base are subject to occasional work stoppages and other restrictions. For example, when ammunition is being loaded or unloaded at the naval base, wash rack operations there are suspended for safety reasons. According to DOD officials, at present this only occurs for 6 days each quarter, but if the retrograde of ammunition were accelerated this could occur more often. Moreover, theater provided equipment, which is washed by contracted third-country nationals, cannot be washed at Kuwait Naval Base because of security concerns. And of the 130 wash racks at the naval base, only 100

[46] DOD officials stated that an additional 20 wash racks should be operational at Camp Buehring by August 2008; we were not able to confirm this.

are useable for the cleaning of equipment because the remaining 30 lack the necessary filters that separate contaminates from the wash water.

Figure 3: Bradley Fighting Vehicles at Wash Racks



Source: DOD.

Figure 4: HMMWV on Wash Rack

Source: DOD.

After being washed, vehicles are inspected by military personnel who have been specially trained and certified by the U.S. Customs and Border Protection Agency. These customs inspectors ensure that before any vehicle or piece of equipment is placed in a sterile lot, the last stop before it boards transport for return to the United States, it meets USDA standards of cleanliness. In Kuwait, these trained inspectors are provided by the U.S. Navy. Navy officials have stated that at present there is no shortage of trained and certified customs inspectors in Kuwait given the current throughput of retrograding material and equipment. However, other DOD officials have noted that were the pace of retrograde increased, more customs inspectors would be necessary. They also stated that absent an increase in the number of inspectors, otherwise clean vehicles would be delayed from entering the sterile lot and would therefore require additional cleaning to meet customs standards of cleanliness. In turn, this could cause a backlog of vehicles and materiel in Kuwait.

Availability of Transportation and Security Assets and Route Restrictions

The availability in theater of military owned and operated heavy equipment transports and convoy security assets, combined with limits on the primary supply route, could inhibit the flow of materiel out of Iraq. According to DOD officials, two types of heavy equipment transports (HET) support U.S. forces in the Iraqi theater of operations: commercially contracted unarmored transports and armored military transports with military crews. Both types of transport are used to haul vehicles like tanks, Bradley Fighting Vehicles, and HMMWVs over long distances.[47] They also carry containers.

According to DOD officials, there are sufficient quantities of civilian HETs in the Iraqi theater of operations. However, one factor affecting the frequency with which convoys can be mounted is the availability of military HETs and convoy security assets. According to officials from the 1st Theater Sustainment Command, most convoys comprise both civilian and military HETs, with the latter being interspersed throughout the convoy to facilitate control and security. Any increase in the number of civilian HETs without a corresponding increase in the number of military HETs, they maintain, increases the risk of accidents. However, DOD officials have reported shortages of military HETs in theater. In addition, officials from the 1st Theater Sustainment Command stated that each convoy is accompanied by a mounted security detachment. According to ARCENT officials, the availability of these convoy security assets could also inhibit the flow of materiel out of Iraq by decreasing the frequency with which convoys can be mounted.

One other factor that could inhibit the rate by which units can be redeployed and material and equipment retrograded out of Iraq into Kuwait is the capacity of the primary supply route. Prior to May 2007, U.S. convoys used a six-lane concrete highway. However, according to III Corps officials, the government of Kuwait funded the construction of an alternate route that opened in May 2007. These officials explained that the new route is not wide enough to handle two-way HET traffic and is deteriorating. III Corps officials stated that, because of this, the flow of convoys north and south along the newer route must be staggered, which further limits the number and frequency of retrograde convoys. Moreover, according to DOD officials under all but the most extreme reposturing

[47]According to DOD officials, although it is possible to self-deploy vehicles from Iraq to Kuwait (i.e., drive them out under their own power), the resulting wear and tear on a vehicle makes this an unattractive alternative. Hence, when possible, vehicles are transported out of Iraq on heavy equipment transports.

scenarios, substantial numbers of convoys will need to continue flowing north to resupply Coalition forces in Iraq.

Home Station Issues

During our visits to units and installations in the United States as well as conversations with DOD officials, we became aware of several issues that could challenge units once they have returned to their home stations. Although these issues need to be explored further, they are included in this report because of their potential impact. These issues are:

- A lack of sufficient numbers of mental health professionals to care for returning service members and their families. According to Army officials and GAO analysis there is already a deficiency in the number of mental health providers given the rise in the number of mental health problems being reported by service members and their families. The Army has already taken steps to meet this challenge through hiring and contracting for additional mental health care professionals to meet the rising demand, but they report that there remains a dearth of qualified mental health professionals to provide the requisite care for service members and their families.

- A lack of sufficient infrastructure. According to Army officials there is already insufficient infrastructure such as barracks, administrative and headquarters buildings, motor pools, and maintenance and training areas on several installations. This is due to the "Grow the Army" initiative which has increased the number of brigade combat teams in the Army since the beginning of the war in Iraq. As a result, some installations have more Army units assigned to them than there are facilities to support. Currently, the Army is able to mitigate this challenge because a certain number of units are always deployed. This allows the Army to use the same facilities for more than one unit. However, installation management officials are concerned that in the event of a major reposturing of units out of Iraq and the concomitant return of Army units to their home stations there will not be enough room to accommodate all of the equipment, unit headquarters staff, and soldiers stationed at an installation.

- Needed future investments in training and equipment. According to recent testimony by the Secretary and Chief of Staff of the Army, resetting the force so that it is capable of "full spectrum operations" will require substantial future investments in time, money, and resources. This point was underscored for us during discussions with officials from the 1st Cavalry Division that had recently returned from Iraq. They told us that it would not be until 6 to 9 months after

returning from Iraq that their brigade combat teams would have the necessary equipment with which to train.

Lastly, though DOD is not required to report on the specific issues we identify in this report or possible mitigation plans related to these issues as part of the briefings they are required to provide to the congressional defense committees, we believe that without such specific information Congress may not be able to effectively exercise its oversight responsibilities and stewardship over DOD.

Conclusions

Although DOD began in May 2008 to coordinate its planning for the reposturing of U.S. forces from Iraq among its various relevant commands and organizations, it has not adequately delineated roles and responsibilities for the execution of the associated retrograde process. Specifically, although CENTCOM has designated an executive agent for the synchronization of retrograde operations in the theater, no unified or coordinated chain of command exists to account for the roles played by a variety of teams engaged in retrograde operations. In addition, while the Army has designated ARCENT as its lead element for retrograde of Army material and equipment from the CENTCOM AOR, until recently ARCENT had no command authority over the two Army units responsible for the retrograde of the bulk of material and equipment in Iraq. Instead, there are a variety of organizations, some in theater and others in the United States, that exercise influence over the retrograde process, either directly or through subordinate organizations in the Iraqi theater of operations. The resulting lack of a unified or coordinated command structure is not only inconsistent with joint doctrine, but also increases confusion and causes inefficiencies in the retrograde process and inhibits the adoption of identified mitigation initiatives.

In addition, we identified several other issues that DOD will need to consider as it develops a comprehensive plan for reposturing U.S. forces from Iraq to support future U.S objectives and strategy. While DOD has begun to address these issues, none of them have been fully addressed. Moreover, because Congress will have a role in funding and overseeing the reposturing effort, it is important that the Congress be informed of these issues since they will likely affect DOD's overall reposturing costs and execution. While DOD is required to brief the congressional defense committees on certain issues related to reposturing, it is not required to provide the specific information identified in our report. We believe that without such information, Congress may not be able to effectively exercise

its oversight responsibilities and assess the extent to which DOD's plans are effective, efficient, and well-coordinated.

Recommendations

To ensure that DOD can efficiently and effectively retrograde its materiel and equipment from Iraq, we recommend that the Secretary of Defense, in consultation with CENTCOM and the military departments, take steps to clarify the chain of command over logistical operations in support of the retrograde effort. These steps should address not only the Army field support brigades but also the theater property and retrograde support teams. We also recommend that the Secretary of Defense, in consultation with the military departments, correct the incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while they are in transit.

Matter for Congressional Consideration

To enhance its ability to exercise its oversight responsibilities, Congress may wish to consider directing DOD to include in its briefings submitted in accordance with the National Defense Authorization Act for Fiscal Year 2008, specific details on the status of its reposturing planning and how it intends to mitigate specific reposturing issues, including those we identified in this report, as well as other challenges the department envisions as it proceeds with its reposturing efforts.

Agency Comments and Our Evaluation

In written comments on a draft of this report, DOD generally concurred with our two recommendations. Specifically, the department partially concurred with our first recommendation and fully concurred with our second recommendation. DOD also commented that from the time we began this review to the completion of our data collection, the operational environment in theater has changed, processes have been modified, and actions have been taken to mitigate the concerns identified in our draft report. We recognize in our report that the operational environment has changed over time and that DOD has recently modified some processes and taken actions to enhance its planning for the reposturing of forces from Iraq. However, as discussed below, we continue to believe that DOD needs to take additional actions to implement our recommendations and improve the efficiency of its retrograde process.

In response to our first recommendation that the Secretary of Defense, in consultation with CENTCOM and the military departments, take steps to clarify the chain of command over logistical operations in support of the retrograde effort, DOD stated that the current retrograde command and

control achieves unity of effort and is producing positive results. DOD further commented that CENTCOM has designated the U.S. Army Central Command (ARCENT) as the executive agent for the retrograde process, and that ARCENT also has operational control of the two Army Field Sustainment Brigades we discuss in the report. DOD believes that the established liaison and supporting/supported relationships by retrograde support teams are achieving unity of effort in retrograding theater property through the regular Logistics Reposture Working Groups where collaboration and coordination occur. DOD further commented that, for a longer term solution, CENTCOM is taking steps to refine and solidify a theater logistics command and control structure from its current construct to a Joint Task Force Theater Logistics Command under the CENTCOM Commander. DOD stated that its plan for this new command is phased, conditions-based, and its execution will be coordinated within the overall theater posture process with appropriate DOD agencies and the military services. We support DOD's and CENTCOM's long-term plan to refine and solidify its command and control structure for managing and executing the retrograde process. In addition, we are aware that subsequent to completing our audit work in Kuwait and drafting our report, CENTCOM refined the logistical command and control structure by placing the 401st and 402nd Army Field Support Brigades under the operational control of the commanding general, Army Materiel Command, Southwest Asia. Although we have not had the opportunity to evaluate the effect of this new command arrangement, we believe it to be a significant step toward the attainment of unity of command over the theater provided equipment retrograde process. However, CENTCOM has not implemented a similar action with regard to the command and control of the ten theater property and retrograde support teams that facilitate the redeployment and retrograde processes. According to ARCENT, this lack of unity of command over these teams makes their roles and responsibilities as they relate to the retrograde of equipment and materiel unclear and confusing. As a result, we continue to believe that DOD, in consultation with CENTCOM and the military departments, needs to immediately address the current confusion and lack of clarity regarding the command and control of the various commands and support teams that support the retrograde operations in Iraq and Kuwait.

DOD fully concurred with our second recommendation that the Secretary of Defense, in consultation with the military departments, correct the incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while they are in transit. DOD commented that it is actively assessing various data systems used to maintain visibility over equipment and materiel while in transit.

DOD also provided a number of general and technical comments which we have incorporated in the report as appropriate. A complete copy of DOD's written comments, including the department's general and technical comments and our evaluation of each of those comments, is included in appendix II.

We are sending copies of this report to the appropriate congressional committees; Secretary of Defense; the Secretaries of the Army, Navy, and Air Force; and the Commandant of the Marine Corps. We will also make copies available to others on request. In addition, the report will be available at no charge on the GAO Web site at http://www.gao.gov.

Should you or your staff have any questions on the matters discussed in this report, please contact me at (202) 512-8365 or solisw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this letter. GAO staff who made key contributions to this report are listed in Appendix VII.

William M. Solis
Director, Defense Capabilities and Management

List of Congressional Committees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Daniel K. Inouye
Chairman
The Honorable Thad Cochran
Ranking Member
Committee on Appropriations
Subcommittee on Defense
United States Senate

The Honorable Ike Skelton
Chairman
The Honorable Duncan L. Hunter
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable John P. Murtha
Chairman
The Honorable C.W. Bill Young
Ranking Member
Committee on Appropriations
Subcommittee on Defense
House of Representatives

Appendix I: Scope and Methodology

To determine the extent to which the Department of Defense (DOD) has begun logistical planning for the reposturing of forces from Iraq and upon what assumptions it based its plans, we reviewed relevant briefings, orders, and staff analyses relating to the logistical planning effort and discussed the effort with DOD officials who were directly involved. We met with many of these individuals several times over the course of this engagement either in person, telephonically, or by video teleconference. As a result, we were able to obtain updated information that allowed us to discuss the means by which the logistical planning effort evolved over time. We also obtained copies of the briefings presented during the May 2008 logistical summit held at Camp Arifjan, Kuwait, as well as a copy of the logistical reposturing order that resulted from that summit, and met with many of the senior DOD officials who participated in that summit. The documents we obtained and officials we spoke with were from U.S. Transportation Command; U.S. Joint Forces Command, U.S. Central Command; Multinational Force-Iraq; the Defense Logistics Agency; Army Materiel Command,; Headquarters, Department of the Army; Headquarters, U.S. Marine Corps; U.S. Army Central at both Fort McPherson, Georgia, and Camp Arifjan, Kuwait; Headquarters, U.S. Marine Corps, Central; U.S. Army Forces Command; Headquarters, II Marine Expeditionary Force; Headquarters, III Corps; and the 1st Theater Support Command.

To determine the extent to which DOD has established roles and responsibilities for managing and executing the retrograde of materiel and equipment from Iraq, we reviewed and analyzed documents from and interviewed officials in the organizations that were either directly responsible for the retrograde process or that negotiated the process. We also reviewed relevant DOD regulations and joint and Army doctrine publications. To determine how the retrograde process was actually executed we obtained documents and interviewed officials from Multinational Force-Iraq; the Defense Logistics Agency; Army Materiel Command, to include the commanding general, Army Material Command, Southwest Asia; Headquarters, Department of the Army; Headquarters, U.S. Marine Corps; U.S. Army Central at both Fort McPherson, Georgia, and Camp Arifjan, Kuwait; Headquarters, U.S. Marine Corps, Central; Headquarters, II Marine Expeditionary Force; the 1st Theater Support Command; and the 401st and 402nd Army Field Support Brigades. To gain insight on the experience of units that had passed through the retrograde process we obtained documents and interviewed officials from III Corps and the 1st Cavalry Division, both at Fort Hood, Texas, and the II Marine Expeditionary Force at Camp Lejeune, North Carolina.

During the course of this engagement we became aware of several challenges that could have an impact on the resposturing of U.S. forces from Iraq and have included a discussion of these challenges in this report in order to provide Congress with information it needs to effectively carry out its oversight functions. We based our discussion of those issues on documents we obtained and interviews with officials from Headquarters, Department of the Army; Headquarters, Marine Corps; U.S. Central Command; U.S. Transportation Command; U.S. Joint Forces Command; the Defense Logistics Agency; Army Materiel Command; III Corps and Fort Hood, Texas; Headquarters, U.S. Marine Corps, Central; Headquarters, II Marine Expeditionary Force; U.S. Army Central at both Fort McPherson, Georgia, and Camp Arifjan, Kuwait; and 1st Theater Support Command.

We have also provided in this report several challenges facing units once they have returned to their home stations. As with the challenges above, we became aware of these issues during the course of our engagement. Although these issues need to be explored further, they are included in this report because of the impact they could have on the morale and welfare of service members and their families and the potential costs and challenges associated with rebuilding unit readiness. We became aware of these issues following discussions with officials from U.S. Army Forces Command; Assistant Chief of Staff for Installation Management; U.S. Army Medical Command; U.S. Army Installation Management Command; the U.S. Army Surgeon General's Office; III Corps and Fort Hood, Texas; the 1st Cavalry Division; and Headquarters, II Marine Expeditionary Force.

From the fall of 2007 through the spring of 2008, we also made several attempts to visit Iraq to speak with officials from Multinational Force-Iraq, Multinational Corps-Iraq, and various organizations involved with the logistical aspects of reposturing. But for reasons that are not entirely clear, DOD stated that it was unable to accommodate these visits. However, we were able to mitigate our inability to visit Iraq by:

- interviewing officials with knowledge of the logistical aspects of reposturing who had recently returned from tours on the MNF-I or MNC-I staffs;
- visiting Headquarters, III Corps at Fort Hood, Texas, after it returned from its block leave following its return from Iraq, where III Corps served as Headquarters, Multinational Corps-Iraq;
- interviewing officials from organizations stationed in Iraq who were in Kuwait during our visit to Camp Arifjan, Kuwait; and
- submitting lists of questions through U.S. Central Command for organizations in Iraq.

Although we were not always able to obtain full answers to our list of questions, based on our analysis of the information we were able to obtain we determined that we had sufficient information to substantiate our findings.

We conducted our audit from August 2007 through August 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Defense

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2400 DEFENSE PENTAGON
WASHINGTON, DC 20301-2400

INTERNATIONAL SECURITY AFFAIRS

SEP 03 2008

Mr. William A. Solis
Director, Defense Capabilities and Management
U.S. Government Accountability Office
441 G Street N.W.
Washington, DC 20548

Dear Mr. Solis:

This is the Department of Defense (DoD) response to the Government Accountability Office (GAO) draft report, GAO-08-930, "OPERATION IRAQI FREEDOM: Actions Needed to Enhance DoD Planning for Reposturing of U.S. Forces from Iraq," dated August 8, 2008 (GAO Code 351092).

Thank you for the opportunity to review the draft report and your effort to enhance the retrograde process from Iraq. From the period that GAO began its research until its data collection concluded, the operational environment in theater has changed, processes have been modified and set, and actions have been taken to mitigate the concerns identified in the draft report. Below are the Department's comments on the draft report's recommendations.

Recommendation 1: To ensure that DoD can efficiently and effectively retrograde its materiel and equipment from Iraq, GAO recommends that the Secretary of Defense, in consultation with U.S. Central Command (USCENTCOM) and the military departments, take steps to clarify the chain of command over logistical operations in support of the retrograde effort. These steps should address both the theater property and retrograde support teams and the Army field support brigades.

DoD Response: Partially concur. The current retrograde command and control achieves unity of effort and is producing positive results. USCENTCOM has designated U.S. Army Central (ARCENT) as the executive agent for retrograde process. ARCENT also has operational control (OPCON) of the two Army Field Sustainment Brigades of concern in the draft report. Established liaison and supporting/supported relationships by retrograde support teams are achieving unity of effort in retrograding theater property through regular Logistics Reposture Working Groups where collaboration and coordination occur.

For a longer term solution, USCENTCOM is also taking steps to refine and solidify a theater logistics command and control structure from its current construct to a

Joint Task Force Theater Logistics Command under the CENTCOM Commander. The plan is phased, conditions-based, and its execution will be coordinated within the overall theater posture process with appropriate DoD agencies and the Services.

Recommendation 2: GAO also recommends that the Secretary of Defense, in consultation with the military departments, correct the incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while they are in transit.

DoD Response: Concur. DoD acknowledges the focus of this draft report has been on Army systems. DoD is actively assessing various data systems used to maintain visibility over equipment and materiel while in transit.

Attached are additional detailed comments and corrections.

Sincerely,

Christopher C. Straub
Deputy Assistant Secretary of Defense
for the Middle East

Attachments:
As stated.

DRAFT GAO REPORT "OPERATION IRAQI FREEDOM: ACTIONS NEEDED TO ENHANCE DOD PLANNING FOR REPOSTURING OF U.S. FORCES FROM IRAQ," DATED AUGUST 8, 2008

GAO CODE 351092/GAO-08-930

GENERAL COMMENTS ON THE DRAFT REPORT

See comment 1.

- Current retrograde efforts. As of August 2008, during fiscal year 2008, U.S. Army Central (ARCENT) has retrograded over 7,000 major end items back to CONUS. U.S. Marine Central is also successfully retrograding end items for reset. Defense Logistic Agency (DLA), through Defense Reutilization and Market Services in theater, has disposed of 175 million pounds of scrap metal. Through its transportation priority program, U.S. Transportation Command (USTRANSCOM) has saved the Army over 40% in shipping costs by using empty cargo aircraft backhaul capability.

See comment 2.

- Chain of command for logistics operations in support of retrograde. Directive Authority for Logistics (DAFL) has not been assigned from USCENTCOM. USCENTCOM has designated ARCENT as the executive agent for logistics reposture/retrograde. In the Iraqi theater, MultiNational Forces-Iraq (MNF-I) has established processes and procedures for addressing theater logistics issues. These lines of operations include basing, unit redeployment, and materiel disposition. Unity of effort is accomplished by working groups that have been established to collaborate and coordinate with joint stakeholders and partners. (Services, USCENTCOM, DLA, USTRANSCOM). For example, both MNF-I and MultiNational Corps-Iraq (MNC-I) have established Logistics Reposture Working Groups. They are enduring forums that meet regularly with all the key logistics organizations in Iraq and Kuwait to address respective strategic, operational, and theater level logistics issues. Two of the key documents are the MNF-I FRAGO 08-232 and draft MNC-I FRAGO that establish redeployment timelines.

See comment 3.

- Retrograde Support Teams are specifically addressed within these unit redeployment timelines. Each of the assistance teams have specific missions based on guidance and direction from parent commands and from operational commands in theater. Each assistance team is synchronized within the redeployment timeline and brings its own set of expertise to facilitate in retrograde and reposture efforts.

See comment 4.

- Theater Property and Army Field Support Brigades (AFSB) - The majority of equipment is organizational and will retrograde as a unit responsibility. Army Materiel Command's (AMC) forward Field Support Brigades are responsible for

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retrograde of excess theater provided equipment and assuming control of organizational equipment directed for sustainment-level reset.

See comment 5.

- In transit visibility of materiel - For Army systems, AMC, with its subordinate commands and the various headquarters in theater, is actively working to establish a Reposturing Common Operating Picture (RCOP) to mitigate the cited incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while in transit. While significant challenges in this process remain, AMC has already identified system interfaces to be used. Moreover, a RCOP Working Group will meet regularly to establish the necessary systems interfaces and address procedures used for accountability, transportation scheduling and documentation, and equipment in-transit visibility. In addition to these efforts, USCENTCOM J4 has joined with JFCOM J9 to identify distribution/in-transit visibility requirements, processes and capability gaps to the Joint Staff J4 to support the development of in-transit visibility capabilities for Joint Logistics Organizations within Global Combat Support System – Joint (GCSS-J).

See comment 6.

1. Highlight Page, second paragraph. We recommend rewording of the first four lines of this paragraph to more accurately portray what has occurred since May 2008. As noted from page 15, the draft clearly states representatives from throughout the logistics community and theater met as a result of the increased coordination and synchronized planning, and the outcome was the MNF-I publication of its overarching guidance for the logistics reposturing.

See comment 7.

2. Pages 1, 7, 10, 11, 13, 19, 25, 26, 33. There are several references to "bases" throughout the report, especially linked to the number 311. This does not accurately characterize the force laydown in Iraq. The word "bases" should be replaced by "locations" in most cases to reflect the true nature of the places used by U.S. forces.

See comment 8.

3. Page 1. The draft report states, "as of July 2008, this pool of theater provided equipment totaled approximately 582,000 individual pieces worth about $15.5 billion." Army G8 reports that, for Class VII items in Iraq only, a property book pull from the end of March 2008, used in a J8/OSD Study, found 173,000 items (Class VII only) worth approximately $16.5 billion.

See comment 9.

4. Page 2. Recommend deletion of the sentence: "In addition, in June 2008, GAO also issued an assessment of progress in Iraq and called for DOD and the DOS to develop an updated strategy given the changing conditions." This sentence is not relevant to the GAO's objectives for this engagement, and the referenced GAO report's conclusions were rebutted by DoD.

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See comment 10.

5. Pages 1-3. Discussions regarding the National Defense Authorization Act for 2008 appear as a distraction from the draft report and its overall conclusions.

See comment 11.

6. Page 5. First paragraph, please add: "Army Headquarters G-4 began hosting retrograde video teleconferences (VTCs) in June 2006 and moved to monthly VTCs in August 2007. The purpose of the VTCs was to synchronize retrograde planning efforts. DLA and AMC participated in the VTCs. Starting in October 2007, Army Headquarters G-4 expanded the Retrograde Task Force to include OSD, Joint Staff, Air Force, Marine Corps, USCENTCOM, MNF-I, MNC-I, and USTRANSCOM, NG, and OCAR.

See comment 12.

7. Page 7. Concerning capacity of military transports and convoy security assets and limits on the main supply route, we partially concur. We concur with the draft GAO report that sufficient commercial heavy equipment transports (HET) assets exists in theater to augment military HET assets for redeployment operations. Additionally, other transports such as flatbeds and lowboys, can move all but the heaviest equipment, reducing the need for HET transports. However, we partially concur with the statement regarding limits on convoy security assets. While convoy security requirements stretch resources, approved commercial security firms can be contracted to provide additional security teams that can be used for sustainment missions, freeing up military escort teams to support redeployment. Additionally the military has an active program that eliminates the requirement to provide security for low priority materials, thereby freeing up more military escort teams. If necessary, military units can provide security for their own assets as they redeploy. We concur with the GAO statement regarding insufficiency of mass redeployments through Kuwait, and DoD is actively engaged in increasing the availability and capacity of redeployment of assets through alternative ports in Jordan and Turkey, as well as Iraq's own major port, Umm Qasr. Efforts are also underway to make greater use of the Iraq railroad and Iraqi Transportation Network, which will have the potential to move significant amounts of cargo to points near redeployment ports.

See comment 13.

8. Page 7, 37-38. Concerning the increased demand for access to mental healthcare providers, the draft GAO report states, "According to Army officials and GAO analysis, there is already a shortfall in the number of mental health providers given the rise in the number of mental health problems being reported by service members and their families." We concur and note: MNF-I CJ1/4/8 Surgeon is following established procedures to ensure all service members take Post Deployment Health Assessments 30 days prior to redeploying. Service members are required to take another Post Deployment Health Assessment 90-120 days after returning to CONUS and home station. These surveys are essential to monitor mental health throughout DoD. In addition, teams of mental health professionals conduct surveys in theater to keep commanders apprised on issues of mental health.

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See comment 14.

9. Page 12. The report states that "Despite working on the same broad set of issues, however, there was little coordination and communication among the three organizations. Moreover, both USCENTCOM, the combatant command whose area of responsibility includes Iraq and Kuwait, and MNF-I, the headquarters responsible for operations in Iraq, provided little input and guidance to these planning efforts." Recommend delete above statement and change statement to read: *"The coordination was maintained at an informal liaison level."* The Army Sustainment Command (ASC) liaison officer at USCENTCOM J4 worked with ASC and USCENTCOM J4 to prepare the command for future reposture/retrograde efforts in July and August 2007. This assisted in preparing AMC's warning order.

See comment 15.

10. Page 15. Recommend adding the following: "The MNF-I Logistics Reposture Working Group is an enduring forum with all the key logistics organizations in the Iraq and Kuwait theater. It meets monthly and addresses strategic, operational, and theater level logistics issues. It assigns Offices of Primary Responsibility (OPRs) or Operational Planning Teams to develop solutions to logistics related issues."

See comment 16.

11. Page 15. The MNF-I FRAGO on Logistics Reposture Guidance not only addresses Materiel Disposition and Unit Redeployment, but also addresses basing. Recommend adding the following: "Basing options include a base's closure, a transfer to the Government of Iraq, or a 'shrink and share' of a base where both Iraqis and Coalition forces collocate in a landlord-tenant relationship."

See comment 17.

12. Page 17. Regarding unity of command, although the command and control is not a text book joint doctrinal command and control system, it is the theater process by which units have redeployed successfully since the beginning of OIF. It requires constant management, interface, and decision making across all levels of logistics. Deliberate/advance planning, communication via liaison officers, and collaboration are all essential to making the process function.

See comment 18.

13. Pages 6-7. We recommend deleting the footnote attached to the standards for environmental management and guidance for the disposition of property. Additionally, MNF-I has procedures in place regarding environmental management and base closure/return.

See comment 19.

14. Page 6-7. In addition, MNF-I, working with MNC-I, has a base closure/return plan in place that has been used successfully in the past and is currently being refined as we engage more with the GoI on closures/returns and property transfers (real property and personal property). A Combined Basing Board is now in the planning phases and will involve the Iraqi Government for decisions on base closures/return/property transfers once a site has been nominated by Coalition forces to close/return. MNF-I, in conjunction with MNC-I, is working to limit the current environmental management

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requirement. Although time and cost of environmental management will be difficult to assess, progress is being made to reduce this. Examples include:

- There are 17 operational incinerators in Iraq, with 23 under construction or funded, which will reduce cost/time of burn pit management.

- MNF-I anticipated a $54 million contract award date of September 1, 2008 for five Hazardous Waste Disposal Centers, which will also reduce cost/time of environmental management.

See comment 20. 15. Summary, 3rd paragraph. Delete "agreed upon standards for environmental cleanup and"

See comment 21. 16. Page 7. 1st bullet. Delete "standards for environmental cleanup and."

See comment 22. 17. Page 7. Delete footnote 7.

See comment 23. 18. Page 26, 1st full paragraph, 1st sentence. Delete "environmental clean up and."

See comment 24. 19. Page 26, 1st full paragraph, 2nd sentence. Delete "both issues are" and insert "this issue is."

See comment 25. 20. Page 26, 1st full paragraph. Delete the fourth sentence.

See comment 26. 21. Page 27, 1st paragraph. Delete the last sentence (beginning with "Moreover").

See comment 27. 22. Comment on Environmental Remediation (Comments 13-21 above). The draft report makes several assertions, both directly and by implication, relating to environmental remediation that are not accurate. The statements are also conclusory without supporting information. It is the longstanding policy of the Department of Defense that it does not engage in environmental remediation for the purpose of returning an installation to the host nation. Likewise, it is the longstanding policy of the Department of Defense that it does not engage in environmental remediation after return of an installation, other than in very limited circumstances where the remediation effort began prior to the decision to return and is already underway. See, e.g., DoD Instruction 4715.8, Environmental Remediation for DoD Activities Overseas, and DoD Instruction 4165.69, Realignment of DoD Sites Overseas.

It is relatively rare that a Status of Forces Agreement addresses the issue of environmental remediation and, without exception, none provide "standards" for such remediation. This is consistent with the Department's policy that such remediation will not be conducted by the United States, other than pursuant to DoDI 4715.8. The issue of environmental remediation at installations outside the United States has been the subject of negotiations at numerous locations. To the extent that the United States "pays" for

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such remediation after return, it is through the mechanism of reducing the residual value payment to reflect the cost of cleanup. Since the residual value payment reflects the current value, it is perfectly consistent with standard real estate assessment practice to consider the cost of any required environmental remediation as a deduction from total value. In fact, the requirements of DoDI 4165.69 to perform a baseline survey is designed to facilitate an informed discussion of the residual value in relation to any required environmental remediation.

The Department of Defense conducts environmental remediation at its locations outside of the United States for the purpose of protecting our personnel (and visitors) located on our installations. Such remediation is not conducted to comply with, e.g., the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, which has no extraterritorial application. Such remediation is only conducted to address known imminent and substantial endangerments. What constitutes a known imminent and substantial endangerment is wholly dependent on the specific factual situation and is not amenable to the setting of general "standards" as is the case in the United States. Unless the United States has agreed to be bound by host nation law, which has not happened in the area of environmental remediation, there is no legal "standard" to be applied for purposes of environmental remediation of installations being used by United States forces.

It should also be noted that it is not uncommon for United States forces to be stationed on real property that is already contaminated by prior users. Such contamination frequently is discovered only after occupancy, particularly with regard to locations occupied during combat operations where there is rarely time or resources to conduct an environmental survey.

These comments should not be read as asserting that the Department expects to simply abandon hazardous materials when departing a site in a foreign location. It is also longstanding Departmental policy to handle hazardous materials and waste in a manner that conforms to practice in the United States, to the extent feasible given the circumstances. For instance, a site should not have solid waste (refuse) scattered around and, to the extent it does, the waste should be cleaned up prior to departure. Hazardous materials should be retrograded. Hazardous wastes should be disposed of by proper disposal or treatment when generated. These are standard practices required by existing policy and procedures.

The draft report's assertions regarding establishing standards for environmental remediation are based on flawed assumptions and a misunderstanding of Department policy and practices worldwide.

See comment 28.

23. Comment on Environmental Management. Change "environmental cleanup" and "cleanup" wherever they appear to "environmental management" and "management" as the case may be. The situations being addressed, e.g., reducing burn pit volume by use of incinerators, is a management function, not cleanup function. Cleanup would be removal of contamination such as a chemical plume under the surface. Proper disposition of waste in a burn pit is actually an environmental management function ("compliance"

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function). To avoid possible misunderstanding, the term "cleanup" should only be used when referring to remediation, not to disposing of waste.

See comment 29.

24. Page 11. Delete "FOB McKenzie". It has been closed.

See comment 30.

25. Page 18. Regarding assistance teams, each of the assistance teams have specific missions based on guidance and direction from parent commands and from operational commands here in theater. Each assistance team is synchronized within the redeployment timeline and brings its own set of expertise to facilitate in retrograde and reposture efforts at specific dates.

See comment 31.

26. Page 18-19. Regarding base closure, MNF-I is in the process of establishing a Combined Basing Plan and Process. An Operational Planning Team will conduct a mission analysis to close, transfer, or share Coalition forces bases, and integrate and collaborate their efforts with the Government of Iraq.

See comment 32.

27. Page 18, 19, 51. Change Redistribution Property Accountability Teams to Retrograde Property Assistance Teams (RPAT).

See comment 33.

28. Page 18. Delete. "No single organization has authority over Theater Property and Retrograde Support Teams." Replace with: "AMC has Authority over Theater Property and Retrograde Support Teams." The 402nd AFSB under the Army Sustainment Command/AMC is the C2 for all RPATs in Iraq. They also control RFATs (Redistribution Fly-away Assistance Teams), which remotely go where a permanent RPAT site is not located.

See comment 34.

29. Page 20. Delete: "No Theater Logistical Organization has Command Authority over Units Responsible for the Retrograde of Most Equipment in Theater." Replace with: "AMC has Command Authority over most units responsible for the retrograde of equipment in Theater." The 402nd AFSB is responsible for retrograde in Iraq and the 401st AFSB is responsible for retrograde in Kuwait. All of these units fall under AMC/ASC and the AMC Forward Commanding General is also the ARCENT/CFLCC C4.

See comment 35.

30. Page 19. The report states "For example, the Joint Redeployment Support Team, which reports to U.S. Transportation Command, has the mission of supplying customs, disposition, hazardous material, and transportation expertise to redeploying units and is to enable in-transit visibility over a unit's materiel and equipment from its FOB to the unit's home station or to an identified depot." Comment: This statement implies that the JRST is executing its mission in the Iraq Theater of Operations. The concept of using JRSTs has not been executed because the capability already exists in theater with the Deployment Support Brigade. We recommend deleting this sentence.

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See comment 36.

31. Pages 22-25. The section titled "Logistical Organizations Have Not Enforced or Lack the Authority to Enforce Improvements to the Retrograde Process (to include Appendix VI)" is not accurate. Recommend the entire section and Appendix be deleted from the GAO report. The correct automation flow is attached.

- All items retrograded from Iraq have Radio Frequency Identification Device (RFID) tags attached; RFID tags provide in-transit visibility via an in transit visibility (ITV) system. The accountable record and visibility system used for this process is Standard Depot System (SDS), which is a standard wholesale system used by the Army. USCENTCOM's RFID database can view the exact location of any item with an attached RFID tag at any time.

- The description of the process in this section of the GAO report is incorrect. Below is the correct process for accountability and visibility from the war fighter to AMC:

  - Unit creates Army Reset Management Tool (ARMT) plan in Logistics Information Warehouse (LIW) nominating equipment for RESET.

  - Logistics Support Activity (LOGSA) sends ARMT data electronically to life cycle management command (LCMC) for decision and disposition (DISPO).

  - If equipment meets RESET criteria, LCMC enters what depot to ship to.

  - Equipment is electronically transferred from PBUSE (Property Book Unit Supply Enhanced) to AWRDS (Army War Reserve Deployment System) via interface.

  - AWRDS generates a D6A (receipt) for SDS electronically via interface.

  - Site generates Excel spreadsheet of equipment for LCMC to obtain Inter-Depot Transfer (IDT) from Iraq to Kuwait.

  - Upon receipt of IDT, it is processed in SDS, and AWRDS creates RFID Tag.

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- SDS is a standard accountability system as is Standard Army Retail Supply System (SARSS), and neither system tracks by serial number except for weapons and sensitive items. The Army War Reserve Deployment System (AWRDS) is used to track the serial number in tandem with SDS. AWRDS has automated interfaces with SDS, the wholesale system, and PBUSE (Property Book Unit Supply Enhanced) the retail system.

- AWRDS creates the document needed to provide the LCMC with a list of items that require disposition. SARSS can produce an automated request for disposition, but it still requires manual intervention by the LCMC item managers to provide disposition. The reason this is manual is the LCMC must determine where to send items for repair-based on available work load. This process takes 72 stateside work hours to complete.

- There is no loss of visibility of items being shipped out of Kuwait because the Global Transportation Network (GTN) has visibility of the RFID tags that are installed on all equipment. The IDT creates an automated Pre-Positioned Materiel Receipt Document (PMRD) on the gaining depot's SDS.

- Although the 401st AFSB obtains the shipping manifest, it is not required because all of the information on the items is available through GTN.

- The OPORD addressed in this section was published and released on 18 Apr 08 without proper coordination. Upon receipt of the OPORD, the 401st AFSB, 402nd AFSB, and LOGSA Commanders raised numerous concerns with using SARSS. During a teleconference between ASC and the commanders, the decision was made to put the OPORD on hold until a decision by the ASC commanding general (CG) could be made. The ASC CG tasked ASC Field Support to work jointly with LOGSA, AMC, LCMC's, 401st AFSB, and 402nd AFSB to review the proposed processes and resolve the concerns. On 23 Jul 08 a decision was made by the ASC CG to continue to use SDS and AWRDS, and a FRAGO was published to the OPORD.

See comment 37.

32. Page 23, 4th paragraph. We recommend rewording of this paragraph for clarity. In addition, that fact that the manifest does not reach the 401st until 24-48 hours after sail really is not an issue since the motor vessel will take at least three weeks to reach CONUS, leaving time for the CONUS teams to prepare to receive the materiel.

See comment 38

33. Pages 25-6, final paragraph, 1st sentence. Insert a period after "costly" and strike the rest of the sentence.

See comment 39.

34. Page 26, 1st full paragraph, 1st sentence. Insert a period after "estimate" and strike the rest of the sentence.

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See comment 40.

35. Page 26, 1st full paragraph. Delete the second sentence.

See comment 41.

36. Page 26, 1st full paragraph. Delete "absent an agreement with Iraq on the disposition of personal property" and substitute therefore "absent a legal basis for turnover and agreement by Iraq to take possession."

See comment 42.

37. Page 26, final paragraph. Delete the first sentence.

See comment 43.

38. Page 26, final paragraph, 2nd sentence. Delete "For example."

39. Comments on SOFA (Comments 33-38 above). The draft report makes several assertions, both directly and by implication, relating to what is typically addressed in status of forces agreements (SOFA), and regarding what will or should be contained in a bilateral agreement with Iraq. The statements are inaccurate and misleading.

SOFAs are the product of bilateral negotiations. Therefore, no two are the same, nor do any two contain the same provisions. In particular, "base closures" are not typically addressed in a SOFA (or related access agreement). A "typical" SOFA (or access agreement) might address the following: 1) DoD access to government-owned property, 2) DoD authorization to make improvements to such property, 3) DoD's obligation to return the property, once no longer needed,; and, 4) consultation with the host nation at the time such property is returned regarding compensation for the residual value of any DoD-funded improvements to the property. It is relatively rare that a SOFA (or access agreement) will address in any detail the issue of "base closure" or estimates of costs of such closures or property returns. It also is noteworthy that SOFAs (and access agreements) are typically negotiated during peace time, and before DoD has any sizable presence and/or has been granted use of government property in the host nation.

Bilateral agreements with Iraq are currently under negotiation. It would be inappropriate to speculate what might or should be in those agreements in this report.

Finally, there is no legal requirement for "an agreement with Iraq on the disposition of personal property."

See comment 44.

See comment 45.

See comment 45.

40. Page 27. Regarding, "Joint doctrine states that detailed planning should be done for contracting support and contractor integration to ensure that contractor support is fully integrated and on par with forces planning. Such planning should identify sources of supplies and services from civilian sources and integrate them with operational requirements," we partially concur with this statement. Joint doctrine regarding contract support and contractor integration is insufficient. The Joint Staff J4 is presently addressing this issue by developing Joint Publication 4-10 (Joint Operational Contract Support), which combatant commands, to include USCENTCOM, reviewed and commented on. This joint publication, when released, will present new doctrinal concepts that provide much improved guidance for integrating contract support and management of contractors into military plans. DoD contracting personnel generally are not planners, and DoD lacks sufficient operational contract support planners to ensure

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contract support and contractor integration is effectively represented in plans. In December 2007, OSD began to address this issue by providing joint operational contract support planners (JOCSPs) to each of the combatant commands, including USCENTCOM. USCENTCOM has two JOCSPs that are reviewing concept plans (CONPLANS) and preparing Annex W's (Contract Support Integration Plan). In fact, USCENTCOM JOCSPs have been tasked by the Joint Staff J4 to develop an Annex W planning template for all of DoD's combatant commands. This template will eventually be incorporated into JOPES and future editions of the JP 4-10 by the Joint Staff. Recommend changing statement to read as: *"Previous joint doctrine did not effectively provide guidance regarding contract support and contractor integration. However, DoD is addressing this with Joint Publication 4-10 (Joint Operational Contract Support). DoD contracting personnel are generally not experienced planners and combatant commands did not effectively integrate contract support and contractor integration into military plans. However, OSD recently addressed this issue by providing combatant commands with Joint Operational Contract Support Planners (JOCSPs). JOCSPs are developing contractor support integration plans and contractor management plans, and integrating them into the combatant commands plans."*

See comment 46.

41. Page 28-33. Regarding guidance and plans for reposture of contractors from Iraq, the draft GAO report states "As of July 2008, reposture planning did not include a theater-wide plan for the reposture of approximately 149,400 contractors in Iraq, more than half of whom (58%) were U.S. citizens or third country nationals. Reposture planning for LOGCAP is significant, given that it is the largest logistical support contract in Iraq. However, challenges remain in the planning for the reposturing of LOGCAP contractor personnel." We partially concur and provide the following:

- The LOGCAP contractor (KBR) has base closing Standard Operating Procedures (SOP) that will follow MNF-I and MNC-I base closure planning and includes plans for contractor personnel. KBR's SOP has been developed from previous base closings and updated with lessons learned.
- For planning integration, LOGCAP forward Liaison office (LNO) maintains a military officer at the Colonel level who focuses on MNF-I reposture planning groups; there is also a LNO in MNC-I C4 who facilitates theater reposture planning.
- For accountability, the LOGCAP contractor force protection issue is calculated throughout the reposture process as troop strengths are phased from the base.

See comment 47.

42. Concerning accountability and disposition of contractor managed government owned property, GAO states "According to DOD officials, the largest portion of all CMGO property in Iraq, $3.37 billion (96%) falls under LOGCAP. The Army's analysis indicates that approximately 85% of all CMGO property in Iraq will be transferred, sold, or scrapped in Iraq when U.S. forces reposture, while the remaining 15% can be sold or

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reused elsewhere. Three challenges remain: the need to determine FMV of CMGO and resolving any security restrictions, the time consuming & labor intensive task of accounting for and determining disposition of CMGO - transfer from contractor to military records, joint inventories, and DLA may not have sufficient data to adequately plan capacity at theater DRMOs)." We concur and provide the following: MNF-I FRAGO 08-232 published in May 08 includes CMGO property in its materiel disposition process, a CMGO FRAGO and MNC-I C4 FRAGO provides amplifying guidance on CMGO property, and while accountability of property is an on-going issue, progress is being made in improving the process and identifying excess materiel and equipment for reposture. DLA is also conducting on-site surveys of its four DRMO sites in Iraq, and it is included in the deliberate planning with reference to base closure and transfer.

See comment 48.

43. Page 29. Recommend adding the following sentences in quotes as an update to donation threshold authority. Several DoD organizations have already begun planning for the disposition of excess contractor-managed property from Iraq. For example, in October 2007, DoD increased the donation threshold for all excess U.S. owned personal property in Iraq from $5,000 to $10,000 and delegated this donation authority to MNF-I. Add the following: "In June 2008, DoD (DUSD, Logistics and Materiel Readiness) increased the authority to transfer (formerly known as donation authority) for all U.S.-owned excess personal property in Iraq from $10,000 to $15,000. This DoD memo is a tiered authority which provides commanders greater flexibility and more decision-making capability at their respective levels."

See comment 49.

44. Page 30, Figure 2. Recommend that the arrow labeled "sale" and pointed to "DRMS" be deleted. If an item is slated for sale or prepositioned stock, the sale will not cause the item to go the DRMS.

See comment 50.

45. Page 30, Figure 2. If an "over $5000" item is not needed by military or contractors globally, there is an arrow showing it going to DRMS. However, the policy provides that before such an item would go to DRMS, an attempt will be made to donate the item to the Government of Iraq. This step needs to be included and shown in Figure 2.

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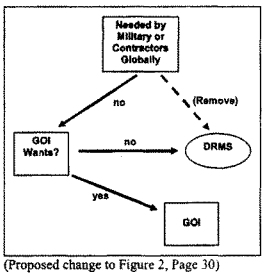

(Proposed change to Figure 2, Page 30)

See comment 51.

46. Page 30, Figure 2. Recommend that the box labeled "MNC-I determines others' needs in theater" should be rewritten to state "MNF-I/MNC-I team determines others' needs in theater."

See comment 52.

47. Page 31. The report states that "DoD officials assert that completing this inventory will require planning, travel to storage locations, and physically staging the property for easier counting, which is time consuming." However, the policy assumes that the inventory will take place where the property is and that property will not be moved and stored solely to enable inventory and counting actions. The policy does not envision movement and storage for counting and, in fact, specifies a streamlined process (i.e. early donations of low value items) to aid in minimizing time requirements. We partially concur that, in general, the task will be time consuming and labor intensive even without the additional movement and storage being asserted. While a move for counting may on occasion be necessary, depending on the number of days allowed to clear a base, it is expected to be the exception and not the rule.

See comment 53.

48. Page 53, paragraph 1. Entire statement is inaccurate: Please see attached slides. Below is the process for accountability and visibility from the War Fighter to AMC:

1. Unit creates ARMT (Army Reset Management Tool) plan in Logistics Information Warehouse (LIW) nominating equipment for RESET.

2. Logistics Support Activity (LOGSA) sends ARMT data electronically to the Life Cycle Management Command (LCMC) for decision and disposition.

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3. If Equipment meets RESET criteria LCMC enters what depot to ship to.

4. Equipment is transferred from PBUSE (Property Book Unit Supply Enhanced) electronically to AWRDS (Army War Reserve Deployment System) via interface.

5. AWRDS generates a D6A (receipt) for Standard Depot System (SDS) electronically via interface.

6. Site generates Excel Spreadsheet of equipment for LCMC to obtain IDT Inter Depot Transfer) from Iraq to Kuwait.

7. Upon receipt of IDT it is processed in SDS, and AWRDS creates RFID Tag.

SDS is a standard accountability system, as is SARSS, and neither system tracks by serial number except for weapons and sensitive items. AWRDS is used to track the serial number in tandem with SDS. AWRDS has automated interfaces with SDS, the wholesale system, and PBUSE (Property Book Unit Supply Enhanced), the retail system.

See comment 54.

49. Page 54, paragraph 1. The AWRDS creates the document needed to provide the LCMC with a list of items that require disposition. SARSS can produce an automated request for disposition, but it still requires manual intervention by the LCMC item managers to provide disposition. The reason this is manual is the LCMC must determine where to send items for repair based on available work load. This process takes 72 stateside work hours to complete.

See comment 55.

50. Page 54, paragraph 2. Visibility over the items being shipped out of Kuwait is never lost, as the Global Transportation Network has visibility of the RFID tags that are installed on all equipment. The IDT (Inter-Depot-Transfer) creates an automated PMRD (Pre-Positioned Materiel Receipt Document) on the gaining depots SDS.

See comment 56.

51. Page 54, paragraph 3. Although the 401st AFSB obtains the shipping manifest, this is not required, as all of the information on the items is available through GTN.

See comment 57.

52. As a general comment, the Department has an exiting data sharing strategy (DoD Directive 8320.02, December 2, 2004) that provides policy responsibility to implement data sharing throughout the Department of Defense. Communities of interest, which have cross cutting data sharing interests, should be established when there is a need and should be used to implement viable solutions for data sharing strategies and solutions for their functional areas.

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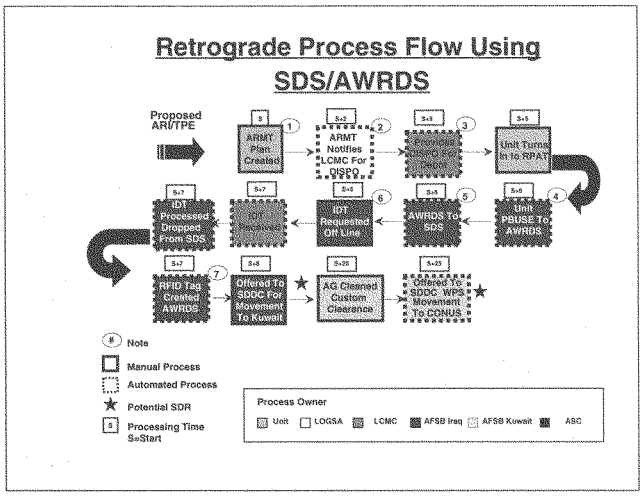

Retrograde Process Flow Using SDS/AWRDS
Proposed ARI/TPE
ARMT Plan Created
ARMT Notifies LCMC For DISCO
Unit Turns In to RPAT
IDT Processed Dropped From SDS
IDT Requested Off Line
AWRDS To SDS
Unit PBUSE To AWRDS
RFID Tag Created AWRDS
Offered To SDDC For Movement To Kuwait
AG Cleared Custom Clearence
Note
Manual Process
Automated Process
Potential SDR
Processing Time S=Start
Process Owner
Unit
LOGSA
LCMC
AFSB Iraq
AFSB Kuwait
ASC

Retrograde Process Flow as Designed (Continued)

1. Unit creates ARMT plan in LIW nominating equipment for RESET.
2. LOGSA sends ARMT data electronically to LCMC for decision and DISPO.
3. If Equipment meets RESET criteria LCMC enters what depot to ship to.
4. Equipment is transferred from PBUSE electronically to AWRDS via interface.
5. AWRDS generates a D6A (receipt) for SDS electronically via interface.
6. Site generates Excel Spreadsheet of equipment for LCMC to obtain IDT Inter Depot Transfer) from Iraq to Kuwait.
7. Upon receipt of IDT it is processed in SDS, and AWRDS creates RFID Tag.

GAO's Responses to DOD's Technical Comments

Comment 1: We recognize DOD's retrograde efforts as of August 2008. No change required.

Comment 2: We are aware that subsequent to completing our audit work in Kuwait and drafting our report, CENTCOM refined the logistical command and control structure in June 2008 by placing the 401st and 402nd Army Field Support Brigades under the operational control of the commanding general, Army Materiel Command, Southwest Asia. Although we have not had the opportunity to evaluate the effect of this new command arrangement, we believe it to be a significant step toward the attainment of unity of command over the theater provided equipment retrograde process. However, CENTCOM has not implemented a similar action with regard to the command and control of the eight of the ten theater property and retrograde support teams that facilitate the redeployment and retrograde processes. According to ARCENT, this lack of unity of command over these teams makes their roles and responsibilities as they relate to the retrograde of equipment and materiel unclear and confusing. As a result, we continue to believe that DOD, in consultation with CENTCOM and the military departments, needs to immediately address the current confusion and lack of clarity regarding the command and control of the various commands and teams that support the retrograde operations in Iraq and Kuwait.

Comment 3: As we discussed in this report, five of the ten theater property and retrograde support teams assist units during the redeployment and retrograde process and in our report we briefly outline some of the actions for which they provide assistance in accordance with MNF-I's 180-day redeployment template (see table 1 of this report and the accompanying narrative). In addition, we provide more detail on each of the team's missions and higher headquarters in appendix IV of this report. No change required.

Comment 4: DOD commented that "The majority of equipment is organizational and will retrograde as a unit responsibility." However, according to DOD officials we interviewed during this engagement, and who have direct oversight over the property books, the majority of equipment in Iraq, some 80 percent, is theater provided equipment. No change required.

Comment 5: We recognize DOD is making efforts to improve In-transit visibility of materiel. No change required.

Comment 6: See comment 2. No change required.

Comment 7: Except where required for purposes of clarity and accuracy we have substituted the word "installation" or "installations" for "base" or "location."

Comment 8: Based upon subsequent analysis and communication with subject matter experts, we updated the information in this paragraph to reflect new data.

Comment 9: Although DOD disagreed with GAO's recommendation in the report in question, the intent of this reference is to provide for the reader a broader context in which the present report should be considered.

Comment 10: The purpose of the discussion regarding the National Defense Authorization Act for Fiscal Year 2008 is to provide background information about DOD's reporting requirements and to demonstrate that, given the challenges to reposturing outlined in this report, Congress might elect to modify those reporting requirements.

Comment 11: During the course of this engagement we met with representatives from a variety of organizations in order to determine the extent to which DOD has begun its logistical planning for the reposturing of forces from Iraq (see appendix I, scope and methodology). Although it is possible that some preliminary discussions regarding reposturing, redeployment, or retrograde operations may have occurred prior to the time outlined in this report, based on our meetings with DOD officials, the documents they provided us, and our analysis we determined that planning for the reposturing of post-surge forces from Iraq began in the fall of 2007 and that those planning efforts were not coordinated until May 2008. No change required.

Comment 12: According to Army officials responsible for planning and executing convoy operations in Iraq and Kuwait, the number of HETs, convoy security assets, and crews to operate these assets were factors that limit the number of convoys that can be run given standard operating procedures current as of June 2008. The existence of potential mitigation strategies–such as using private security contractors, eliminating the requirement to provide security for low priority materials, and military units providing their own security–does not change the fact that the factors we outlined in this report remain limiting factors. No change required.

Comment 13: We recognize DOD's interests to increase mental health surveillance for returning service members. No change required.

Comment 14: We met with representatives from a variety of organizations several times over the course of this engagement either in person, telephonically, or by video teleconference (see appendix I, scope and methodology). As a result, we were able to obtain updated information that allowed us to discuss the means by which the logistical planning effort evolved over time. Based on these interviews and the information and documents we obtained during these meetings, our analysis indicates that despite working on the same broad set of issues, until late 2007 there was little coordination among Army Materiel Command, the Defense Logistics Agency, and Headquarters, Department of the Army. Moreover, according to CENTCOM officials, with whom we met in February 2008, they, too, were waiting on input from MNF-I, and, according to officials representing MNF-I, all discussion of reposturing was "close hold" in that headquarters until after the MNF-I commander's congressional testimony in April 2008.

Comment 15: To provide more details and context to the discussion, we changed the text to incorporate DOD's additional information.

Comment 16: See comment 15.

Comment 17: We agree that the logistical command and control arrangement is not a text book joint doctrinal command and control system. However, based on our analysis of joint doctrine and information obtained from officials in the organizations that were either directly responsible for the retrograde process or that negotiated the process, we determined that the resulting lack of a unified or coordinated command structure is not only inconsistent with joint doctrine, it also increases confusion and causes inefficiencies in the retrograde process and inhibits the adoption of identified mitigation initiatives. No change required.

Comment 18: For purposes of clarity, we deleted the footnote. As discussed in this report, CENTCOM has procedures in place regarding environmental management and property disposition during base closure/return. Furthermore, as we explain in this report, according to DOD officials responsible for executing environmental management and base closure/return in Iraq, these officials had not, as of May 2008, received guidance detailed enough to predict the time and cost requirements of executing the environmental management and property

disposition tasks that may be associated with base closure/return. See also comment 27.

Comment 19: See comment 18.

Comment 20: We believe that DOD comments 20 and 21 are duplicate comments, no change required; see comment 21.

Comment 21: We changed "standards" to "guidance." See comment 27.

Comment 22: As DOD suggested, we deleted the footnote. See comment 18.

Comment 23: The sentence in question accurately reflects May 2008 statements made by ARCENT officials responsible for planning the potential environmental management of installations in Iraq that may be closed as a result of reposturing. No change required.

Comment 24: The sentence in question accurately reflects May 2008 statements made by ARCENT officials responsible for planning for both the potential disposition of personal property located on installations in Iraq and the potential environmental management of these installations. No change required.

Comment 25: The sentence in question accurately reflects May 2008 statements made by DOD officials responsible for planning for the potential disposition of personal property located on installations in Iraq.

Comment 26: The sentence in question accurately reflects May 2008 statements made by DOD officials responsible for planning for the potential environmental management of installations in Iraq. No change required.

Comment 27: We disagree with DOD's comments that we made incorrect assertions about environmental remediation, that we made flawed assumptions regarding remediation, or that we have a misunderstanding of the department's policies and practices. GAO is not making specific assertions regarding these issues. Rather, we are reporting that, as of May 2008, Army officials responsible for planning for logistical reposturing operations were considering these issues and that these considerations affected their planning. The information in this section accurately reflects May 2008 statements made by the Army officials responsible for both planning and executing environmental remediation operations in Iraq.

Moreover, according to CENTCOM guidance all hazardous material and waste is to be removed or remediated from installations in Iraq used by U.S. forces. In May 2008, ARCENT officials responsible for planning the potential environmental management of installations in Iraq stated that they had not received sufficiently specific guidance from their higher headquarters with regard to environmental remediation on installations in Iraq that may be closed as a result of reposturing. While they expected such guidance to be part of a future bilateral agreement between the U.S. and Iraq, the only guidance they could use for current planning purposes was the set of standards used in the U.S. for similar types of remediation practices. These officials explained that, in the absence of such guidance guidance, it is common practice to use such U.S. standards when planning and executing environmental remediation of foreign installations used by U.S. forces. This explanation is confirmed by DOD's comment that "It is also longstanding Departmental policy to handle hazardous materials and waste in a manner that conforms to practice in the United States, to the extent feasible given the circumstances." These Army officials also explained that until they received such guidance on environmental remediation, they may have difficulty estimating the time and cost of cleaning these installations. In another comment on this report, DOD concurs, stating that the "time and cost of environmental management [of installations in Iraq] will be difficult to assess."

In regard to language used in the report, we have changed some terms for the purposes of clarity. We have changed "standards" to "guidance" and "status of forces agreements" to "bilateral agreements," where appropriate.

Comment 28: We changed "environmental cleanup" and "cleanup" to "management," where appropriate. See comment 27.

Comment 29: We updated figure 1 accordingly.

Comment 30: See comment 3.

Comment 31: See comment 18.

Comment 32: According to Annex D of MNF-I FRAGO 08-232, summary attached as Appendix IV of this report, RPAT(s) stands for Redistribution Property Assistance Team(s). No change required.

Comment 33: DOD maintains that Army Materiel Command has authority over theater property and retrograde support teams and lists one such team for which this is the case. We agree that AMC exercises command authority over two of these teams. However, according to documents obtained from ARCENT and MNF-I, there are ten such teams and command authority over these teams is distributed among various organizations (see appendix IV of this report). No change required.

Comment 34: See comment 2.

Comment 35: DOD contends that our statement about the Joint Redeployment Support Team implies that the team is executing its mission in the Iraqi theater of operations and that the concept of using this team has not been executed because the capability already exists in theater with the Deployment Support Brigade. However, in a briefing given during the May 2008 logistics summit at Camp Arifjan, Kuwait, ARCENT listed the Joint Redeployment Support Team as a team available to assist units and commanders with redeployment and retrograde of materiel and equipment, despite the fact that at the time of the briefing the team had not yet been sourced with personnel. In addition, in its Logistics Reposture Guidance (MNF-I FRAGO 08-232) MNF-I makes specific mention of the use of this team as it relates to redeployment and retrograde operations and delineates the specific mission for which this team is responsible (see appendix IV). In neither case is there any mention of the Deployment Support Brigade undertaking the mission outlined for the Joint Redeployment Support Team. No change required.

Comment 36: GAO has recently reported that DOD's Radio Frequency Identification (RFID) system is an emerging technology and continues to experience many implementation challenges. While not the focus of this report, DOD continues to experience issues with rates of error in the reading of RFID tags even while mandating the increased use of the tags. However, at this time, GAO does not believe that RFID is a reliable means for ensuring visibility over in-transit equipment and materiel.

We also recognize DOD's efforts to improve the in-transit visibility of supplies. Yet, the description of the retrograde process for theater provided equipment contained in this report is based on GAO's site visit to Kuwait in May 2008. The description was validated by the responsible subject matter experts at the 401st Army Field Support Brigade as accurately depicting the systems used to manage the equipment as well as the difficulties encountered during shipment. In addition, official emails and tracking documents indicated that significant amounts of equipment

were sitting idle in Kuwait awaiting disposition instructions. Moreover, in DOD's official comments to this report, they concur with our recommendation to correct the incompatibility weaknesses in the various data systems used to maintain visibility over equipment and materiel while they are in transit. DOD's general comments indicate that the process has changed and they provided us with a map of their proposed process as well as the July 23, 2008, order directing the use of Standard Depot System and Army War Reserve Deployment System to resolve issues with maintaining accountability and visibility and reducing the time for disposition instructions. However, this order will not be implemented until 8 September, 2008 and we have not yet been able to evaluate the effectiveness of the new process. No changes required.

Comment 37: See comment 36.

Comment 38: The sentence in question accurately reflects May 2008 statements made by Army officials responsible for both planning and executing installation hand-over operations. No change required.

Comment 39: According to CENTCOM policy, all bunkers, trenches, fighting positions, and force protection barriers are considered to be personal property and will be removed from installations. Additionally, in May 2008, DOD officials responsible for planning for the potential disposition of such property located on installations in Iraq stated that while they expected more specific guidance on the disposition of personal property to be part of a future bilateral agreement between the U.S. and Iraq, the only guidance they could use for current planning purposes was CENTCOM's policy. These DOD officials also explained that until they received more specific guidance on the disposition of such personal property, they may have difficulty estimating the time and cost of disposition. See also comment 27. No change required.

Comment 40: See comment 27.

Comment 41: The sentence in question accurately reflects May 2008 statements made by DOD officials responsible for planning for the disposition of personal property from installations. No change required.

Comment 42: The sentence in question accurately reflects May 2008 statements made by DOD officials responsible for planning for both the potential disposition of personal property located on installations in Iraq and the potential environmental remediation on these installations. No change required.

Comment 43: See comment 42.

Comment 44: See comment 24. In addition, with regard to the discussion of bilateral agreements, our report accurately reflects May 2008 statements made by DOD officials responsible for planning for both the potential disposition of personal property located on installations in Iraq and the potential environmental remediation on these installations. Moreover, GAO is not speculating on the potential existence or contents of any bilateral agreement(s) between the U.S. and Iraq, or any potential legal requirement for such an agreement. Rather, we are reporting that, as of May 2008, Army officials responsible for planning for logistical reposturing operations were considering that such an agreement(s) may exist in the future and that these considerations affected their planning. No change required.

Comment 45: We concur with DOD's assessment that CENTCOM did not effectively integrate contract support and contractor integration into its planning efforts for the logistics of reposturing. We also acknowledge that developing Joint Publication 4-10 and providing combatant commands with Joint Operational Contract Support Planners (JOCSPs) indicate potential progress in addressing the current challenges that CENTCOM faces in regard to effectively integrating contract support and contractor integration into its planning efforts. However, GAO has investigated neither the potential implementation of 4-10 nor the activities of CENTCOM's JOCSPs and thus cannot assess whether progress has been made in this area, or adopt the text suggested by CENTCOM. It is important to note that the paragraph DOD cites in this comment has changed due to subsequent communication between GAO and DOD subject matter experts. However, there is no change required in response to DOD's comment.

Comment 46: It is important to note that the paragraph DOD quotes in its comment has changed due to subsequent communication between GAO and DOD subject matter experts. However, we have three responses to this DOD comment. First, KBR is the LOGCAP contractor. Thus, while a KBR base-closure SOP may be useful in LOGCAP reposturing planning, its existence does not address the lack of theater-wide reposturing planning. The later is CENTCOM's responsibility, not KBR's. Second, the LOGCAP program has had these two positions involved in reposturing planning since the Spring of 2008. While this coordination is facilitating LOGCAP reposturing planning, the challenges explained in our report existed despite this coordination. Third, our report did not address the specific issue of contractor force protection and so we cannot assess the

significance of such a calculation. There is no change required in response to DOD's comment.

Comment 47: We acknowledge DOD's concurrence. No change required.

Comment 48: Based upon additional information provided by DOD, we added the first sentence. However, we were not able to assess whether the memo is a "tiered authority which provides commanders greater flexibility and more decision making capability at their respective levels." We therefore did not add the second sentence.

Comment 49: For clarity purposes, we changed figure 2.

Comment 50: See comment 49.

Comment 51: See comment 49.

Comment 52: In this sentence, "travel" refers to officials traveling to sites in order to complete inventories, not to the travel of property. No change required.

Comment 53: See comment 36. No change required.

Comment 54: See comment 36. No change required.

Comment 55: See comment 36. No change required.

Comment 56: See comment 36. No change required.

Comment 57: We recognize DOD's existing data sharing strategy provides policy responsibility to implement data sharing through the department. No change required.

Appendix III: Department of Defense Classes of Supply

Class of Supply	Name	Explanation
Class I	Subsistence	Class I is subsistence materiel ranging from military-specification rations to commercial food items.
Class II	Clothing, Individual Equipment, and Tools	Class II is composed of organizational clothing and individual equipment, such as tentage and individual weapons; consumable items such as tools and administrative and housekeeping supplies; and industrial supplies such as cable, rope, screws, and bolts.
Class III	Petroleum, Oils, and Lubricants (POL)	Class III Includes bulk and packaged POL; hydraulic and insulating oils, preservatives, bulk chemical products, coolants, deicing and antifreeze compounds, and components and additives of such products; and liquid and compressed gases, natural gas, coal, and electricity. Bulk fuel, the major Class III commodity, is propulsion fuel for aircraft, ships, and vehicles.
Class IV	Construction Materiel	Class IV includes all construction raw materials and fortification and barrier items such as lumber, wire, and sandbags.
Class V	Ammunition	Class V materiel consists of munitions of all types; bullets and projectiles, bombs, explosives, land mines, fuses, detonators, pyrotechnics, propellants, and their associated items.
Class VI	Personal Demand Items	Class VI materiel includes various nonmilitary health, comfort, and recreational items procured and managed by the Service exchanges, as well as Service morale, welfare, and recreation organizations
Class VII	Major End Items	Class VII is composed of major war fighting equipment that constitutes the combat forces. Class VII includes ships, aircraft, missiles, tanks, launchers, and vehicles that are normally procured by the individual Service acquisition commands as part of major acquisition programs.
Class VIII	Medical Materiel	Class VIII consists of pharmaceutical, medical and surgical supplies and materiel, and medical equipment, including medical-specific repair parts, medical gases, blood, and blood products.
Class IX	Repair Parts	Class IX includes all repair parts, except medical equipment parts.
Class X	Materiel for Nonmilitary Programs	Class X items support nonmilitary programs such as economic and agricultural development, civic action, and various relief and education programs. Class X also includes any items that are not included under other classes.

Source: Joint Publication 4-09, Joint Doctrine for Global Distribution.

Appendix IV: Theater Property and Retrograde Support Teams

Team	Mission	Higher HQ and C2
Materiel Redistribution Team (MRT)	Conducts identification, documentation, and coordinates disposition and movement of excess class II, III(P), IV, VIII, and IX.	Direct Support to 316th Expeditionary Support Command; under tactical control of ARCENT through Task Force 586*
Redistribution Property Assistance Team (RPAT)	Facilitates the expedient turn-in of all excess Class VII Theater Provided Equipment (TPE), improves property accountability, and enables asset visibility of the received equipment.	Direct Support to 402nd Army Field Support Brigade; under tactical control of ARCENT through Task Force 586*
Defense Remediation Team (DRT)	Assists units in sorting and creating documentation for property during shipment and turn-in to a Defense Reutilization Marketing Office.	Defense Logistics Agency through the Defense Reutilization and Marketing Services Officer-in-Charge - Iraq
Deployment and Distribution Support Team (DDST)	Provides units in Iraq with Unit Movement Officer refresher course. Assists in building movement plans for organizational and RESET equipment, hazardous material documentation, blocking and bracing, and container safety inspections.	Surface Deployment and Distribution Command through the 840th Deployment Distribution Support Battalion
Joint Redeployment Support Team (JRST)	Facilitates the return of forces in order to reset combat capability for future operations. Combines and synchronizes the efforts of the other support teams to prepare accurate Joint Planning and Execution System data.	U.S. Transportation Command
Inventory Property Assistance Team (IPAT)	Tracks shortages and excess. Manages and maintains "virtual warehouses." Provides redistribution instructions and tracks redistribution; tracks operational needs statement, joint urgent operational needs statements and solutions for them.	Multi-National Corps-Iraq
Organizational Property Assistance Team (OPAT)	Coordinates for redistribution and facilitates the transfer of Department of the Army G3 (Operations) designated TPE and manages Category V listing published by DA.	Theater Property Book Officer (2nd Battalion, 402nd Army Field Support Brigade)
Reset Team	Provides unit training on Department of the Army/Army Materiel Command RESET program and Automated RESET Management Tool.	Army Material Command through the Army Sustainment Command and the 2nd Battalion, 402nd Army Field Support Brigade in Iraq
Reset Fly Away Team (RFAT)	Expedites RESET planning and shipping of Life Cycle Management Command specific priority RESET equipment.	Army Material Command through the Army Sustainment Command and the 2nd Battalion, 402nd Army Field Support Brigade in Iraq
Marine LOGCOM Retrograde Team (LRT)	Receives, stores, and prepares for shipment and redistributes excess principle end items to fill home station equipment shortfalls or to depots to be repaired for further redistribution to the operating forces.	Marine Corps Logistics Command (Forward)

Source: GAO analysis of Multi-National Forces-Iraq data.

*The MRTs and RPATs have a complex command. Both of these teams are sourced with Air Force Personnel under Task Force 586, an Air Force headquarters. However, both teams are under the tactical control of ARCENT, which exercises that tactical control through Task Force 586. Moreover, because the RPAT is in direct support to the 402nd Army Field Support Brigade in Iraq, Army Materiel Command also has some control over this asset which it exercises through its subordinate command, Army Sustainment Command.

Appendix V: Theater Logistical Infrastructure Throughput Model

Department of Defense (DOD) officials have developed a model that approximates the volume of equipment and materiel that can flow through the Iraqi theater of operations logistics infrastructure and the rate at which that infrastructure can sustain this flow.[1] In summary, the model states the theater logistics infrastructure can sustain the deployment and redeployment of no more than a total of five brigades' worth of equipment and materiel in and out of Iraq per month. Specifically, DOD has modeled two scenarios (see table 2, below). In the first, the deployment and retrograde of TPE and unit equipment and materiel are prioritized. In the second scenario, the deployment and retrograde of TPE and unit equipment and materiel are balanced with the retrograde of non-unit stocks, such as containers of supplies. In both scenarios, the 1st Theater Support Command can sustain the delivery of a certain amount of Class I (food, water) and Class III-B (packaged petroleum products such as motor oil) to forces in Iraq.

Table 2: Planning Scenarios for Sustained Deployment and Redeployment

Support logistics activity	Scenario one[a]	Scenario Two[b]
Sustainment of Forces in Iraq	7 sustainment convoys to and returning from Iraq, per day	7 sustainment convoys to and returning from Iraq, per day
Deploying Unit Equipment, Materiel	2.5 brigade equivalents, per month	2.0 brigade equivalents, per month
Redeploying TPE, or Unit Equipment, Materiel	2.5 brigade equivalents, per month	2.0 brigade equivalents, per month
Redeploying Non-Unit Theater Stocks	None	1.0 brigade equivalent, per month

Source: GAO analysis.

[a]Scenario one prioritizes the simultaneous deploy/redeploy flow of theater provided equipment, unit equipment, and materiel.

[b]Scenario two balances the simultaneous deploy/redeploy flow of theater provide equipment, unit equipment, and materiel with non-unit theater stocks.

According to DOD officials and documents, the model is based on three types of brigades: heavy or Stryker brigade combat teams (HBCT/SBCT); infantry brigade combat teams (IBCT); and separate brigades (BDE SEP). For each brigade type DOD planners compiled unit property book data, added an additional 20 percent to the equipment totals to account for theater provided equipment, and then used the resulting brigade types in detailed planning for key phases of the redeployment and retrograde process such as convoy and wash rack operations. According to DOD officials, in this manner they were able to approximate the redeployment

[1]GAO did not verify the accuracy of this model.

and retrograde requirements and time frames for each type brigade. For example, the model assumes that a heavy or Stryker brigade combat team has almost twice the number of vehicles found in a separate brigade, and thus, requires almost 25 percent more convoys to retrograde these vehicles and almost double the amount of time on the wash racks.

Table 3: Key Planning Factors for Sustained Deployment and Redeployment, by Unit Type

	Unit type		
Planning factors	HBCT / SBCT	IBCT	BDE SEP
Vehicles in Unit	1,600	1,240	830
TEU (containers) in unit[2]	170	220	270
Convoy packages	46	42	37
Wash rack days	7	5.5	4

Source: GAO analysis

According to DOD officials, the predictive power of the rate-of-flow model is limited, and thus, it should not be used to calculate the minimum amount of time required to redeploy the total amount of equipment currently in Iraq. They explained that while the model assumes units are redeploying with a full set of equipment, the actual amount of equipment and materiel that needs to be transported, cleaned, inspected, and loaded onto ships will vary with each unit moving through the system. This means that in any given period of time, the actual amount of equipment and materiel being redeployed may be different than the amounts assumed in the model. For example, according to DOD officials, in the first quarter of fiscal year 2008 the theater logistical infrastructure was able to deploy an average of two brigades into Iraq and redeploy an average of three brigades out of Iraq each month. In addition, DOD officials have stated that during a period lasting about 1 month—from late November 2008 to early January 2009—four units will redeploy. They explained that this is possible because two of the units are leaving Iraq with only containers and the other two are redeploying with relatively little of their own equipment, having used mostly TPE while in theater. These two examples indicate that while the theater throughput model may provide planners with an estimate of the theater's deployment and redeployment/retrograde

[2]DOD uses both military and commercial containers to ship and store supplies. Because most military containers are 20-feet long, and many commercial containers are 40-feet long, DOD uses 20-foot equivalent units (TEU) as a way to measure the total volume of containers in its inventory. One 20-foot container equals one TEU; one 40-foot container equals two TEU.

capacity, the model should not be used to predict the number of actual units that can redeploy during any 1 month period.

Appendix VI: Detailed Process for Shipping Excess Theater Provided Equipment

The current process for retrograding certain excess theater provided equipment (TPE) from Iraq is lengthy and does not maintain in-transit visibility. This is caused by the frequent manual manipulation of data. According to Department of Defense's (DOS's) Supply Chain Materiel Management Regulation, all DOD components shall structure their materiel management to provide responsive, consistent, and reliable support to the warfighter (customer) during peacetime and war.[1] In addition, DOD components are required to implement material management functions using commercial, off-the-shelf items or DOD standard data systems, as well as ensure timely, accurate in-transit asset information and maintain visibility and accountability over items in the pipeline.[2] Moreover, DOD components should implement and maintain supply chain material management systems to provide a timely and complete process.[3]

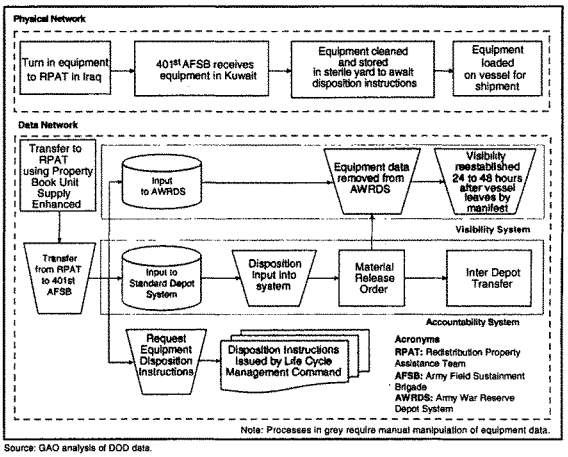
Figure 5 below describes the physical and data networks for Class VII TPE—including manual data transfers and key organizations—involved in the process.

[1]DOD 4140.1-R, *DOD Supply Chain Materiel Management Regulation* Chapter 1, § C1.3.1.1, (May 23, 2003).

[2]See DOD 4140.1-R, § C1.3.1, § C1.3.2 and § C5.8.

[3]See DOD 4140.1-R, § C7.1.

Figure 5: Process for Retrograding Class VII Theater Provided Equipment



Source: GAO analysis of DOD data.

Currently, when Class VII theater provided equipment is transferred from the owning unit to one of the Retrograde Property Assistance Teams[4] supporting the 402nd Army Field Support Brigade (AFSB) in Iraq, the accountability data for the equipment are transferred from the unit to the 402nd AFSB using the Army's Property Book Unit Supply Enhanced system[5] as shown in figure 5. Once the equipment moves to Kuwait, however, the 401st AFSB, which receives the equipment, must undertake two concurrent manual processes to establish accountability and visibility

[4]The Retrograde Property Assistance Teams (RPATs) facilitate the expedient turn-in of all excess Class VII, theater provided equipment (TPE), improve property accountability, and enable asset visibility of the received equipment. RPATs operate at six permanent locations throughout the theater Area of Operations (AO) to accomplish this mission.

[5]Army documents stated that the Property Book Unit Supply Enhanced is the Army's Web-based property accountability system that provides real-time total asset visibility throughout all levels of Army management and secures transfers to the Standard Army Retail Supply System. Additionally, it is a Standard Army Information Management System.

for the equipment. Accountability is established by manually entering equipment data into the Standard Depot System (SDS). However, SDS tracks equipment by the total number of items, not individual serial numbers. Hence a second manual entry is made into the Army War Reserve Depot System (AWRDS) to provide visibility over each item by serial number. AWRDS—a non-standard Army information management system—was originally designed to provide visibility over Army pre-positioned equipment sets, but it has been modified to support SDS.[6] This is contrary to DOD guidance that accountability and visibility should be established using standard data systems that share data.

Once accountability and visibility over the theater provided equipment have been established, brigade personnel request disposition instructions. This labor-intensive manual process involves sending spreadsheets populated with equipment data from Kuwait to Army Sustainment Command headquarters in Rock Island Arsenal, Illinois, and then on to the specific Life Cycle Management Commands[7] responsible for each particular item who, in turn, send disposition instructions back through this chain to the 401st AFSB. This process can take months or years because of the manual workarounds used to pass and manipulate the data.

Once disposition instructions are received in Kuwait, equipment can be shipped; however in-transit visibility of the equipment is temporarily lost. When disposition instructions for a certain item of TPE are received, that item drops from the AWRDS database and uses a process called Inter-Depot Transfer to manage shipment of that item. By dropping the item from AWRDS, however, the 401st AFSB loses visibility over the item, because Inter-Depot Transfers are not entered into the Global Transportation Network, DOD's system for providing near real-time in-transit visibility information. This lack of in-transit visibility is contrary to current DOD guidelines to maintain timely, accurate visibility over items in the distribution pipeline.

[6]Army documents state that Standard Army Management Information Systems provide a seamless and inoperable network of logistics systems using integrated communication tools.

[7]The Army Materiel Command has five Life Cycle Management Commands, each of which is responsible for certain types of equipment. They are: Aviation and Missile, Chemical Materials Agency, Communications-Electronics, Joint Munitions & Lethality, and Tank-automotive & Armaments Command.

The 401st AFSB uses another manual process to compensate for this by coordinating with Surface Deployment and Distribution Command elements at Kuwaiti ports in order to obtain final load manifests for each vessel. The manifest is then forwarded to the appropriate Life Cycle Management Command in the United States so that item managers there can prepare for the receipt of the equipment; however this information does not reach the 401st AFSB until 24 to 48 hours after a vessel sets sail.

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

William M. Solis (202) 512-8365 or solisw@gao.gov

Acknowledgments

In addition to the contact named above, David A. Schmitt, Assistant Director; Guy A. Lofaro, Analyst in Charge; John Lee; Katherine Lenane; Gregory Marchand; John J. Marzullo; Tristan T. To; Christopher Turner; Cheryl Weissman, and Kristy Williams made key contributions to this report.

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Mr. DICKS. Was the surge military or contract?

Mr. MORAN. That is the thing. The surge was——

Mr. MURTHA. Let me interrupt.

Mr. DODARO. But we are looking at that issue.

Mr. MORAN. Well, thank you. The information we get is coming from GAO. You are giving us this information. It is unbelievable. But our frustration has just reached the level of, you know, we are ready to pull our hair out on this. And I am sure if you were to continue doing more investigations, the information is going to be all the more compelling that something needs to be done dramatically. I do not take fault at your recommendations. But things continue to deteriorate. And I think that we are going to have to continue to ask you to get this information on even a more timely basis than you have been able to, because we have got to change things very quickly. And it sounds accusatory. I do not mean to be accusatory of you. I do of the Army. The idea that the Pentagon is finally getting around to coming up with a definition of what is inherently governmental is just unbelievable, really.

And you know, you have got to be dispassionate about this, but we do not have to be. And that is why this is as important an issue as we are going to face. And we are going to have to get to the bottom of it. We appreciate the effort you have made to help us in that pursuit.

Mr. DODARO. Thank you.

I would say, Congressman, also that while there are some short-term issues that need to be dealt with, one of the fundamental frustrations I have is looking at the quality of strategic planning in the government over a period of time. And we cannot move from one end of the spectrum to the other end of the spectrum without having unintended consequences. And there needs to be a plan to get there. And so a lot of our recommendations go to having well-thought-out, well-crafted plans and strategies at the Department. And I would hope that the Congress provides adequate oversight to ensure that that happens. That, I think, at the end of the day is really the, or one of the, fundamental issues.

Mr. MURTHA. Let me say, before Mr. Moran came in, we talked about what we had done. When Mr. Walker came before the subcommittee 2 years ago, he said he could not get the information. So we fenced. I had forgotten this; the staff reminded me. We fenced the money and said, you do not get any money until you report to us how many contractors you have. Well, they got the information pretty quick after that. So I think we, as a subcommittee, we are going to have to fence the money in order to get some movement out of them. We save $44,000, according to the study we have, for every person we hire in-house compared to a contractor. Now, last year, we cut $4.5 billion out of contractors in this subcommittee. We added a billion dollars to hire direct hires and of course lost it because they were going to, the administration was going to veto the bill. So we have got to get some guidance and some recommendations, but they will not do it unless we tell them to do it, unless we put some teeth into it. And I think that is what——

Mr. MORAN. They would not even spend the money you put in for contract acquisition procurement personnel. You put money in

for that and Shay what's-his-name would not even spend it this past year.

Mr. DICKS. Mr. Chairman, I think the new administration will be a little more forward leaning on your request.

Mr. MURTHA. I hope so.

Mr. DICKS. I know it is sometimes hard to remember that——

Mr. FRELINGHUYSEN. If not, we are in trouble, right?

Mr. MURTHA. Mr. Tiahrt.

Mr. TIAHRT. I do not have any questions at this time, Mr. Chairman.

I appreciate the work of the GAO.

Mr. MURTHA. Ms. Granger.

PROJECT PURCHASING OFFICERS IN AFGHANISTAN

Ms. GRANGER. Let me follow up a little built on Mr. Moran's questions and let me turn to Afghanistan.

According to the information I have got, according to GAO, there are six Department of Defense warranted contracting officers in Afghanistan, and they approve every contract valued at $250,000 or above or the commander emergency response. If there are six—so they are approving contracts. How does the number come up? How does that make sense?

Mr. DODARO. Yeah, Congresswoman Granger, we need to correct the record. I mean, our staff says it is 60.

Ms. GRANGER. It is how many?

Mr. DODARO. Sixty to seventy, not six. And that was our communication issue. And so I would like to correct that.

Ms. GRANGER. Okay. Do you think that is the right amount?

Mr. DODARO. Well, it depends on how things are going forward. Our recommendation here is that we learn the lessons on how we accelerated a contractor workforce in Iraq and that contracting acquisition workforce people be trained, plus the commanders in Afghanistan, so that whatever contractors go there, there is adequate oversight structure in place to make sure we do not have a repeat of the problems that we had in Iraq.

Ms. GRANGER. If it is adequate oversight, then, according to, again, to GAO, 97 percent of the commander's emergency response projects are valued at less than $500,000. They are awarded by the project purchasing officer, who has 1 hour's training. Is that a mistake, too?

Ms. COFFEY. No, that is correct.

Mr. DODARO. That is correct.

Ms. GRANGER. Would you say that was adequate, 1 hour's training to oversee 97 percent of those contracts?

Mr. DODARO. We are supportive and have recommended additional training.

Ms. GRANGER. How much additional training?

Mr. DODARO. It depends on the position. I can give you some information on it. Let me think that through.

[The information follows:]

GAO is currently reviewing the Commander's Emergency Response Program (CERP) in Afghanistan. Our preliminary work raises some concerns over the amount and type of training Project Purchasing Officers (PPO) are currently receiving. PPOs are either officers or senior enlisted personnel designated by the com-

manders to award contracts for CERP projects or services up to $500,000. According to military officials, generally PPO personnel have had little or no contracting experience and do not undergo the same type of extensive training that is provided to warranted contracting officers. Current training for PPOs consists of a 1 hour briefing which is focused on the CERP guidance and not the technical aspects of contract management or administration such as writing statements of work, drafting contract documents, ensuring that the project is completed to contract specifications, and completing contract close out. For the past several years GAO has reported on the need for better and more complete training for those responsible for contract management in contingency operations like those in Iraq and Afghanistan, to reduce the risk of waste or mismanagement. While we are finalizing our work at this time, our preliminary view is that PPOs do require more training than the one hour that is currently provided.

Mr. MURTHA. Would these folks identify themselves for the reporter?

Mr. DODARO. Okay. Yeah, I am sorry, Mr. Chairman.

Ms. COFFEY. I am sorry, I am Carole Coffey.

Mr. MURTHA. Did you hear that, reporter?

And this young lady here.

Ms. SCHINASI. Katherine Schinasi.

Ms. GRANGER. Thank you.

Mr. MURTHA. How much time do you have? We have plenty of time, because there is 224 that have not voted.

Mr. Rothman.

Mr. ROTHMAN. Thank you, Mr. Chairman. I am going to lay out some general concerns and then let you have it so I do not take up all the time. You have talked about lack of strategic planning, lack of management. And I am glad you are there to discover these things and to make recommendations to address them. Again, my concern is, why did this develop? Has this always been the case in the history of our Defense establishment since the founding of the Republic? And again, not to identify an administration for that purpose, but to identify what did we stop doing that was right and what did we start doing that was wrong so we can know how to fix it? Will you be addressing that in general terms? Was there a culture change? Or, as has been alluded to, was the interest in contracting out that expanded in the last 8 years, is it a necessary consequence of contracting out that there will be less accountability? Is that a consequence of contracting out? And if so, then you should let us know. If not, let us know that if not. Because I see in your statement you say that reliance on contractors can create mission risk when contractors are supporting deployed forces. And you say, without understanding the depth and breadth of contractor support, they will be unable to determine the right mix. And you are concerned about, the urgency is because of our upcoming increase in forces in Afghanistan. So goodness, we do not want to increase mission risk upon our forces that we are bringing or existing in Afghanistan because we do not know the impact of contractors. So it is the philosophical or general principle, what happened to the culture there? Does contracting per se equal some less accountability? And number three, as quickly as possible, how do we address what you call mission risk for deployed forces caused by our contractor forces?

Mr. DODARO. Okay. First, let me say that some of these fundamental weaknesses have been present at the Department for a long time. We have had weapons systems acquisition on the high risk

list that we keep for Congress of areas of potential risk of fraud, waste, abuse, and mismanagement since 1990 when we first created the list. We added contract management in 1992 to the list. So there have been some fundamental needs for improvement at the Department for a long time. What has happened recently, however, though, is the decline in the acquisition workforce at the same time you had a concomitant huge increase in the use and reliance of contractors over a period of time. Underlying all that has been the demographic changes that are occurring throughout our society and the aging of the Federal Government's workforce, and you had a natural turnover of experience.

Mr. ROTHMAN. And they were not being replaced on the numbers.

Mr. DODARO. Right.

Mr. ROTHMAN. The numbers were not even being replaced.

Mr. DODARO. Right. Right. But I would also say that we have for the past several years, though, stepped up some of our criticism of the Department's strategic planning that has been taking place. But the situation in global war on terrorism and other things have accelerated the need to have strategic planning, not only within the Department but across the agencies. But I would say the Department of Defense has more areas on our high-risk list than any other Department in the Federal Government. They are also one of the few departments that have not yet been able to pass a test of a financial audit. So that is why I think you have a lot of data problems as well.

Now, to get to your point on recommendations, we have made recommendations on the need to do a comprehensive study in these areas to deal with and put in place best practices. And so we have got plenty of recommendations. But the point that we made, and the Department has been very willing to make some policy changes, but implementation is really a key here. And I cannot stress that enough.

Mr. ROTHMAN. If I could get those for the record, that would be great, Mr. Chairman. Thank you.

Congressman Rothman asked for copies of reports or testimonies in which GAO has recommended or called for a comprehensive study of DOD's use of contractors (see page 41 of the transcript). Please find copies of three testimonies in which GAO called for a fundamental re-examination of the use of contractors by DOD. Specifically, see GAO–08–621T, page 13; GAO–08–572T page 30; and GAO–08–436T, pages 19 and 21.

United States Government Accountability Office

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Testimony

Before the Subcommittee on Defense, Committee on Appropriations, House of Representatives

Expected at 3:30 p.m. EST
Wednesday, January 23, 2008

DEFENSE ACQUISITIONS

DOD's Increased Reliance on Service Contractors Exacerbates Long-standing Challenges

Statement of David M. Walker
Comptroller General of the United States

This testimony was delivered on January 23, 2008; we are publicly releasing it on April 3, 2008.

GAO-08-621T

January 23, 2008

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Highlights

Highlights of GAO-08-621T, a testimony before the Subcommittee on Defense, Committee on Appropriations, House of Representatives

DEFENSE ACQUISITIONS

DOD's Increased Reliance on Service Contractors Exacerbates Long-standing Challenges

Why GAO Did This Study

The Department of Defense's (DOD) spending on goods and services has grown significantly since fiscal year 2000, to well over $314 billion annually. GAO has identified DOD contract management as a high-risk area for more than decade. With awards to contractors large and growing, DOD will continue to be vulnerable to contracting fraud, waste, or misuse of taxpayer dollars, and abuse. Prudence with taxpayer funds, widening deficits, and growing long-range fiscal challenges demand that DOD maximize its return on investment, while providing warfighters with the needed capabilities at the best value for the taxpayer. This statement discusses (1) the implications of DOD's increasing reliance on contractors to fill roles previously held by government employees, (2) the importance of the acquisition workforce in DOD's mission and the need to strengthen its capabilities and accountability, and (3) assumptions about cost savings related to the use of contractors versus federal employees. This statement is based on work GAO has ongoing or has completed over the past several years covering a range of DOD contracting issues.

What GAO Recommends

This testimony contains no recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-08-621T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John Needham at (202) 512-4841 or needhamj@gao.gov.

What GAO Found

DOD has increasingly turned to contractors to fill roles previously held by government employees and to perform many functions that closely support inherently governmental functions, such as contracting support, intelligence analysis, program management, and engineering and technical support for program offices. This trend has raised concerns about what the proper balance is between public and private employees in performing agency missions and the potential risk of contractors influencing the government's control over and accountability for decisions that may be based, in part, on contractor work. Further, when the decision is made to use contractors in roles closely supporting inherently governmental functions, additional risks are present. Contractors are not subject to the same ethics rules as government even when doing the same job, and the government risks entering into an improper personal services contract if an employer/employee relationship exists between the government and the contractor employee.

DOD's increasing reliance on contractors exacerbates long-standing problems with its acquisition workforce. GAO has long reported that DOD's acquisition workforce needs to have the right skills to effectively implement best practices and properly manage the acquisition of goods and services. Weaknesses in this area have been revealed in recent contingency situations, but they are present in nonemergency circumstances as well, with the potential to expose DOD to fraud, waste, and abuse. It is important to note that the role of the acquisition function does not end with the award of a contract. Continued involvement of the workforce throughout contract implementation and closeout is needed to ensure that contracted services are delivered according to the schedule, cost, quality, and quantity specified in the contract. GAO has in the past several years reported wide discrepancies in the rigor with which contracting officer's representatives perform these duties, particularly in unstable environments such as the conflict in Iraq and the aftermath of Hurricane Katrina.

A key assumption of many of the federal management reforms of the 1990s was that the cost-efficiency of government operations could be improved through the use of contractors. GAO recently reported that sufficient data are not available to determine whether increased service contracting has caused DOD's costs to be higher than they would have been had the contracted activities been performed by uniformed or DOD civilian personnel. GAO recently probed, in-depth, the cost of contractor versus government contract specialists at the Army's Contracting Center for Excellence and found that the Army is paying up to 26 percent more for the contractors as compared to their government counterparts.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss challenging issues relating to the Department of Defense's (DOD) increasing reliance on contractors for services to support its mission. Over the past decade, DOD has experienced dramatic changes in its mission, accompanied by a significant infusion of funds, with fiscal year 2008 base appropriations of $449 billion. The President has also requested $189 billion for fiscal year 2008 war costs. Much of this money is spent buying goods and, increasingly, services from the private sector. Enhancing governmentwide acquisition and contracting capability is one of the major areas that we have identified as necessary for improving the government's capacity to address 21st century challenges and deliver real and sustainable results.[1] In examining our defense work, we have observed 15 systemic acquisition challenges facing DOD, which I have included in appendix I. These challenges have been long-standing and are becoming more apparent in recent years as the department's reliance on contractors has grown in both size and scope. Overall trends indicate that DOD's spending continues to increase. We reported to you in 2006 that, in fiscal year 2005, DOD's reported contracting obligations totaled $270 billion. This amount increased to $314 billion in 2007, representing a 136 percent increase over fiscal year 2000 spending.

The acquisition of services differs from that of products in several key respects and can be particularly challenging in terms of defining requirements and assessing contractor performance. DOD's service acquisitions range from basic services such as landscaping and janitorial services to those that are more complex, like intelligence analysis, acquisition support, security services, and program office support. We have reported that the department needs to do a much better job managing its service acquisitions, and last year made a number of recommendations to put the department in a position to proactively do so.[2] Congress, too, has imposed requirements over the past several years intended to improve DOD's service acquisition practices. For example, in January 2006, Congress required DOD to take a number of actions,

[1] GAO, *A Call for Stewardship: Enhancing the Federal Government's Ability to address Key Fiscal and Other 21st Century Challenges*, GAO-08-93SP (Washington, D.C.: December 2007).

[2] GAO, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, GAO-07-20 (Washington, D.C.: Nov. 9, 2006).

including identifying the critical skills and competencies needed to procure services.[3]

I will address three important points today:

- DOD's increasing reliance on contractors to fill roles previously held by government employees: This trend has raised issues as to what the proper balance is between public and private employees in performing agency missions, as well the need for greater attention given to decisions to contract for services and the risks associated with these decisions on work that closely supports inherently government functions. DOD has three different options in terms of who will perform its functions, namely military, civilian, or contractor. Today I will focus on the role of contractors at the department.

- The importance of the acquisition workforce to DOD's mission and the need to strengthen its capabilities and accountability: Weaknesses in this area have been revealed in recent contingency situations, but they are present in non-emergency circumstances as well, with the potential to expose DOD to significant fraud, waste, and abuse. There may also be opportunities to provide additional authorities to strengthen the acquisition workforce, such as the use of term appointments.

- Assumptions about cost savings related to the use of contractors versus federal employees: The savings may not be realized in actual practice, as some of our current work begins to indicate.

My comments today are based on work that GAO has completed over the past several years and, in some cases, on ongoing work. All of our related performance audits were conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[3] National Defense Authorization Act for Fiscal Year 2006, Pub. L. No. 109-163 § 812, 119 Stat. 3136, 3376- 3379 (2005).

DOD's Growing Reliance On Contractors

Contractors have an important role to play in the discharge of the government's responsibilities, and in some cases the use of contractors can result in improved economy, efficiency, and effectiveness. However, in many cases contractors are used because the government lacks its own personnel to do the job. Long-standing problems with the lack of oversight and management of contractors are compounded by the growing reliance on them to perform functions previously carried out by government personnel.

The government is relying on contractors to perform many tasks that closely support inherently governmental functions, such as contracting support, intelligence analysis, security services, program management, and engineering and technical support for program offices. We recently surveyed officials from 52 of DOD's major weapons programs, who reported that over 45 percent of the program office staff was composed of individuals outside of DOD. Some program officials expressed concerns about having inadequate personnel to conduct their program office roles. In a prior review of space acquisition programs, we found that 8 of 13 cost estimating organizations and program officials believed the number of government cost estimators was inadequate and that 10 of those offices had more contractor personnel preparing cost estimates than government personnel.[4]

In general, I believe there is a need to focus greater attention on what type of functions and activities should be contracted out and which ones should not. Inherently governmental functions include activities that require either the exercise of discretion in applying government authority, or the making of value judgments in making decisions for the government; as such, they are required to be performed by government employees, not private contractors. The closer contractor services come to supporting inherently governmental functions, the greater the risk of contractors influencing the government's control over and accountability for decisions that may be based, in part, on the contractor's work. This situation may result in decisions that are not in the best interest of the government and American taxpayer, while also increasing overall vulnerability to waste, fraud, or abuse. The Federal Acquisition Regulation provides 19 examples of services and actions that may approach the category of inherently governmental because of the nature of the function, the manner in which

[4] GAO, *Space Acquisitions: DOD Needs to Take More Action To Address Unrealistic Initial Cost Estimates of Space Systems*, GAO-07-96 (Washington, D.C.: Nov.17, 2006).

the contractor performs the contracted services, or the manner in which the government administers contractor performance. These include acquisition support, budget preparation, engineering and technical services, and policy development.

One way in which DOD has expanded the role of contractors is its use of a lead systems integrator for major-weapons development. This approach allows one or more contractors to define a weapon system's architecture and then manage both the acquisition and the integration of subsystems into the architecture. In such cases, the government relies on contractors to fill roles and handle responsibilities that differ from the more traditional prime contractor relationship, a scenario that can blur the oversight responsibilities between the contractor and federal program management officials. For example, the Army's Future Combat Systems program is managed by a lead systems integrator that assumes to some extent the responsibilities of developing requirements, selecting major system and subsystem contractors, and making trade-off decisions among costs, schedules, and capabilities. While this management approach has some advantages for DOD, we found that the extent of contractor responsibility in many aspects of the Future Combat Systems program management process is a potential risk.[5] Moreover, if DOD uses a lead systems integrator but does not provide effective oversight, DOD is vulnerable to the risk that the integrator may not make its decisions in a manner consistent with the government's and taxpayers' best interests, especially when faced with potential organizational conflicts of interest.

Potential Risks Associated with Use of Contractors

When the decision is made to use contractors in roles closely supporting inherently governmental functions, additional risks are present. Defense contractor employees are not subject to the same laws and regulations that are designed to prevent personal conflicts of interests among federal employees. Moreover, there is not a departmentwide requirement for DOD offices to employ personal conflict of interest safeguards for contractor employees, although new governmentwide policy implemented in November 2007 requires that certain contractors receiving awards worth more than $5,000,000 and 4 months of work have an ethics program.[6] A separate proposed rule was recently published at the request of the Justice

[5] GAO, *Defense Acquisitions: Role of Lead Systems Integrator on Future Combat Systems Program Poses Oversight Challenges*, GAO-07-380 (Washington, D.C.: June 6, 2007).

[6] 72 Fed. Reg. 65873 - 82 (Nov. 23, 2007), effective date Dec. 24, 2007.

Department to amend the regulation to require that companies holding certain types of contracts disclose suspected violations of federal criminal law in connection with the award or performance of contracts, or face suspension or debarment. Public comments are due in January 2008.[7] We will be issuing a report on personal conflicts of interest, as they pertain to defense contractor employees, shortly.[8]

In addition, personal services contracts are prohibited, unless authorized by statute.[9] The government is normally required to obtain its employees by direct hire under competitive appointment or other procedures required by the civil service laws. GAO bid protest decisions also have determined that a personal services contract is one that, by its express terms or as administered, makes the contractor personnel appear to be, in effect, government employees.[10] Whether a solicitation would result in a personal services contract must be judged in the light of its particular circumstances, with the key question being whether the government will exercise relatively continuous supervision and control over the contractor personnel performing the requirement.

The Federal Acquisition Regulation lists six elements to be used as a guide in determining the existence of a personal services contract, which are shown in table 1.

[7] 72 Fed. Reg. 64019 - 23 (Nov. 14, 2007).

[8] GAO, *Defense Contracting: Additional Personal Conflict of Interest Safeguards Needed for Certain DOD Contractor Employees*, GAO-08-169 (Washington, D.C.: Mar. 7, 2008). In addition, the National Defense Authorization Act for Fiscal Year 2008 requires us to report on the ethics programs of major defense contractors. National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 848.

[9] Federal Acquisition Regulation 37.104.

[10] *Encore Management, Inc.*, B-278903.2, Feb. 12, 1999, 99-1 CPD ¶ 33 at 3.

Table 1: Elements to Be Used as a Guide in Determining the Existence of Personal Services

1. Performance on site.
2. Principal tools and equipment furnished by the government.
3. Services are applied directly to the integral effort of the agency or an organizational subpart in the furtherance of its assigned function or mission.
4. Comparable services, meeting comparable needs, are performed in the same or similar agencies using civil service personnel.
5. The need for the type of service provided can reasonably be expected to last beyond one year.
6. The inherent nature of the service, or the manner in which it is provided, reasonably requires, directly or indirectly, government direction or supervision of contractor employees in order to -- (i) adequately protect the government's interest (ii) retain control of the function involved; or (iii) retain full personal responsibility for the function supported in a duly authorized Federal officer or employee.

Source: FAR Subpart 37.104(d).

When contractors work side by side with government employees and perform the same mission-related duties, the risk associated with such contracts can be increased.

Contingency Situations Reveal Acquisition Workforce Shortfalls

In July 2006, we reported[11] that DOD's acquisition workforce is subject to certain conditions that increase DOD's vulnerabilities to contracting fraud, waste, and abuse, including

- growth in overall contracting workload,
- pending retirement of experienced government contracting personnel, and
- a greater demand for contract surveillance because of DOD's increasing reliance on contractors for services.

Fraud is any intentional deception taken for the purpose of inducing DOD action or reliance on that deception. Fraud can be perpetrated by DOD personnel—whether civilian or military—or by contractors and their employees. Trust and access to funds and assets that come with senior leadership and tenure can become a vulnerability if the control environment in an organization is weak. We also need to target waste in government spending. Government waste is growing and far exceeds the

[11] GAO, *Contract Management: DOD Vulnerabilities to Contracting Fraud, Waste, and Abuse*, GAO-06-838R (Washington, D.C.: July 7, 2006).

cost of fraud and abuse. Several of my colleagues in the accountability community and I have developed a definition of waste, which is contained in appendix II. Although waste does not normally involve a violation of law, its effects can be just as profound. In response to our July 2006 report, DOD's Panel on Contracting Integrity reported this month that it has identified 21 initial actions for implementation in 2008 that it expects will address areas of vulnerability in the defense contracting system that allow fraud, waste, and abuse to occur.

Some amount of vulnerability to mismanagement, fraud, waste, or abuse will always be present in contracting relationships, even with rules and regulations in place to help prevent it. These vulnerabilities are more dramatically revealed in contingency situations, such as the conflicts in Iraq and the aftermath of Hurricane Katrina, when large amounts of money are quickly made available and actions are hurried. One very significant weakness is the condition of the government's acquisition workforce. We and others have reported for a number of years on the risks posed by a workforce that has not kept pace with the government's spending trends. The Acquisition Advisory Panel, for example, recently noted the significant mismatch between the demands placed on the acquisition workforce and the personnel and skills available within that workforce to meet those demands.[12] To put it another way, at the same time that procurement spending has skyrocketed, fewer acquisition professionals are available to award and—just as importantly—administer contracts. Two important aspects of this issue are the numbers and skills of contracting personnel and DOD's ability to effectively oversee contractor performance.

Acquisition Workforce Shortfalls

In its January 2007 report, the Acquisition Advisory Panel stated that the government's contracting workforce was reduced in size in the 1990s, with DOD's declining by nearly 50 percent due to personnel reductions during that time. Despite recent efforts to hire acquisition personnel, there remains an acute shortage of federal procurement professionals with between 5 and 15 years of experience. This shortage will become more pronounced in the near term because roughly half of the current workforce is eligible to retire in the next 4 years. We have long noted that

[12] The Acquisition Advisory Panel was authorized by Section 1423 of the Services Acquisition Reform Act of 2003, which was enacted as part of the National Defense Authorization Act for Fiscal Year 2004. The panel was tasked with reviewing laws, regulations, and governmentwide acquisition policies. Pub. L. No. 108-136, 117 Stat. 1663 (2003).

DOD's acquisition workforce needs to be made a priority. We have reported that DOD needs to have the right skills in its acquisition workforce to effectively implement best practices and properly manage the acquisition of goods and services. We have also observed that the acquisition workforce continues to face the challenge of maintaining and improving skill levels to use alternative contracting approaches introduced by acquisition reform initiatives of the past few decades.

Recent developments indicate that the tide may be turning, with actions underway to address what is generally agreed to be a problematic state of the acquisition workforce. For example, DOD's Panel on Contracting Integrity, in its 2007 report to Congress, identified the following focus areas for planned actions, all of which focus on acquisition workforce issues:

- reinforce the functional independence of contracting personnel,
- fill contracting leadership positions with qualified leaders,
- determine the appropriate size of the contracting workforce and ensure that it has the appropriate skills, and
- improve planning and training for contracting in combat and contingency environments.

Also, the Commission on Army Acquisition and Program Management in Expeditionary Operations issued a report in November 2007, entitled "Urgent Reform Required: Army Expeditionary Contracting."[13] The commission found that the acquisition failures in expeditionary operations require a systemic fix of the Army acquisition system and cited the lack of Army leadership and personnel (military and civilian) to provide sufficient contracting support to either expeditionary or peacetime operations. It noted that only 3 percent of Army contracting personnel are active duty military and there are no longer any Army contracting career general officer positions. It found that what should be a core competence—contracting—is treated as an operational and institutional side issue. One general officer told the commission that "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 commission recommended increasing the stature, quantity, and career

[13] The report uses the term expeditionary to include operations outside of the U.S. as well as domestic emergency operations.

development of military and civilian contracting personnel. In response to the commission's report, the Army approved the creation of an Army Contracting Command, which will fall under the Army Materiel Command and be led by a two-star general. The Army also plans to increase its contracting workforce by approximately 400 military personnel and 1,000 civilian personnel.

We believe that, while there is no way to completely prevent fraud, waste, abuse, or poor decision making, increasing the numbers and skills of the acquisition workforce is critical to lessening the likelihood of future problems and affecting positive change. We must address this soon in order to prevent additional waste and increased risk.

Monitoring Contractor Performance

The role of the acquisition function does not end with the award of a contract. It requires continued involvement throughout contract implementation and closeout to ensure that contracted services are delivered according to the schedule, cost, quality, and quantity specified in the contract. In DOD, oversight—including ensuring that the contract performance is consistent with the description and scope of the contract—is provided by both contracting officers and the contracting officers representative (COR), typically a government employee with technical knowledge of the particular program.

We have reported wide discrepancies in the rigor with which CORs perform their duties, particularly in unstable environments. For example, in the aftermath of Hurricanes Katrina and Rita, the number of government personnel monitoring contracts was not always sufficient or effectively deployed to provide adequate oversight.[14] Instability—such as when wants, needs, and contract requirements are in a state of flux—requires greater attention to oversight, which in turn relies on a capable government workforce. Unfortunately, attention to oversight and a capable government workforce have not always been evident in a number of instances, including during the Iraq reconstruction effort. We have reported that, particularly in the early phases of the conflict, the Army lacked an adequate acquisition workforce in Iraq to oversee the billions of dollars for which it was responsible.[15] Further, Army personnel who were

[14] GAO, *Hurricane Katrina: Improving Federal Contracting Practices in Disaster Recovery Operations*, GAO-06-714T (Washington, D.C.: May 4, 2006).

[15] GAO, *Rebuilding Iraq: Fiscal Year 2003 Contract Award Procedures and Management Challenges*, GAO-04-605 (Washington, D.C.: June 1, 2004).

responsible for overseeing the performance of contractors providing interrogation and other services were not adequately trained to properly exercise their responsibilities.[16] Contractor employees were stationed in various locations around Iraq, with no COR or assigned representative on site to monitor their work. An Army investigative report concluded that the lack of training for the CORs assigned to monitor contractor performance at Abu Ghraib prison, as well as an inadequate number of assigned CORs, put the Army at risk of being unable to control poor performance or become aware of possible misconduct by contractor personnel.

DOD's Panel on Contracting Integrity raised similar concerns, noting that contracting personnel in a combat/contingent environment do not always have functional independence. Contracting personnel, including CORs, are sometimes placed in positions where their direct supervisor is not in the contracting chain of command, thus possibly injecting risk into the integrity of the contracting process. The report found that CORs are not sufficiently trained and prepared, and sometimes lack support from their operational chain of command, to perform effectively. The Commission on Army Acquisition and Program Management in Expeditionary Operations also expressed concern about this issue, stating that after contract award there are "no resources trained" to monitor and ensure that the contractor is performing and providing the services needed by the warfighter. It stated that the inability to monitor contractor performance and enforce contracts are critical problems in an expeditionary environment and cited an example: "When the critical need is to get a power station running, and there are no resources to monitor contractor performance, only the contractor knows whether the completed work is being sabotaged nightly."

In December 2006, we reported that while DOD has taken some steps to improve its guidance on the use of contractors to support deployed forces, addressing some of the problems we have raised since the mid-1990s, it continues to face long-standing problems that hinder its management and oversight of contractors at deployed locations. DOD has not allocated the organizational resources to review and oversee issues regarding contractor support to deployed forces. While DOD's new guidance is a

[16] GAO, *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations*, GAO-05-201 (Washington, D.C.: April 29, 2005).

noteworthy step, a number of problems we have previously reported on continue to pose difficulties for military personnel in deployed locations.[17]

- Lack of visibility by senior leaders into the number and location of contractors and services provided at deployed locations.
- Inadequate number of oversight personnel at deployed locations.
- No systematic collection and sharing of DOD's institutional knowledge on using contractors to support deployed forces.
- Limited or no training for military personnel on the use of contractors as part of their pre-deployment training or professional military education.

Cost of Contractors

A key assumption of many of the federal management reforms of the 1990s was that the cost-efficiency of government operations would be improved. In addition to a desire for cost savings, the need to meet mission requirements while contending with limitations on government full-time equivalent positions and a desire to use contractors' capabilities and skills in particular situations were factors in increasing the use of contractors. We recently reported that sufficient data are not available to determine whether increased service contracting has caused DOD's costs to be higher than they would have been had the contracted activities been performed by uniformed or DOD civilian personnel.[18]

To learn more about the role and cost of contractors providing contracting support services, we have recently undertaken new work to look at contractors providing contract specialist services to the Army Contracting Agency's Contracting Center for Excellence (CCE).[19] This agency currently provides contracting support to 125 DOD customers in the National Capitol Region, including the Joint Chiefs of Staff, Tricare Management Activity, Defense Information Systems Agency, DOD Inspector General,

[17] GAO, *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces*, GAO-07-145 (Washington, D.C.: Dec. 18, 2006).

[18] DOD does maintain data from its competitive sourcing, or A-76, program. However, the number of A-76 public/private competition contracts is relatively small and the results from this program may not be representative of the results from all services contracts for new or expanded operations and maintenance work. See GAO, *DOD Budget. Trends in Operation and Maintenance Costs and Support Services Contracting*, GAO-07-631 (Washington, D.C.: May 18, 2007).

[19] GAO, *Defense Contracting: Army Case Study Delineates Concerns with Use of Contractors as Contract Specialists*, GAO-08-360 (Washington, D.C.: Mar. 26, 2008).

Pentagon Renovation Office, and Office of the Judge Advocate General. During fiscal year 2007, the agency awarded about 5,800 contract actions and obligated almost $1.8 billion. CCE is one of many government agencies that have turned to contractors to support its contracting functions.

As a part of our review, we examined how the costs of CCE's contractor contract specialists compared to those of its government contract specialists. Our analysis indicates that the government is paying more for the contractors. At CCE, the contractors are performing the same duties as their government counterparts and have been used in this role since 2003. We compared the costs of the government employees at the GS-12 and GS-13 levels to their equivalent contractor counterparts (referred to as contract specialists II and III) and found that, on average, the Army is paying up to 26 percent more for the contractors, as depicted in table 2.

Table 2: Comparison of the Average Cost of CCE's Government and Contractor Contract Specialists

GS equivalent	Average hourly cost of a government contract specialist	Average hourly cost of a contractor contract specialist	Percentage difference between the hourly cost of a government employee and a contract employee
GS-12 equivalent	$59.21	$74.99	26.65
GS-13 equivalent	$72.15	$84.38	16.95

Source: GAO analysis based on government information and contract files.

Key elements of our analysis were:

- The loaded hourly cost of a government employee includes their salary, costs of the government's contributions to the employee's benefits, the costs to train the employee, the employee's travel expenses, and the costs of operations overhead—which are the costs of the government employees that provide support services, such as budget analysts or human capital staff.

- Government employee salaries and benefits were based on actual data from one pay period. These data were then compared to the hourly cost of contractors ordered during the month of that pay period. The cost of a contractor employee is the fully loaded hourly rate the government pays for these services. We reported the weighted average of those hourly rates

because the agency used two contractors at two different rates during the pay period.

- We excluded the costs that the government incurs for both government and contractor-provided specialists. These include the costs of supplies, facilities, utilities, information technology, and communications costs.

This example is one illustrative case. In another example, officials at the Missile Defense Agency told us last year that, according to their calculations, the average cost of their government employees was $140,000, compared with an average cost of $175,000 for their contractors—who accounted for 57 percent of their 8,186 personnel positions.[29] We will continue to do work in this area.

Concluding Points

In closing, I believe that we must engage in a fundamental re-examination of when and under what circumstances we should use contractors versus civil servants or military personnel. This is a major and growing concern that needs immediate attention. Once the decision to contract has been made, we must address challenges we have observed in ensuring proper oversight of these arrangements—especially considering the evolving and enlarging role of contractors in federal acquisitions.

And we must elevate the acquisition function within the department. I would like to emphasize the critical need for actions to be taken to improve the acquisition workforce. The acquisition workforce's workload and complexity of responsibilities have been increasing without adequate agency attention to the workforce's size, skills and knowledge, and succession planning. DOD is experiencing a critical shortage of certain acquisition professionals with technical skills related to systems engineering, program management, and cost estimation. Without adequate oversight by and training of federal employees overseeing contracting activities, reliance on contractors to perform functions that once would have been performed by members of the federal workforce carries risk. As a final note, we are continuing to explore acquisition workforce issues in ongoing work and we hope to be making recommendations on these issues.

[29] Government employees accounted for 33 percent of the personnel positions, with the remainder filled by employees of federally funded research and development centers and university and affiliated research centers that were under contract or other types of agreements to perform missile defense tasks.

Mr. Chairman and Members of the subcommittee, this concludes my statement. I would be happy to answer any questions you might have.

Appendix I: Systemic Acquisition Challenges at the Department of Defense

1. Service budgets are allocated largely according to top-line historical percentages rather than Defense-wide strategic assessments and current and likely resource limitations.

2. Capabilities and requirements are based primarily on individual service wants versus collective Defense needs (i.e., based on current and expected future threats) that are both affordable and sustainable over time.

3. Defense consistently overpromises and underdelivers in connection with major weapons, information, and other systems (i.e., capabilities, costs, quantities, schedule).

4. Defense often employs a "plug and pray approach" when costs escalate (i.e., divide total funding dollars by cost per copy, plug in the number that can be purchased, then pray that Congress will provide more funding to buy more quantities).

5. Congress sometimes forces the department to buy items (e.g., weapon systems) and provide services (e.g., additional health care for non-active beneficiaries, such as active duty members' dependents and military retirees and their dependents) that the department does not want and we cannot afford.

6. DOD tries to develop high-risk technologies after programs start instead of setting up funding, organizations, and processes to conduct high-risk technology development activities in low-cost environments (i.e., technology development is not separated from product development). Program decisions to move into design and production are made without adequate standards or knowledge.

7. Program requirements are often set at unrealistic levels, then changed frequently as recognition sets in that they cannot be achieved. As a result, too much time passes, threats may change, or members of the user and acquisition communities may simply change their mind. The resulting program instability causes cost escalation, schedule delays, smaller quantities, and reduced contractor accountability.

8. Contracts, especially service contracts, often do not have definitive or realistic requirements at the outset in order to control costs and facilitate accountability.

9. Contracts typically do not accurately reflect the complexity of projects or appropriately allocate risk between the contractors and the taxpayers (e.g., cost plus, cancellation charges).

10. Key program staff rotate too frequently, thus promoting myopia and reducing accountability (i.e., tours based on time versus key milestones). Additionally, the revolving door between industry and the department presents potential conflicts of interest.

11. The acquisition workforce faces serious challenges (e.g., size, skills, knowledge, succession planning).

12. Incentive and award fees are often paid based on contractor attitudes and efforts versus positive results (i.e., cost, quality, schedule).

13. Inadequate oversight is being conducted by both the department and Congress, which results in little to no accountability for recurring and systemic problems.

14. Some individual program and funding decisions made within the department and by Congress serve to undercut sound policies.

15. Lack of a professional, term-based chief management officer at the department serves to slow progress on defense transformation and reduce the chance of success in the acquisitions/contracting and other key business areas.

Appendix II: Definition of Waste

Several of my colleagues in the accountability community and I have developed a definition of waste. As we see it, waste involves the taxpayers in the aggregate not receiving reasonable value for money in connection with any government-funded activities due to an inappropriate act or omission by players with control over or access to government resources (e.g., executive, judicial or legislative branch employees; contractors; grantees; or other recipients). Importantly, waste involves a transgression that is less than fraud and abuse. Further, most waste does not involve a violation of law, but rather relates primarily to mismanagement, inappropriate actions, or inadequate oversight. Illustrative examples of waste could include the following:

- unreasonable, unrealistic, inadequate, or frequently changing requirements;
- proceeding with development or production of systems without achieving an adequate maturity of related technologies in situations where there is no compelling national security interest to do so;
- the failure to use competitive bidding in appropriate circumstances;
- an over-reliance on cost-plus contracting arrangements where reasonable alternatives are available;
- the payment of incentive and award fees in circumstances where the contractor's performance, in terms of costs, schedule, and quality outcomes, does not justify such fees;
- the failure to engage in selected pre-contracting activities for contingent events; and
- congressional directions (e.g., earmarks) and agency spending actions where the action would not otherwise be taken based on an objective value and risk assessment and considering available resources.

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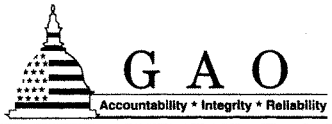
DEFENSE MANAGEMENT

DOD Needs to Reexamine Its Extensive Reliance on Contractors and Continue to Improve Management and Oversight

Statement of David M. Walker
Comptroller General of the United States



GAO-08-572T

March 11, 2008

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Highlights

Highlights of GAO-08-572T, a testimony before the Subcommittee on Readiness, Committee on Armed Services, House of Representatives

DEFENSE MANAGEMENT

DOD Needs to Reexamine Its Extensive Reliance on Contractors and Continue to Improve Management and Oversight

Why GAO Did This Study

The federal government, including the Department of Defense (DOD), is increasingly relying on contractors to carry out its missions. Governmentwide spending on contractor services has more than doubled in the last 10 years. DOD has used contractors extensively to support troops deployed abroad. The department recently estimated the number of contractors in Iraq and Afghanistan to be about 196,000. DOD also relies heavily on contractors for various aspects of weapon system logistics support.

While contractors, when properly used, can play an important role in helping agencies accomplish their missions, GAO has identified long-standing problems regarding the appropriate role and management of contractors, particularly at DOD. This testimony highlights the challenges federal agencies face related to the increased reliance on contractors and the specific challenges DOD has had in managing its increased reliance on contractors who support deployed troops and who provide logistics support for weapons systems.

This testimony also highlights some of the recommendations GAO has made over the past several years to improve DOD's management and oversight of contractors, as well as DOD's actions in response to those recommendations.

To view the full product, including the scope and methodology, click on GAO-08-572T. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

What GAO Found

While there are benefits to using contractors to perform services for the government—such as increased flexibility in fulfilling immediate needs—GAO and others have raised concerns about the increasing reliance on contractors to perform agency missions. GAO's body of work shows that agencies face challenges with increased reliance on contractors to perform core agency missions, and these challenges are accentuated in contingency operations such as Iraq, in emergency situations such as Hurricane Katrina, or in cases where sufficient government personnel are not available. In making the decision to use contractors, agencies have experienced challenges such as: determining which functions and activities should be contracted out and which should not to ensure institutional capacity; developing a total workforce strategy to address the extent of contractor use and the appropriate mix of contractor and government personnel; identifying and distinguishing the roles and responsibilities of contractors and civilian and military personnel; and ensuring appropriate oversight, including addressing risks, ethics concerns, and surveillance needs.

DOD's increased reliance on contractors to support forces deployed for military operations and to perform maintenance and other logistic support for weapon systems has highlighted challenges that DOD faces in managing this component of its total force. With regard to contractor support for deployed forces, DOD's primary challenges have been to provide effective management and oversight, including failure to follow planning guidance, an inadequate number of contract oversight personnel, failure to systematically capture and distribute lessons learned, and a lack of comprehensive training for military commanders and contract oversight personnel. These challenges have led to negative operational and monetary impacts at deployed locations. For example, several military commanders GAO met with in 2006 said their pre-deployment training did not provide them with sufficient information on the extent of contractor support that they would be relying on in Iraq and were therefore surprised by the substantial number of personnel they had to allocate to provide on-base escorts, convoy security, and other force protection support to contractors. Although DOD has taken some steps to address these issues, many of these issues remain a concern and additional actions are needed. With respect to weapon system support, the challenges have been to resolve questions about how much depot maintenance and other logistics work needs to be performed in-house and to what extent outsourcing for DOD logistics has been cost-effective. While DOD has a process for defining core maintenance capability, GAO has identified shortcomings with this process and found that core maintenance capability has not always been developed. Finally, although increased contractor reliance for maintenance and other logistics activities was justified by DOD based on the assumption that there would be significant cost savings, it is uncertain to what extent cost savings have occurred or will occur.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the increased reliance on contractors to conduct more and more of the business of the federal government. In fiscal year 2007, the federal government spent about $254 billion on contractor services, an amount that has more than doubled over the past decade. The Department of Defense's (DOD) obligations on service contracts, expressed in constant fiscal year 2006 dollars, rose from $85.1 billion in fiscal year 1996 to more than $151 billion in fiscal year 2006, a 78 percent increase. With this growth in spending, DOD has become increasingly reliant on contractors both overseas and in the United States. For example, the department has relied extensively on contractors for services that include communication services, interpreters who accompany military patrols, base operations support (e.g., food and housing), weapon systems maintenance, and intelligence analysis to support military operations in Southwest Asia. The U.S. military has long used contractors to provide supplies and services to deployed forces, but the scale of contractor support DOD relies on in deployed locations today has increased considerably. DOD has recently estimated the number of contractors in Iraq and Afghanistan to be about 196,000. Further, DOD currently has the equivalent of three brigades of contractors providing security services in Iraq, as well as another brigade equivalent supporting these contractors—a total of about 12,000 personnel. Put another way, there are more private security contractors in Iraq today than the total number of contractors (about 9,200) that were deployed to support military operations in the 1991 Gulf War. In addition to the support contractors provide for military forces deployed overseas, DOD has also increasingly relied on contractors for other services. For example, we have reported in recent years on DOD's increasing reliance on the private sector for various aspects of weapon system logistics support, including depot-level maintenance.

While contractors, along with military personnel and civilians, are part of DOD's total force and fulfill many vital functions that enable DOD to accomplish its missions, the increased reliance on contractors has raised a number of issues and concerns that warrant continued attention. Our previous work has highlighted long-standing problems regarding the appropriate role and management and oversight of contractors in the federal workforce—particularly at DOD—and I have identified 15 systemic acquisition challenges facing DOD (see app. I). These challenges range from separating agency wants from needs to creating a capable workforce and holding it accountable. Since 1992, we have designated DOD contract management as a high-risk area, in part due to concerns over the adequacy

of the department's acquisition workforce, including contract oversight personnel. Congress has expressed increasing concerns about DOD's management and oversight of contractors as well. For example, the National Defense Authorization Act for Fiscal Year 2008 called for the creation of a Commission on Wartime Contracting to make assessments of the government's reliance on contractors in Iraq and Afghanistan and certain contract performance and management issues related to those contracts. The act also created a contingency contractor training requirement for military personnel outside the acquisition workforce. Congress also has taken steps to improve oversight by increasing the budgets for the Defense Contract Audit Agency, Defense Contract Management Agency, and the Defense Department's Inspector General in the fiscal year 2008 DOD appropriations. As I have noted previously, given DOD's heavy and increasing reliance on contractors in Iraq and elsewhere, and the risks this reliance entails, it may be appropriate to ask if DOD has become too reliant on contractors to provide essential services.[1] To help frame this issue today, I will highlight governmentwide challenges we have identified related to the increased reliance on contractors. Next, I will focus more specifically on challenges DOD has had in managing the increased reliance on contractors who support deployed troops and who provide logistics support for weapons systems. I will conclude with some broad observations that Congress and DOD may wish to consider in addressing these important issues.

My statement today is based primarily on our prior work and the work of others at agencies across the federal government. Our work includes reviews at the Departments of Defense, Homeland Security, and Energy, the Environmental Protection Agency, and the National Aeronautics and Space Administration. The work of others includes the congressionally mandated Acquisition Advisory Panel and the Defense Acquisition University. A list of related GAO products is provided at the end of this statement. As part of ongoing work, we obtained updated information on DOD's actions to address issues we have previously raised. We developed this statement from February to March 2008 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a

[1]GAO, *Stabilizing and Rebuilding Iraq: Conditions in Iraq Are Conducive to Fraud, Waste, and Abuse*, GAO-07-525T (Washington, D.C.: Apr. 23, 2007).

reasonable basis for our findings and conclusions based on our audit objectives.

Summary

While there are benefits to using contractors to perform services for the government—such as increased flexibility in fulfilling immediate needs—GAO and others have raised concerns about the increasing reliance on contractors to perform agency missions. Our body of work shows that agencies face challenges with increased reliance on contractors to perform core agency missions, and these challenges are accentuated in contingency operations such as Iraq, in emergency situations such Hurricane Katrina, or in cases where sufficient government personnel are not available. In making the decision to use contractors, agencies have experienced challenges such as: determining which functions and activities should be contracted out and which should not to ensure institutional capacity; developing a total workforce strategy to address the extent of contractor use and the appropriate mix of contractor and government personnel; identifying and distinguishing the roles and responsibilities of contractors and civilian and military personnel; and ensuring appropriate oversight, including addressing risks, ethics concerns, and surveillance needs.

DOD's increased reliance on contractors to support forces deployed for military operations and to perform maintenance and other logistic support for weapon systems has highlighted challenges that DOD faces in managing this component of its total force. With regard to contractor support for deployed forces, DOD's primary challenges have been to provide effective management and oversight. These challenges include failure to follow planning guidance, an inadequate number of contract oversight personnel, failure to systematically capture and distribute lessons learned, and a lack of comprehensive training for military commanders and contract oversight personnel. These challenges have led to negative operational and monetary impacts at deployed locations. For example, several military commanders we met with in 2006 said their pre-deployment training did not provide them with sufficient information on the extent of contractor support that they would be relying on in Iraq and were therefore surprised by the substantial number of personnel they had to allocate to provide on-base escorts, convoy security, and other force protection support to contractors. Although DOD has taken some steps to address these issues, many of these issues remain a concern and additional actions are needed. For example, in response to our 2003 recommendation that DOD develop comprehensive guidance to help the services manage contractors supporting deployed forces, the department

issued the first comprehensive guidance dealing with contractors who support deployed forces in October 2005. However, as we recently testified, DOD's leadership needs to ensure implementation of and compliance with this guidance and other guidance.[2] With respect to weapon system support, the challenges have been to resolve questions about how much depot maintenance and other logistics work needs to be performed in-house and to what extent outsourcing for DOD logistics has been cost-effective. While DOD has a process for defining core maintenance capability, we have identified shortcomings with this process and found that core maintenance capability has not always been developed. Further, DOD does not have a process for defining core capability requirements for other logistics functions and activities, such as supply chain management and engineering. Finally, although increased contractor reliance for maintenance and other logistics activities was justified by DOD based on the assumption that there would be significant cost savings, it is uncertain to what extent cost savings have occurred or will occur.

Background

Acquisition of products and services from contractors consumes about a quarter of discretionary spending governmentwide, with services making up roughly 60 percent. These services range from basic functions, such as landscaping and janitorial, to those that are more complex, like intelligence analysis, acquisition support, security services, and program office support. The acquisition of services differs from that of products in several key respects and can be particularly challenging in terms of defining requirements and assessing contractor performance. DOD is by far the largest federal purchaser of service contracts—ranging from housing to intelligence to security.

Contractors can play an important part in helping agencies accomplish their missions. For example, agencies use service contracts to acquire special knowledge and skills not available in the government, obtain cost-effective services, or obtain temporary or intermittent services. The congressionally mandated Acquisition Advisory Panel[3] has cited a number

[2]GAO, *Military Operations: Implementation of Existing Guidance and Other Actions Needed to Improve DOD's Oversight and Management of Contractors in Future Operations*, GAO-08-436T (Washington, D.C.: Jan. 24, 2008).

[3]The Panel was established by section 1423 of the Services Acquisition Reform Act of 2003, Pub. L. No 108-136, Title XIV. The Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress was dated January 2007.

of developments that have led federal agencies to increase the use of contractors as service providers: limitations on the number of authorized full-time equivalent positions; unavailability of certain capabilities and expertise among federal employees; desire for operational flexibility; and the need for "surge" capacity. According to DOD and service officials, several factors have contributed to the department's increased use of contractors for support services: (1) the increased requirements associated with the Global War on Terrorism and other contingencies; (2) policy to rely on the private sector for needed commercial services that are not inherently governmental in nature; and (3) DOD initiatives, such as competitive sourcing and utility privatization programs.

The Office of Management and Budget (OMB), procurement law, and the Federal Acquisition Regulation (FAR) provide guidance on contracting for services. OMB Circular A-76 details a process for federal agencies to obtain commercially available services currently performed by government employees from the private sector when it is cost-effective to do so.[4] The Circular reinforces that government personnel shall perform inherently governmental activities. This process does not apply to private sector performance of a new requirement, expanded activity, or continued performance of a commercial activity. As such, this process effectively applies to a small percentage of the government's contracting activity. Most of the growth in service contracting has occurred outside of the A-76 process. The Federal Activities Inventory Reform (FAIR) Act of 1998 further requires agencies annually to determine and list which government-provided agency activities are not inherently governmental functions.[5] Federal procurement regulation states that functions that are so intimately related to the public interest are considered inherently governmental and should only be performed by government personnel. These functions include those activities which require either the exercise of discretion in applying government authority or the use of value judgment in making decisions for the government, and should not be performed by contractors.[6] The FAR and OMB also require agencies to provide greater scrutiny and management oversight when contracting for services that closely support the performance of inherently governmental

[4]Office of Management and Budget Circular A-76 (Revised) (May 29, 2003).

[5]Pub. L. No. 105-270, §2(a) (1998). In 1999, OMB incorporated the FAIR Act requirements into the A-76 process.

[6]FAR §2.101.

functions.[7] The closer contractor services come to supporting inherently governmental functions, the greater the risk of their influencing the government's control over and accountability for decisions that may be based, in part, on contractor work. This may result in decisions that are not in the best interest of the government, and may increase vulnerability to waste, fraud, and abuse.

Before I go into more detail on the issues surrounding the federal government's and DOD's reliance on contractors, I would like to touch on another subject of interest to the Subcommittee—DOD's application of enhanced use leases. DOD's longstanding leasing authority is codified at 10 U.S.C. 2667. The law provides general authority for the Secretary of a military department to enter into a lease upon such terms he considers will promote the national defense or be in the public interest. The Secretary of a military department is authorized to lease real property up to five years unless the Secretary determines that a lease for a longer period will promote the nation defense or be in the public interest. Over time, Congress has expanded DOD's leasing authority several times to provide a lessee the first right to buy the property and provide for payment in cash or in kind by the lessee of consideration in an amount not less than the fair market value. Most recently, the National Defense Authorization Act for Fiscal Year 2008 amended 10 U.S.C. 2667 in several ways; for example, the authority to accept facilities operation support as in-kind consideration was eliminated, and a requirement that leases meeting certain criteria be competitively awarded was added.[8] The services have leased real property on their bases for years as a means to reduce infrastructure and base operating costs. For example, the military services have leased space for banks, credit unions, ATMs, storage, schools, and agricultural grazing. As you know, Mr. Chairman, we are conducting a review of DOD's land use planning activities, and will have more to say on this issue later.

[7]FAR §37.114; OFPP Policy Letter 93-1: Management Oversight of Services Contracting, Office of Federal Procurement Policy, May 18, 1994.

[8]National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 2823 (2008).

Federal Agencies Have Faced Challenges with Increased Reliance on Contractors to Perform Agency Missions

While there are benefits to using contractors to perform services for the government—such as increased flexibility in fulfilling immediate needs—GAO and others have raised concerns about the increasing reliance on contractors to perform agency missions. Our work shows that agencies face challenges with increased reliance on contractors to perform core agency missions, especially in contingency or emergency situations or in cases where sufficient government personnel are not available. As I have previously stated, prior to making the decisions to use contractors, agency officials should focus greater attention on which functions and activities should be contracted out and which should not. To guide this approach, agencies need to consider developing a total workforce strategy to meet current and future human capital needs, and address the extent of contractor use and the appropriate mix of contractor and civilian and military personnel. I have also noted that identifying and distinguishing the responsibilities of contractors and civilian and military personnel are critical to ensure contractor roles are appropriate. Finally, once contractors are in place, agencies must ensure appropriate oversight of contractors, including addressing risks, ethics concerns, and surveillance needs.

Institutional Capacity: Agencies Face Challenges in Determining What Functions and Activities Can be Contracted Out and What Should be Provided by Government Personnel

In order to determine what functions and activities can be contracted out, the FAIR Act requires agencies annually to identify government-performed agency activities that are not inherently governmental functions. At GAO's 2006 forum on federal acquisition challenges and opportunities, some participants noted that it might be more appropriate for agencies to develop guiding principles or values to determine which positions could be contracted out and which should be performed in-house. Forum participants further noted that many corporate organizations carefully deliberate up-front and at the highest management levels about what core functions they need to retain and what non-core functions they should buy, and the skill sets needed to procure non-core functions.[9]

DOD's Panel on Contracting Integrity, in its 2007 report to Congress, noted that the practice of using contractors to support the government acquisition function merits further study because it gives rise to questions regarding the appropriate designation of government versus

[9]GAO, *Highlights of a GAO Forum: Federal Acquisition Challenges and Opportunities in the 21st Century*, GAO-07-45SP (Washington, D.C.: Oct. 6, 2006).

nongovernment functions.[10] A November 2005 report by the Defense Acquisition University warned that the government must be careful when contracting for the acquisition support function to ensure that the government retains thorough control of policy and management decisions and that contracting for the acquisition support function does not inappropriately restrict agency management in its ability to develop and consider options.[11] Additionally, our prior work has found that when federal agencies, including DOD, believe they do not have the in-house capability to design, develop, and manage complex acquisitions, they sometimes turn to a systems integrator to carry out these functions, creating an inherent risk of relying too much on contractors to make program decisions. For example, the Army's Future Combat System program is managed by a lead systems integrator that assumes the responsibilities of developing requirements; selecting major system and subsystem contractors; and making trade-off decisions among costs, schedules, and capabilities. While this management approach has some advantages for DOD, we found that the extent of contractor responsibility makes DOD vulnerable to decisions being made by the contractor that are not in the government's best interests.[12]

In September 2007, we reported that an increasing reliance on contractors to perform services for core government activities challenges the capacity of federal officials to supervise and evaluate the performance of these activities. I recently noted that this may be a concern in the intelligence community.[13] Specifically, while direction and control of intelligence and counter-intelligence operations are listed as inherently governmental functions, the Director of National Intelligence reported in 2006 that the intelligence community finds itself in competition with its contractors for employees and is left with no choice but to use contractors for work that

[10]The Panel was established by section 813 of the John Warner National Defense Authorization Act for Fiscal Year 2007, Pub. L. No. 109-364 (2006). Its 2007 Report to Congress was the first of three annual reports mandated by the act.

[11]Defense Acquisition University, *Contracting Out Procurement Functions: An Analysis*, DAU Research Report 06-001 (Fort Belvoir, VA.: November 2005).

[12]GAO, *Defense Acquisitions: Role of Lead Systems Integrator on Future Combat Systems Program Poses Oversight Challenges*, GAO-07-380 (Washington, D.C.: June 6, 2007).

[13]GAO, *Intelligence Reform: GAO Can Assist the Congress and the Intelligence Community on Management Reform Initiatives*, GAO-08-413T (Washington, D.C.: Feb. 29, 2008).

may be "borderline inherently governmental."[14] We have also found problems with contractors having too much control at other federal agencies.[15] Unless the federal government pays the needed attention to the types of functions and activities performed by contractors, agencies run the risk of losing accountability and control over mission-related decisions.

Workforce Planning: Agencies Face Challenges in Developing an Appropriate Mix of Contractor and Government Personnel to Meet Current and Future Needs

Along with determining the functions and activities to be contracted out, agencies face challenges in developing a total workforce strategy to address the extent of contractor use and the appropriate mix of contractor and civilian and military personnel. We have found that agencies need appropriate workforce planning strategies that include contractor as well as federal personnel and are linked to current and future human capital needs. These strategies should be linked to the knowledge, skills, and abilities needed by agencies and how the workforce will be deployed across the organization. Deployment includes the flexible use of the workforce, such as putting the right employees in the right roles according to their skills, and relying on staff drawn from various organizational components and functions using "just-in-time" or "virtual" teams to focus the right talent on specific tasks.[16]

As agencies develop their workforce strategies, they also need to consider the extent to which contractors should be used and the appropriate mix of contractor and federal personnel. Over the past several years, there has been increasing concern about the ability of agencies to ensure sufficient numbers of staff to perform some inherently governmental functions. The Department of Homeland Security's human capital strategic plan notes the department has identified core mission-critical occupations and plans to reduce skill gaps in core and key competencies. However, it is unclear how this will be achieved and whether it will inform the department's use of contractors for services that closely support inherently governmental

[14]The U.S. Intelligence Community's Five Year Strategic Human Capital Plan.

[15]See for example, GAO, *Civil Servants and Contractor Employees: Who Should Do What for the Federal Government?* FPCD-81-43 (Washington, D.C.: June 19, 1981); GAO, *Energy Management: Using DOE Employees Can Reduce Costs for Some Support Services*, GAO/RCED 91-186 (Washington, D.C.: Aug. 16, 1991); GAO, Government Contractors: Are Service Contractors Performing Inherently Governmental Functions? GAO/GGD-92-11 (Washington, D.C.: Nov. 18, 1991).

[16]GAO, *Human Capital: A Self-Assessment Checklist for Agency Leaders*, GAO/GGD-99-179 (Washington, D.C.: Sept. 1, 1999).

functions. The Department of Homeland Security has agreed with the need to establish strategic-level guidance for determining the appropriate mix of government and contractor employees to meet mission needs.[17]

Roles and Responsibilities: Agencies Face Challenges in Defining the Relationship between Contractors and Government Employees

Agencies are challenged to define the roles and responsibilities of contractors vis-à-vis government employees. Defining the relationship between contractors and government employees is particularly important when contracting for professional and management support services since contractors often work closely with government employees to provide these services. This definition begins during the acquisition planning process when contract requirements are determined. We have recommended that agencies define contract requirements to clearly describe roles, responsibilities, and limitations of selected contractor services. Well-defined contract requirements can also help minimize the risk of contractors performing inherently governmental functions. Yet contracts, especially service contracts, often do not have definitive or realistic requirements at the outset. Because the nature of contracted services can vary widely, from building maintenance to intelligence, a tailored approach should be used in defining requirements to help ensure that risks associated with a requirement are fully considered before entering into a contract arrangement.[18] In our recent review of the Department of Homeland Security's service contracts, we found that some contracts included requirements that were broadly defined and lacked detail about activities that closely support inherently governmental functions. We found instances in which contractors provided services that were integral to the department's mission or comparable to work performed by government employees, such as a contractor directly supporting the department's efforts to hire federal employees, including signing offer letters.[19]

Our work on contractors in acquisition support functions has found that it is now commonplace for agencies to use contractors to perform activities historically performed by federal government contract specialists.

[17]GAO, *Department of Homeland Security: Improved Assessment and Oversight Needed to Manage Risk of Contracting for Selected Services*, GAO-07-990 (Washington, D.C.: Sept. 17, 2007).

[18]GAO, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, GAO-07-20 (Washington, D.C.: Nov. 9, 2006).

[19]GAO-07-990.

Although these contractors are not authorized to obligate government funds, they provide acquisition support to contracting officers, the federal decision makers who have the authority to bind the government contractually. Contract specialists perform tasks that closely support inherently governmental functions, such as assisting in preparing statements of work; developing and managing acquisition plans; and preparing the documents the contracting officer signs, such as contracts, solicitations, and contract modifications. Therefore, it is important to clearly define the roles contractors play in supporting government personnel to ensure they do not perform inherently governmental functions.

Management and Oversight: Agencies Face Challenges in Assessing Risks, Minimizing Potential Ethics Concerns, and Ensuring Quality Surveillance

Our work has also identified a number of practices that are important to effectively managing and overseeing contractors once contractors are in place. These include assessing risks, minimizing potential ethics concerns, and ensuring quality through adequate surveillance. However, agencies face challenges in all these areas.

Risk is innate when contractors closely support inherently governmental functions. Federal procurement policy requires enhanced oversight of services that closely support the performance of inherently governmental functions to ensure that government decisions reflect the independent judgment of agency officials and that agency officials retain control over and remain accountable for policy decisions that may be based on contractor work products. However, our work has shown that agency officials do not always assess these risks to government decision making. For example, in 2007 we reported that while Department of Homeland Security program officials generally acknowledged that their professional and management support services contracts closely supported the performance of inherently governmental functions, they did not assess the risk that government decisions may be influenced by rather than independent from contractor judgments. Further, most of the program officials and contracting officers we spoke with were not aware of the requirement to provide enhanced oversight, and did not believe that their professional and management support services needed enhanced oversight.

Contractors are generally not subject to the same ethics rules as government employees even when they are co-located and work side-by-side with federal employees and perform similar functions. Federal ethics rules and standards have been put in place to help safeguard the integrity of the procurement process by mitigating the risk that employees

entrusted to act in the best interest of the government will use their positions to influence the outcomes of contract awards for future gain. In addition, as we reported in 2005, contractors we met with indicated that DOD did not monitor their recruiting, hiring, and placement practices for current and former government employees. Consequently, DOD could not be assured that potential conflicts of interest would be identified. A lack of awareness among government employees of procurement integrity rules and conflict-of interest considerations creates additional risk. For example, in 2005 we reported that DOD did not know the content or frequency of ethics training and counseling or which employees received information on conflict-of-interest and procurement integrity. DOD also lacked knowledge on reported allegations of potential misconduct.[20] In 2007, the Acquisition Advisory Panel recommended training for contractors and government employees, and the development of standard conflicts of interest clauses to include in solicitations and contracts.

Quality assurance, especially regular surveillance and documentation of its results, is essential to determine whether goods or services provided by the contractor satisfy the contract requirements and to minimize risks that the government will pay the contractor more than the value of the goods and services. However, DOD officials have expressed concerns about the current state of the acquisition workforce to support surveillance and mentioned that surveillance remains an "other duty as assigned" and, consequently, is a low-priority task. We have also reported wide discrepancies in the rigor with which officials responsible for surveillance perform their duties, particularly in unstable environments. For example, in the aftermath of Hurricanes Katrina and Rita, the number of government personnel monitoring contracts was not always sufficient or adequately deployed to provide effective oversight.[21] Unfortunately, attention to oversight has not always been evident in a number of instances, including during the Iraq reconstruction effort. We have reported that, particularly in the early phases of the Iraq reconstruction effort, several agencies including the Army lacked an adequate acquisition workforce in Iraq to oversee billions of dollars for which they were responsible. Further, Army personnel who were responsible for overseeing contractor performance of interrogation and other services were not adequately trained to properly

[20]GAO, *Defense Ethics Program: Opportunities Exist to Strengthen Safeguards for Procurement Integrity*, GAO-05-341 (Washington, D.C.: Apr. 29, 2005).

[21]GAO, *Agency Management of Contractors Responding to Hurricane Katrina and Rita*, GAO-06-461R (Washington, D.C.: Mar. 16, 2006).

exercise their responsibilities. Contractor employees were stationed in various locations around Iraq, with no assigned representative on site to monitor their work. An Army investigative report concluded that the number and training of officials assigned to monitor contractor performance at Abu Ghraib prison was not sufficient and put the Army at risk of being unaware of possible misconduct by contractor personnel.[22]

DOD Faces Challenges in Managing the Increased Role of Contractors Performing Support Functions for Military Operations and Weapons Systems

DOD's increasing use of contractors to perform mission-support functions, including contractors who support forces deployed for military operations and contractors who perform maintenance and other logistic support for weapon systems, has highlighted several challenges that DOD faces in managing the increased role of this component of its total force. With regard to contractor support to deployed forces, DOD's primary challenges have been to provide effective management and oversight. With respect to weapon system support, the challenges have been to resolve questions about how much depot maintenance and other logistic work needs to be performed in-house and about to what extent outsourcing for DOD logistics has been cost-effective.

DOD has Experienced Long-Standing Problems with its Management and Oversight of Contractors Supporting Deployed Forces, But Has Taken Some Actions to Address these Problems

Since 1997, we have reported on DOD's management and oversight challenges related to its use of contractor support to deployed forces. In December 2006, we issued a comprehensive review of DOD's management and oversight of contractor support to deployed forces.[23] We reported that despite making progress in some areas, DOD continued to face long-standing problems that hindered its management and oversight of contractors at deployed locations. Those problems included issues regarding visibility of contractors, numbers of contract oversight personnel, lessons learned, and training of military commanders and contract oversight personnel. More recently, we testified that DOD's leadership needs to ensure implementation of and compliance with guidance on the use of contractors to support deployed forces.

[22]GAO, *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations*, GAO-05-201 (Washington, D.C.: Apr. 25, 2005).

[23]GAO, *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces*, GAO-07-145 (Washington, D.C.: Dec. 18, 2006).

While DOD has long relied on contractors to support forces deployed for military operations, the large influx of contractors in support of operations in Iraq has exacerbated problems that DOD has had in managing and overseeing their activities. Significantly, the individual services and a wide array of DOD and non-DOD agencies can award contracts to support deployed forces. For example, although DOD estimated that as of the first quarter of fiscal year 2008, 163,590 contractors were supporting deployed forces in Iraq, no one person or organization made a decision to send 163,590 contractors to Iraq. Rather, decisions to send contractors to support forces in Iraq were made by numerous DOD activities both within and outside of Iraq. This decentralized process, combined with the scope and scale of contract support to deployed forces, contributes to the complexity of the problems we have identified in our past work on this topic.

DOD has taken a number of actions to implement recommendations that we have made to improve its management of contractors. For example, in response to our 2003 recommendation that DOD develop comprehensive guidance to help the services manage contractors supporting deployed forces, the department issued the first comprehensive guidance dealing with contractors who support deployed forces in October 2005. Additionally, in October 2006, DOD established the office of the Assistant Deputy Under Secretary of Defense for Program Support to serve as the office with primary responsibility for contractor support issues. This office has led the effort to develop and implement a database which, when fully implemented, will allow by-name accountability of contractors who deploy with the force. This database implements recommendations we made in 2003 and 2006 to enhance the department's visibility over contractors in locations such as Iraq and Afghanistan. Although DOD has taken these and other steps to address these issues, we recently testified that many of these issues remain a concern and additional actions are needed.[24]

DOD Has Not Followed Long-Standing Planning Guidance Regarding the Use of Contractors to Support Deployed Forces

As we have noted in previous reports and testimonies, DOD has not followed long-standing planning guidance, particularly by not adequately factoring the use and role of contractors into its planning. For example, we noted in 2003 that the operations plan for the war in Iraq contained only limited information on contractor support.[25] However, Joint

[24]GAO-08-436T.

[25]GAO, *Military Operations: Contractors Provide Vital Services to Deployed Forces but Are Not Adequately Addressed in DOD Plans*, GAO-03-695 (Washington, D.C.: June 24, 2003).

Publication 4-0,[26] which provides doctrine and guidance for combatant commanders and their components regarding the planning and execution of logistic support of joint operations, stresses the importance of fully integrating into logistics plans and orders the logistics functions performed by contractors along with those performed by military personnel and government civilians.

Additionally, we reported in 2004 that the Army did not follow its planning guidance when deciding to use the Army's Logistics Civil Augmentation Program (LOGCAP) in Iraq.[27] This guidance stresses the need to clearly identify requirements and develop a comprehensive statement of work early in the contingency planning process. Because this Army guidance was not followed, the plan to support the troops in Iraq was not comprehensive and was revised seven times in less than 1 year.

Our 2003 report also concluded that essential contractor services had not been identified and backup planning was not being done.[28] DOD policy requires DOD and its components to determine which contractor-provided services will be essential during crisis situations, develop and implement plans and procedures to provide a reasonable assurance of the continuation of essential services during crisis situations, and prepare a contingency plan for obtaining the essential service from an alternate source should the contractor be unable to provide it. Without such plans, there is no assurance that the personnel needed to provide the essential services would be available when needed.

Moreover, as we reported in 2003 and 2006,[29] senior leaders and military commanders need information about the contractor services they are relying on in order to incorporate contractor support into their planning. For example, senior military commanders in Iraq told us that when they began to develop a base consolidation plan for Iraq, they had no source to draw upon to determine how many contractors were on each installation. Limited visibility can also hinder the ability of commanders to make

[26]The Joint Chiefs of Staff, *Doctrine for Logistic Support of Joint Operations*, Joint Publication 4-0 (Washington, D.C.: April 2000).

[27]GAO, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight*, GAO-04-854 (Washington, D.C.: July 19, 2004).

[28]GAO-03-695.

[29]GAO-03-695 and GAO-07-145.

informed decisions about base operations support (e.g., food and housing) and force protection for all personnel on an installation.

DOD has taken some action to address this problem. DOD is developing a database of contractors who deploy with U.S. forces. According to senior DOD officials familiar with this database, as of February 2008, the database had about 80,000 records. DOD is working with the State Department to include additional contractors, including private security contractors, in the database. In addition, Joint Contracting Command Iraq/Afghanistan has created the Theater Business Clearance process that reviews and approves all contracts for work in Iraq or Afghanistan. Joint Contracting Command Iraq/Afghanistan officials stated that this has helped military commanders know ahead of time when contractors are coming to work on their bases and ensure sufficient facilities are available for them. According to senior DOD officials, the department is also developing a cadre of contracting planners to ensure that contractor support is included in combatant commanders' operational and contingency planning.

DOD Lacks an Adequate Number of Trained Contract Oversight Personnel

As we noted in several of our previous reports, having the right people with the right skills to oversee contractor performance is crucial to ensuring that DOD receives the best value for the billions of dollars spent each year on contractor-provided services supporting forces deployed to Iraq and elsewhere. However, since 1992, we have designated DOD contract management as a high-risk area, in part due to concerns over the adequacy of the department's acquisition workforce, including contract oversight personnel. While this is a DOD-wide problem, having too few contract oversight personnel presents unique difficulties at deployed locations given the more demanding contracting environment as compared to the United States.

Having an inadequate number of contract oversight personnel has hindered DOD's ability to effectively manage and oversee contractors supporting deployed forces and has had monetary impacts as well. For example, in 2004 we reported that DOD did not always have enough contract oversight personnel in place to manage and oversee its logistics support contracts such as LOGCAP and the Air Force Contract Augmentation Program (AFCAP).[30] As a result, the Defense Contract Management Agency was unable to account for $2 million worth of tools

[30]GAO-04-854.

that had been purchased using the AFCAP contract. During our 2006 review, several contract oversight personnel we met with told us DOD does not have adequate personnel at deployed locations.[31] For example, a contracting officer's representative for a linguistic support contract told us that although he had a battalion's worth of people with a battalion's worth of problems, he lacked the equivalent of a battalion's staff to deal with those problems. Similarly, an official with the LOGCAP Program Office told us that, had adequate staffing been in place early, the Army could have realized substantial savings through more effective reviews of the increasing volume of LOGCAP requirements.

More recently, we reported that the Army did not have adequate staff to oversee an equipment maintenance contract in Kuwait.[32] According to Army officials, vacant and reduced inspector and analyst positions meant that surveillance was not being performed sufficiently in some areas and the Army was less able to perform data analyses, identify trends in contractor performance, and improve quality processes. In addition, the 2007 report of the Commission on Army Acquisition and Program Management in Expeditionary Operations stated that the Army lacks the leadership and military and civilian personnel to provide sufficient contracting support to either expeditionary or peacetime missions.[33] As a result, the commission found that the vital task of post-award contract management is rarely being done. As we noted in our 2006 report,[34] without adequate contract oversight personnel in place to monitor its many contracts in deployed locations such as Iraq, DOD may not be able to obtain reasonable assurance that contractors are meeting their contract requirements efficiently and effectively.

DOD has taken some actions to address this problem. In February 2007, the Deputy Assistant Secretary of the Army (Policy and Procurement) issued guidance that required, among other things, contracting officers to appoint certified contracting officer's representatives in writing before

[31]GAO-07-145.

[32]GAO, *Defense Logistics: The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Kuwait*, GAO-08-316R (Washington, D.C.: Jan. 22, 2008).

[33]Commission on Army Acquisition and Program Management in Expeditionary Operations, *Urgent Reform Required: Army Expeditionary Contracting* (Oct. 31, 2007).

[34]GAO-07-145.

contract performance begins, identify properly trained contracting officer's representatives for active service contracts, and ensure that a government quality assurance surveillance plan is prepared and implemented for service contracts exceeding $2,500. Joint Contracting Command Iraq/Afghanistan officials stated they are in the process of adding 39 personnel to provide additional contractor oversight. Similarly, the Defense Contract Management Agency has deployed an additional 100 people and plans to deploy approximately 150 more people to provide contract oversight and management to both ongoing and future contracts in Iraq. The agency is providing oversight for DOD's private security contracts as well as other theaterwide contracts. Additionally, senior DOD officials stated that the department has created a task force to address the recommendations of the October 2007 report by the Commission on Army Acquisition and Program Management in Expeditionary Operations.

DOD Is Not Systematically Collecting and Distributing Lessons Learned

Although DOD and its components have used contractors to support deployed forces in several prior military operations, DOD does not systematically ensure that institutional knowledge on the use of contractors to support deployed forces, including lessons learned and best practices, is shared with military personnel at deployed locations. We previously reported that DOD could benefit from systematically collecting and sharing its institutional knowledge to help ensure that it is factored into planning, work processes, and other activities.[36] Although DOD has policy requiring the collection and distribution of lessons learned to the maximum extent possible, we found in our previous work that no procedures were in place to ensure that lessons learned are collected and shared.

Moreover, although the Army regulation which establishes policies, responsibilities, and procedures for the implementation of the LOGCAP program makes customers that receive services under the LOGCAP contract responsible for collecting lessons learned, we have repeatedly found that DOD is not systematically collecting and sharing lessons learned on the use of contractors to support to deployed forces. Despite years of experience using contractors to support forces deployed to the Balkans, Southwest Asia, Iraq, and Afghanistan, DOD has made few efforts

[36]GAO, *Information Technology: DOD Needs to Leverage Lessons Learned from Its Outsourcing Projects*, GAO-03-371 (Washington, D.C.: Apr. 25, 2003); and *Military Training: Potential to Use Lessons Learned to Avoid Past Mistakes Is Largely Untapped*, GAO/NSIAD-95-152 (Washington, D.C.: Aug. 9, 1995).

to leverage this institutional knowledge. As a result, many of the problems we identified in earlier operations have recurred in current operations.

During the course of our 2006 work, we found no organization within DOD or its components responsible for developing procedures to capture lessons learned on the use of contractor support at deployed locations.[36] We noted that when lessons learned are not collected and shared, DOD and its components run the risk of repeating past mistakes and being unable to build on the efficiencies and effectiveness others have developed during past operations that involved contractor support. We also found a failure to share best practices and lessons learned between units as one redeploys and the other deploys to replace it. As a result, new units essentially start at ground zero, having to resolve a number of difficulties until they understand contractor roles and responsibilities.

DOD Does Not Comprehensively Train Military Commanders and Contract Oversight Personnel

DOD does not routinely incorporate information about contractor support for deployed forces in its pre-deployment training of military personnel, despite the long-standing recognition of the need to provide such information. We have discussed the need for better pre-deployment training of military commanders and contract oversight personnel since the mid-1990s and have made several recommendations aimed at improving such training. Moreover, according to DOD policy, personnel should receive timely and effective training to ensure they have the knowledge and other tools necessary to accomplish their missions. Nevertheless, we continue to find little evidence that improvements have been made in terms of how DOD and its components train military commanders and contract oversight personnel on the use of contractors to support deployed forces prior to their deployment. Without properly trained personnel, DOD will continue to face risks of fraud, waste, and abuse.

Limited or no pre-deployment training on the use of contractor support can cause a variety of problems for military commanders in a deployed location. As we reported in 2006, with limited or no pre-deployment training on the extent of contractor support to deployed forces, military commanders may not be able to adequately plan for the use of those contractors.[37] Similarly, in its 2007 report, the Commission on Army Acquisition and Program Management in Expeditionary Operations

[36]GAO-07-145.

[37]GAO-07-145.

concluded that the Army needs to educate and train commanders on the important operational role of contracting. Several military commanders we met with in 2006 said their pre-deployment training did not provide them with sufficient information on the extent of contractor support that they would be relying on in Iraq and were therefore surprised by the substantial number of personnel they had to allocate to provide on-base escorts, convoy security, and other force protection support to contractors. In addition, limited or no pre-deployment training for military commanders can result in confusion over their roles and responsibilities in managing and overseeing contractors. For example, we found some instances where a lack of training raised concerns over the potential for military commanders to direct contractors to perform work outside the scope of the contract, something commanders lack the authority to do. This can cause the government to incur additional charges because modifications would need to be made to the contract.

We also found that contract oversight personnel such as contracting officer's representatives received little or no pre-deployment training on their roles and responsibilities in monitoring contractor performance. Many of the contracting officer's representatives we spoke with in 2003 and 2006 said that training before they assumed these positions would have better prepared them to effectively oversee contractor performance. In most cases, deploying individuals were not informed that they would be performing contracting officer's representative duties until after they had deployed, which hindered the ability of those individuals to effectively manage and oversee contractors. For example, officials from a corps support group in Iraq told us that until they were able to get a properly trained contracting officer's representative in place, they experienced numerous problems regarding the quality of food service provided by LOGCAP. In addition, the 2007 report of the Commission on Army Acquisition and Program Management in Expeditionary Operations discussed the need to train contracting officer's representatives and warned that the lack of training could lead to fraud, waste, and abuse.

DOD has taken some steps to address this problem. In DOD's response to our 2006 report, the Director of Defense Procurement and Acquisition Policy stated that the Army is making changes to its logistics training programs that would incorporate contracting officer's representatives training into its basic and advanced training for its ordnance, transportation, and quartermaster corps.[38] In addition, the Defense

[38]GAO-07-145.

Acquisition University has updated its contingency contracting course to include a lesson on contractors accompanying the force. Further, the Defense Contract Management Agency is adding personnel to assist in the training and managing of contracting officer's representatives.

Increased Reliance on Contractors for Weapon System Support Raises Questions about Core Functions and Cost Effectiveness

DOD has moved over the years toward greater use of the private sector to perform maintenance and other logistics support for weapon systems. Factors influencing this increased reliance on contractors include changes in DOD's guidance and plans that emphasized the privatization of logistics functions, a lack of technical data and modernized facilities needed to perform maintenance on new systems, and reductions in maintenance workers at government-owned depots. The move toward greater reliance on contractors has raised questions regarding how much depot maintenance and other logistics work needs to be performed in-house and about the cost-effectiveness of outsourcing DOD logistics.

DOD Has Increasingly Relied on Contractors for Maintenance and Other Logistic Support of Weapon Systems

DOD has increasingly relied on contractors for maintenance and other logistic support of weapon systems. For example, funding for private sector contractors to perform depot maintenance[39] increased in then-year dollars from about $4.0 billion in fiscal year 1987 to about $13.8 billion in fiscal year 2007, or 246 percent. In contrast, during this same time period, the amount of funding for depot maintenance performed at government (public) depots increased from about $8.7 billion to about $16.1 billion, or 85 percent. This trend toward greater reliance on the private sector for depot maintenance was most evident during the period from fiscal years 1987 to 2000, when the amount of funding for public depot maintenance largely stayed flat and private sector funding increased by 89 percent. Since 2001, military operations in support of the Global War on Terrorism have resulted in large funding increases for maintenance performed by both public and private sector activities.

One potential future limitation to continued contracting out of depot maintenance activities is the statutory limit on the amount of funding for depot maintenance work that can be performed by private sector contractors. Under 10 U.S.C. 2466(a), not more than 50 percent of funds made available in a fiscal year to a military department or defense agency

[39]Depot maintenance is the highest level of maintenance within DOD and generally refers to major maintenance and repairs, such as overhauling, upgrading, or rebuilding parts, assemblies, or subassemblies. Depot maintenance has long been provided by a mix of government-owned depots and private contractors.

for depot-level maintenance and repair may be used to contract for the performance by non-government personnel of such workload for the military departments and defense agencies. As the contractors' share has increased over time, managing within this limitation has become more challenging—particularly for the Air Force and, to a lesser extent, the Army. Another potential limitation to contracting out is a requirement that DOD maintain a core logistics capability within government facilities.[40] However, as I will discuss, our work has revealed problems in DOD's implementation of this requirement.

DOD also has experienced significant growth in the overall use of contractors for long-term logistics support of weapon systems.[41] While the department does not collect and aggregate cost data specifically on these support arrangements, available data illustrate this growth. For example, Air Force data show an increase in funding for these support arrangements from $910 million in fiscal year 1996 to a projected $4.1 billion in fiscal year 2013. Many DOD acquisition program offices have been adopting long-term support strategies for sustaining new and modified systems that rely on contractors. Our ongoing review of core logistics capability indicates that performance-based logistics or some other type of partnership is a frequently used weapon system sustainment approach.

Multiple Factors Have Influenced DOD's Increased Reliance on Contracting

The move toward increased use of contractors to perform maintenance and other logistics support for weapon systems has been influenced by multiple factors. A significant factor has been the shift in DOD's guidance and plans that placed greater emphasis on privatizing logistics functions. In 1996, for example, DOD issued a report, *Plan for Increasing Depot Maintenance Privatization and Outsourcing*, which provided a framework for substantially increasing reliance on the private sector for depot maintenance. In addition, both the 1995 report by the Commission

[40]Section 2464 of Title 10 of the U.S. Code provides that it is essential for the national defense that DOD maintain a core logistics capability that is government-owned and government-operated to ensure the existence of a ready and controlled source of technical competence and resources necessary to ensure a timely and effective military response to mobilizations, national defense emergencies, and contingencies.

[41]Contractor logistics support arrangements may involve the contractor performing maintenance, assuming responsibility for life-cycle management of the system, and performing sustainment activities, including parts management. These arrangements may take various forms, including performance-based logistics.

on Roles and Missions[42] and a 1996 report by a Defense Science Board[43] task force recommended that DOD outsource almost all depot maintenance and other logistics activities. Both study teams assumed large cost savings would result from increased privatization. Today, DOD guidance provides that performance-based logistics is now DOD's preferred approach for providing long-term total system support for weapon systems. DOD describes performance-based logistics as the process of (1) identifying a level of performance required by the warfighter and (2) negotiating a performance-based arrangement to provide long-term total system support for a weapon system at a fixed level of annual funding.

Another factor in the move toward greater reliance on contractors has been the lack of technical data and other elements of support, such as modernized facilities, required to establish a maintenance capability for new systems. Technical data for weapon systems include drawings, specifications, standards, and other details necessary to ensure the adequacy of item performance, as well as manuals that contain instructions for installation, operation, maintenance, and other actions needed to support weapon systems. As a result of not having acquired technical data rights from the equipment manufacturers, the military services in some instances have had difficulty establishing a maintenance capability at government depots. For example, the Air Force identified a need to develop a core capability to perform maintenance on the C-17 aircraft at government depots, but lacked the requisite technical data rights. Consequently, the Air Force has sought to form partnerships with C-17 subvendors to develop a depot maintenance capability, but these efforts have had mixed results. Based on our ongoing review of DOD core capability, we found that the Air Force continues to have challenges establishing core capability for C-17 commodities because of technical data issues.

A third factor influencing DOD's increasing reliance on contractor support has been reductions in government depot maintenance personnel available

[42]Commission on Roles and Missions, *Directions for Defense* (May 24, 1995).

[43]Defense Science Board, *Report of the Defense Science Board Task Force on Outsourcing and Privatization* (August 1996). Also see Defense Science Board, *Report on the Defense Science Board 1996 Summer Study on Achieving an Innovative Support Structure for 21st Century Military Superiority: Higher Performance at Lower Costs* (November 1996).

to perform the work. Personnel downsizing has greatly reduced the number of depot maintenance workers and has limited the amount of work that could be performed in the depots. Since 1987 the number of depot-level maintenance personnel was reduced by 56 percent from a high of 163,000 in 1987 to about 72,000 in 2002, after which the depots began to see some personnel increases to support the Global War on Terrorism. In comparison, in the 13 years between 1989 and 2002, DOD's total civilian workforce had a 38 percent reduction. While some downsizing was essential, given reductions in depot maintenance workloads over the same period, mandated reductions in the number of personnel were taken even though the depots may have had funded workload to support an increased number of personnel. For example, in a review of Army depot personnel reductions in 1998, we found that efforts to implement the reductions at the Corpus Christi Army Depot were poorly managed and more direct labor employees were reduced than intended—adversely affecting the depot's productivity. We found that while Army regulations on manpower management provide that staffing levels are to be based on the workloads performed, the Army's reduced staffing plan was developed in response to affordability concerns and a desire to lower the depot's rates and did not support the depot's funded workload requirement.[44]

Uncertainties Exist About Maintaining Core Capability for Depot Maintenance and Other Logistics Work

Because DOD has not clearly and comprehensively identified what depot maintenance and other logistics activities the department should be performing itself, it is unclear how much of the work that has been contracted out may be work that should be done in-house by government personnel. Additionally, DOD has not identified core logistics capability requirements for other logistics functions, such as supply chain management and engineering.

With regard to depot maintenance, we previously reported that DOD lacks assurance that core logistics capabilities were being maintained as needed to ensure timely and effective response to national defense emergencies and contingencies, as required by 10 U.S.C. 2464, noting that several factors precluded this assurance.[45] First, DOD's existing policy, which establishes a process for identifying core maintenance capability, was not comprehensive in that it did not provide for a forward look at new weapon

[44]GAO, *Army Industrial Facilities: Workforce Requirements and Related Issues Affecting Depots and Arsenals*, GAO/NSIAD-99-31 (Washington, D.C.: Nov. 30, 1998).

[45]GAO, *Defense Logistics: Actions Needed to Overcome Capability Gaps in the Public Depot System*, GAO-02-105 (Washington. D.C.: Oct. 12, 2001).

systems and associated future maintenance capability requirements. Second, the various procedures and practices being used by the services to implement the existing policy were also affecting the establishment of core capability. For example, the Air Force reduced its core requirement as a result of its consideration of maintenance work performed in the private sector, even though core work is supposed to be performed in military facilities and by government personnel. In addition, we have noted that DOD has had other limitations, including a lack of technical data rights and a lack of sufficient investment in facilities, equipment, and human capital to ensure the long-term viability of the military depots.

To improve its process for identifying core maintenance capability requirements, in January 2007 DOD issued an instruction on how to identify required core capabilities for depot maintenance, which generally mirrored previous guidance.[46] Also, in March 2007 DOD issued its depot maintenance strategy, which delineated the actions DOD is undertaking to identify and sustain core maintenance capability. We have an ongoing engagement to assess the effectiveness of the current policy and procedures as well as the services' implementation.

To address issues inhibiting the establishment of core capability, Congress has taken recent actions to address problems with technical data and depot facilities. We previously recommended that DOD improve its acquisition policies for assessing technical data needs to support weapon systems.[47] The John Warner National Defense Authorization Act for Fiscal Year 2007 (2007 Defense Authorization Act) mandated that DOD require program managers for major weapon systems to assess long-term technical data needs for weapon systems and to establish corresponding acquisition strategies that provide for technical data rights needed to sustain such systems over their life cycle.[48] DOD subsequently issued a

[46]DOD Instruction 4151.20 (Jan. 5, 2007) states that pursuant to DOD policy, DOD components must apply the core capability requirements determination process to identify required core capabilities and the workloads necessary to sustain effectively the core capabilities.

[47]GAO, *Weapons Acquisition: DOD Should Strengthen Policies for Assessing Technical Data Needs to Support Weapon Systems*, GAO-06-839 (Washington, D.C.: July 14, 2006).

[48]Pub. L. No. 109-364, § 802 (2006).

new policy in July 2007 to implement this requirement.[49] Potential benefits from this action are long term because of the time frames required for developing and acquiring weapon systems, and it is uncertain what actions may have been taken by program offices as a result of this policy change or the extent in which any actions taken could improve the availability of required data in the future. To address inadequacies in the military's investments in its maintenance depots, the 2007 Defense Authorization Act required military departments to invest each fiscal year in the capital budgets of certain depots a total amount equal to at least 6 percent of the average total combined workload funded at all of the depots over the preceding 3 fiscal years.[50] As a part of an ongoing engagement, we are reviewing the military departments' implementation of this mandate.

We have also reported that DOD has not established policies or processes for determining core requirements for non-maintenance logistics capabilities for activities such as supply support, engineering, and transportation.[51] Without identifying those core logistics activities that need to be retained in-house, the services may not be retaining critical capabilities as they proceed with contracting initiatives. For example, if DOD implements performance-based logistics—its preferred weapon system support arrangement—at the platform level, this can result in contracting out the program integration function, a core process which the private sector firms we interviewed during a 2004 review considered integral to their successful business operations. Another potential adverse effect of awarding a performance-based contract at the platform level is the loss of management control and expertise over the system that private sector companies told us were essential to retain in-house. In an earlier engagement, Army, Navy, and Air Force operational command officials told us that among their concerns with various types of long-term contractor logistics support arrangements were (1) retaining the ability to maintain and develop critical technical skills and knowledge, (2) limiting operational authority, and (3) reducing the program office's ability to

[49]A July 19, 2007 memorandum from the Under Secretary of Defense (Acquisition, Technology, and Logistics) for the service acquisition executives required that program managers assess the long-term technical data needs of their systems and reflect that assessment in a data management strategy which must be integrated with other life-cycle sustainment planning, assess certain data requirements, and address the merits of a priced contract option for the future delivery of technical data.

[50]Pub. L. No. 109-364, § 332 (2006).

[51]GAO-02-105.

perform essential management functions. Thus, without well-defined policy and procedures for identifying core requirements for critical logistics areas, the department may not be in a position to ensure that it will have the needed capabilities for the logistics system to support essential military weapons and equipment in an emergency.

Uncertainties Exist About Projected Cost Effectiveness of Outsourcing Initiatives for DOD Logistics

Although DOD justified its logistics outsourcing initiatives based on the assumption that there would be significant cost savings, it is uncertain to what extent cost savings have occurred or will occur. Overall funding for depot maintenance costs and other logistics support costs are increasing significantly, both for work that is performed in military depots and by contractors. However, sufficient data are not available to determine whether increased contracting has caused DOD's costs to be higher than they would have been had the contracted activities been performed by DOD civilians. As noted earlier, assumptions about savings were a key part of DOD's shift in policy toward the performance of defense logistics by the private sector.

While the 1995 Commission on Roles and Missions projected savings of 20 percent from outsourcing, we questioned this group's savings assumptions, noting that its data did not support its depot privatization savings assumptions.[62] These assumptions were based on reported savings from public-private competitions for commercial activities under Office of Management and Budget Circular A-76. The commercial activities were generally dissimilar to depot maintenance activities because they involved relatively simple, routine, and repetitive tasks that did not generally require large capital investments or highly skilled and trained personnel. Public activities were allowed to compete for these workloads and won about half the competitions. Additionally, many private sector firms generally made offers for this work due to the highly competitive nature of the private sector market, and estimated savings were generally greater in situations where there were larger numbers of private sector offerors. In contrast, most depot maintenance work is awarded without competition to the original equipment manufacturer. We noted that in the absence of a highly competitive market, privatizing unique, highly diverse, and complex depot maintenance workloads that require large capital investments, extensive technical data, and highly skilled and trained personnel would not likely achieve expected savings and could increase the costs of depot

[62]GAO, *Defense Depot Maintenance: Commission on Roles and Mission's Privatization Assumptions Are Questionable*, NSIAD-96-161 (Washington, D.C.: July 15, 1996).

maintenance operations. We also questioned the Defense Science Board's projections of $30 billion in annual savings from privatizing almost all logistics support activities.

We have also reported that whereas DOD expected to achieve large savings from its contracting out of more of its depot-level maintenance work, depot maintenance contracting represented a challenge to relying on commercial market forces. Whereas DOD was attempting to rely on competitive market forces, about 91 percent of the depot maintenance contracts we reviewed were awarded noncompetitively. We also noted that difficulties in precisely defining requirements also affected DOD's efforts to rely on competitive market forces. Further, we cautioned that DOD would need to increase the use of competitively awarded depot maintenance contracts and to address how best to assure product quality and reasonable prices when competitive market forces were not present.

We have also raised questions about cost savings from DOD's increased use of performance-based logistics. Although DOD guidance recommends that program offices perform a business case analysis before adopting a performance based logistics approach to support weapon system, our reviews of the implementation of this approach show these analyses are not often done and DOD program offices could not demonstrate that they had achieved cost savings.[63] Of the 15 programs we reviewed, 11 program offices had developed a business case analysis—prior to entering into a performance-based logistics arrangement—which projected achieving significant cost savings. Only one of these programs offices had updated its business case analysis with actual cost data as recommended by DOD guidance. The one program office that did update its business case analysis determined that the contract did not result in the expected cost savings and subsequently restructured the program. Program office officials acknowledged limitations in their own information systems in providing reliable data to closely monitor contractor costs. While existing systems are capable of collecting some cost information, they are not capturing sufficiently detailed cost information for monitoring the performance-based logistics contracts.

[63]GAO, *Defense Management: DOD Needs to Demonstrate That Performance-Based Logistics Contracts Are Achieving Expected Benefits*, GAO-05-966 (Washington, D.C.: Sept. 9, 2005).

Our 2005 report on DOD's implementation of performance-based logistics included a recommendation on the validation of business case decisions to demonstrate whether they are resulting in reduced costs and increased performance. Also, given the stated limitations in cost information, we recommended that program offices be required to improve their monitoring of performance-based logistics arrangements by verifying the reliability of contractor cost and performance data. Although DOD concurred with our recommendations, we are currently evaluating the corrective actions taken. In addition, DOD currently does not require detailed reporting of contractor logistics support costs, including for performance based arrangements.

Concluding Observations

In closing, I believe that we must engage in a fundamental reexamination of when and under what circumstances we should use contractors versus civil servants or military personnel. This is a major and growing concern that needs immediate attention. In general, I believe there is a need to focus greater attention on what type of functions and activities should be contracted out and which ones should not. Inherently governmental functions are required to be performed by government personnel, not private contractors. Government officials, in making decisions about whether to use contractors for services closely supporting inherently governmental functions, should assess risk and consider the need for enhanced management and oversight controls. Once the decision to contract has been made, we must address challenges we have observed in ensuring proper oversight of these arrangements—especially considering the evolving and enlarging role of contractors in federal acquisitions. These concerns, identified in our work at several federal agencies including DOD, are more complex to address and may take on greater significance in contingency or military operations. As we have witnessed with contractors in Iraq, a specific decision made by a contractor can impact U.S. strategic and operational objectives in ways that were not considered in making the initial contracting decision.

To address these concerns with regard to contractor support to deployed forces, we believe that in the immediate future, DOD's leadership needs to ensure implementation of and compliance with relevant existing guidance. In the longer term, we believe a broader examination of the use and role of contractors to support deployed forces is in order. As I stated in April 2007, it may be appropriate to ask if DOD has become too reliant on

contractors to provide essential services.[54] What is needed is a comprehensive, forward-looking, and integrated review of contractor support to deployed forces that provides the proper balance between contractor support and the core capabilities of military forces over the next several years. In a November 2007 briefing on DOD transformation, I called on DOD to employ a total force management approach to planning and execution (e.g. military, civilian, and contractors).[55] Many of the problems we have identified regarding the management and oversight of contractor support to deployed forces stem from DOD's reluctance to plan for contractors as an integral part of the total force. One way DOD could begin to address this issue is by incorporating the use and role of contractors into its readiness reporting. DOD regularly reports on the readiness status, capabilities assessments, and other reviews of the status and capabilities of its forces. Given the reality that DOD is dependent on contractors for much of its support in deployed locations, the department should include information on the specific missions contractors will be asked to perform, the operational impacts associated with the use of contractors, and the personnel necessary to effectively oversee and manage those contractors.

Mr. Chairman, this concludes my prepared statement. I would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

[54]GAO-07-525T.

[55]GAO, *Defense Transformation: Challenges and Opportunities*, GAO-08-323CG (Washington, D.C.: Nov. 29, 2007).

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Appendix I: Systemic Acquisition Challenges at the Department of Defense

1. Service budgets are allocated largely according to top line historical percentages rather than Defense-wide strategic assessments and current and likely resource limitations.

2. Capabilities and requirements are based primarily on individual service wants versus collective Defense needs (i.e., based on current and expected future threats) that are both affordable and sustainable over time.

3. Defense consistently overpromises and underdelivers in connection with major weapons, information, and other systems (i.e., capabilities, costs, quantities, and schedule).

4. Defense often employs a "plug and pray approach" when costs escalate (i.e., divide total funding dollars by cost per copy, plug in the number that can be purchased, then pray that Congress will provide more funding to buy more quantities).

5. Congress sometimes forces the department to buy items (e.g., weapon systems) and provide services (e.g., additional health care for non-active beneficiaries, such as active duty members' dependents and military retirees and their dependents) that the department does not want and we cannot afford.

6. DOD tries to develop high-risk technologies after programs start instead of setting up funding, organizations, and processes to conduct high-risk technology development activities in low-cost environments, (i.e., technology development is not separated from product development). Program decisions to move into design and production are made without adequate standards or knowledge.

7. Program requirements are often set at unrealistic levels, then changed frequently as recognition sets in that they cannot be achieved. As a result, too much time passes, threats may change, or members of the user and acquisition communities may simply change their mind. The resulting program instability causes cost escalation, schedule delays, smaller quantities and reduced contractor accountability.

8. Contracts, especially service contracts, often do not have definitive or realistic requirements at the outset in order to control costs and facilitate accountability.

9. Contracts typically do not accurately reflect the complexity of projects or appropriately allocate risk between the contractors and the taxpayers (e.g., cost plus, cancellation charges).

10. Key program staff rotate too frequently, thus promoting myopia and reducing accountability (i.e., tours based on time versus key milestones). Additionally, the revolving door between industry and the department presents potential conflicts of interest.

11. The acquisition workforce faces serious challenges (e.g., size, skills, knowledge, and succession planning).

12. Incentive and award fees are often paid based on contractor attitudes and efforts versus positive results (i.e., cost, quality, and schedule).

13. Inadequate oversight is being conducted by both the department and Congress, which results in little to no accountability for recurring and systemic problems.

14. Some individual program and funding decisions made within the department and by Congress serve to undercut sound policies.

15. Lack of a professional, term-based Chief Management Officer at the department serves to slow progress on defense transformation and reduce the chance of success in the acquisitions/contracting and other key business areas.

Related GAO Products

Acquisition Management

Defense Contracting: Additional Personal Conflict of Interest Safeguards Needed for Certain DOD Contractor Employees. GAO-08-169. Washington, D.C.: March. 7, 2008.

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MILITARY OPERATIONS

Implementation of Existing Guidance and Other Actions Needed to Improve DOD's Oversight and Management of Contractors in Future Operations

Statement of William M. Solis Director
Defense Capabilities and Management

GAO-08-436T

January 24, 2008

GAO
Accountability · Integrity · Reliability
Highlights

Highlights of GAO-08-436T, a report to the Committee on Homeland Security and Governmental Affairs Subcommittees, U.S. Senate

MILITARY OPERATIONS:

Implementation of Existing Guidance and Other Actions Needed to Improve DOD's Oversight and Management of Contractors in Future Operations

Why GAO Did This Study

The Department of Defense (DOD) relies extensively on contractors to support deployed forces for services that range from food and housing services to intelligence analysis. Since 1997, GAO has reported on DOD's shortcomings in managing and overseeing its use of contractor support. Part of the difficulty attributed to these shortcomings is that no one person or entity that made the decision to send 129,000 contractors to Iraq. Rather, numerous DOD activities were involved, thus adding to the complexity of the problems which GAO identified in its past work on this topic. This testimony focuses on (1) the problems that DOD has faced in managing and overseeing its contractor support to deployed forces and (2) future challenges that DOD will need to address to improve its oversight and management of contractors at deployed locations. In addition, as you requested, we have developed several actions Congress may wish to consider requiring DOD to take.

This testimony is based on previously issued GAO reports and testimonies on DOD's management and oversight of contractor support to deployed forces that focused primarily on U.S. efforts in Southwest Asia. This work was conducted in accordance with generally accepted government auditing standards.

What GAO Found

DOD leadership needs to ensure implementation of and compliance with existing guidance to improve the department's oversight and management of contractors supporting deployed forces. While DOD issued a comprehensive guidance on contractor support to deployed forces in 2005, we found little evidence that DOD components were implementing this and other guidance. As a result, several long-standing problems have hindered DOD's management and oversight of contractors at deployed locations, even in cases where DOD and its components have developed guidance related to these problems. These problems include failure to follow planning guidance, an inadequate number of contract oversight and management personnel, failure to systematically collect and distribute lessons learned, and lack of comprehensive training for contract oversight personnel and military commanders. Our previous work in this area has identified several instances where poor oversight and management of contractors led to negative monetary and operational impacts.

Based on our past work, several challenges will need to be addressed by DOD to improve the oversight and management of contractors supporting deployed forces in future operations and ensure warfighters are receiving the support they rely on in an effective and efficient manner. Those challenges include: (1) incorporating contractors as part of the total force, (2) determining the proper balance of contractors and military personnel in future contingencies and operations, (3) clarifying how DOD will work with other government agencies in future contingencies and operations, and (4) addressing the use and role of contractors into its plans to expand and transform the Army and the Marine Corps.

To view the full product, including the scope and methodology, click on GAO-08-436T. For more information, contact William M. Solis at (202) 512-8365 or solisw@gao.gov.

I am pleased to be here today to discuss a number of issues regarding the oversight and management of contingency contracting in hostile zones. As you know, the Department of Defense (DOD) relies extensively on contractors for services that include communication services, interpreters who accompany military patrols, base operations support (e.g., food and housing), weapons systems maintenance, and intelligence analysis to provide support to our military operations in Southwest Asia. Our previous work has highlighted long-standing problems regarding the oversight and management of contractors supporting deployed forces and we continue to conduct work looking at various aspects of these problems. Many of the problems we see in Iraq and Afghanistan stem from these long-standing problems and need to be viewed in that context. Moreover, although DOD estimated in its October 2007 report to Congress that 129,000 contractors support deployed forces in Iraq, no one person or organization made a decision to send 129,000 contractors to Iraq. Rather, the decision to send contractors to support forces in Iraq was made by numerous DOD activities both within and outside of Iraq. The scope and scale of contract support to deployed forces therefore contributes to the complexity of the problems we have identified in our past work on this topic.

My testimony today will focus on (1) the problems that DOD has faced in managing and overseeing its contractor support to deployed forces and (2) future challenges that DOD will need to address to improve its oversight and management of contractors at deployed locations. In addition, as you requested, we have developed several actions the Congress may wish to consider requiring DOD to take.

In preparing this testimony, we relied on previously issued GAO reports and testimonies on DOD's management and oversight of contractor support to deployed forces that focused primarily on our efforts in Southwest Asia. This work was conducted in accordance with generally accepted government auditing standards. A list of GAO products used to prepare this testimony is located in appendix 1.

Summary

DOD leadership needs to ensure implementation of and compliance with existing guidance to improve the department's oversight and management of contractors supporting deployed forces. For example, DOD's 2005 issuance of comprehensive guidance on contractor support to deployed forces is a noteworthy improvement. However, we found little evidence that DOD components were implementing this guidance or much of the additional guidance addressing the management and oversight of contractors supporting deployed forces. As a result, several long-standing

challenges have hindered DOD's management and oversight of contractors at deployed locations, even in cases where DOD and its components have developed guidance related to these challenges. Examples of problems include failure to follow planning guidance, an inadequate number of contract oversight and management personnel, failure to systematically collect and distribute lessons learned, and lack of comprehensive training for contract oversight personnel and military commanders. For example, we found that the Army did not follow its planning guidance when deciding to use the Army's Logistics Capabilities Augmentation Program (LOGCAP) in Iraq, resulting in the plan being revised seven times in less than 1 year. Moreover, too few contract oversight and management personnel were deployed to locations using contractor support. Having too few contract oversight personnel results in surveillance not being performed sufficiently, and ultimately DOD not having reasonable assurance that contractors are meeting their contract requirements efficiently and effectively. Although DOD policy requires the collection and distribution of lessons learned to the maximum extent possible, our prior work found DOD lacks sufficient procedures to help ensure that lessons learned are collected and shared. In addition, DOD has long recognized the need to comprehensively train contract oversight personnel and military commanders; however, DOD does not routinely incorporate information about contractor support for deployed forces in its pre-deployment training of military personnel. During the course of our work, we found examples where limited or no pre-deployment training caused a variety of problems for military commanders in a deployed location, such as not being able to adequately plan for the use of contractors upon deployment, not knowing what services would be provided through contractors, or not being prepared to provide force protection. We have found several instances where poor oversight and management of contractors has led to negative monetary and operational impacts.

Based on our past work, several challenges will need to be addressed by DOD to improve the oversight and management of contractors supporting deployed forces in future operations and ensure warfighters are receiving the support they rely on in an effective and efficient manner. Those challenges include a number of broader issues, such as: (1) incorporating contractors as part of the total force, (2) determining the proper balance of contractors and military personnel in future contingencies and operations, (3) clarifying how DOD will work with other government agencies in future contingencies and operations, and (4) addressing the use and role of contractors into its plans to expand and transform the Army and the Marine Corps.

As requested, we considered specific legislative remedies for the challenges facing DOD. While we believe that DOD bears the primary responsibility for taking actions to address these challenges, these are three actions the Congress may wish to consider requiring DOD to take in order to move the debate forward:

- Determine the appropriate balance of contractors and military personnel as it shapes the force for the future.
- Include the use and role of contractor support to deployed forces in force structure and capabilities reporting.
- Ensure that operations plans include specific information on the use and roles of contractor support to deployed forces.

Background

The U.S. military has long used contractors to provide supplies and services to deployed U.S. forces, and more recently contractors have been involved in every major military operation since the 1991 Gulf War.[1] However, the scale of contractor support DOD relies on today in Iraq and elsewhere throughout Southwest Asia has increased considerably from what DOD relied on during previous military operations, such as Operation Desert Shield/Desert Storm and in the Balkans. Moreover, DOD's reliance on contractors continues to grow. In December 2006, the Army alone estimated that almost 60,000 contractor employees supported ongoing military operations in Southwest Asia. In October 2007, DOD estimated that the number of contractors in Iraq to be about 129,000. By way of contrast, an estimated 9,200 contractor personnel supported military operations in the 1991 Gulf War. Factors that have contributed to this increase include reductions in the size of the military, an increase in the number of operations and missions undertaken, and DOD's use of increasingly sophisticated weapons systems.

DOD uses contractors to meet many of its logistical and operational support needs during combat operations, peacekeeping missions, and humanitarian assistance missions. Today, contractors located throughout Southwest Asia provide U.S. forces with such services as linguist support, equipment maintenance, base operations support, and security support. In

[1] Contractors supporting deployed forces refer to DOD contractor personnel who are authorized to accompany U.S. military forces in contingency operations or other military operations, or exercises designated by the geographic Combatant Commander.

Iraq and Afghanistan, contractors provide deployed U.S. forces with communication services; interpreters who accompany military patrols; base operations support (e.g., food and housing); weapons systems maintenance; intelligence analysis; and a variety of other support. Contractors also provide logistics support such as parts and equipment distribution, ammunition accountability and control, port support activities, and support to weapons systems and tactical vehicles. For example, in Kuwait and Qatar the Army uses contractors to refurbish, repair, and return to the warfighters a variety of military vehicles, such as the Bradley Fighting Vehicle, armored personnel carriers, and the High-Mobility, Multi-Purpose Wheeled Vehicle (HMMWV).

Since our initial work on the use of contractors to support deployed forces in 1997, DOD has taken a number of actions to implement recommendations that we have made to improve its management of contractors. For example, in 2003 we recommended that the department develop comprehensive guidance to help the services manage contractors' supporting deployed forces. In response to this recommendation, the department issued the first comprehensive guidance dealing with contractors who support deployed forces in October 2005. Additionally, in October 2006, DOD established the office of the Assistant Deputy Under Secretary of Defense for Program Support to serve as the office with primary responsibility for contractor support issues. This office has led the effort to develop and implement a database which, when fully implemented, will allow by-name accountability of contractors who deploy with the force. These database implements recommendations we made in 2003 and 2006 to enhance the department's visibility over contractors in locations such as Iraq and Afghanistan.

DOD has Experienced Problems with Its Oversight and Management of Contractors at Deployed Locations, But Has Taken Some Steps to Address These Problems

DOD leadership needs to ensure implementation of and compliance with existing guidance to improve the department's oversight and management of contractors supporting deployed forces. Several long-standing challenges have hindered DOD's management and oversight of contractors at deployed locations, even though in many cases DOD and its components have developed guidance related to these challenges. These challenges include failure to follow long-standing planning guidance, ensure an adequate number of trained contract oversight and management personnel, systematically collect and distribute lessons learned, and comprehensively train contract oversight personnel and military commanders. We have found several instances where poor oversight and management of contractors has led to negative monetary and operational impacts.

DOD Leadership Needs to Ensure Implementation of and Compliance with Existing Guidance Regarding Oversight and Management of Contractors

Based on our previous work, we believe for DOD to improve its oversight and management of contractors supporting deployed forces in future operations and ensure warfighters are receiving the support they rely on in an effective and efficient manner, DOD leadership needs to ensure implementation of and compliance with existing guidance to improve the department's oversight and management of contractors supporting deployed forces. DOD has taken a number of steps over the last several years to improve and consolidate its long-standing guidance pertaining to the use of contractors to support deployed force. Moreover, largely in response to the recommendation in our 2006 report, DOD established the office of the Assistant Deputy Under Secretary of Defense (Program Support) within the office of the Deputy Under Secretary of Defense for Logistics and Materiel Readiness to serve as the focal point to lead DOD's efforts to improve contract management and oversight. However, as we reported in 2006, although the issuance of DOD's new guidance was a noteworthy improvement, we found little evidence that DOD components were implementing this guidance or much of the additional guidance addressing the management and oversight of contractors supporting deployed forces. For example, additional DOD and service guidance requires, among other things, the collection of lessons learned, the appointment of certified contracting officer's representatives, and that all personnel receive timely and effective training to ensure they have the knowledge and other tools necessary to accomplish their missions. Given DOD's continued difficulties meeting these requirements, it is clear that guidance alone will not fix these long-standing problems. Therefore, we believe that the issue is now centered on DOD providing the leadership to ensure that the existing guidance is being implemented and complied with.

DOD Has Not Followed Long-standing Planning Guidance Regarding the Use of Contractors to Support Deployed Forces

As we have noted in previous reports and testimonies, DOD has not followed long-standing planning guidance, particularly by not adequately factoring the use and role of contractors into its planning. For example, we noted in our 2003 report that the operations plan for the war in Iraq contained only limited information on contractor support.[2] However, Joint Publication 4.0,[3] which provides doctrine and guidance for combatant commanders and their components regarding the planning and execution of logistic support of joint operations, stresses the importance of fully integrating into logistics plans and orders the logistics functions performed by contractors along with those performed by military personnel and government civilians. Additionally, in our 2004 report, we noted that the Army did not follow its planning guidance when deciding to use the Army's Logistics Capabilities Augmentation Program (LOGCAP) in Iraq.[4] According to Army guidance, integrated planning is a governing principle of contractor support, and for contractor support to be effective and responsive, its use needs to be considered and integrated into the planning process. Proper planning identifies the full extent of contractor involvement, how and where contractor support is provided, and any responsibilities the Army may have in supporting the contractor. Additional Army guidance stresses the need for the clear identification of requirements and the development of a comprehensive statement of work early in the contingency planning process. Because this Army guidance was not followed, the plan to support the troops in Iraq was not comprehensive and was revised seven times in less than 1 year. These revisions generated a significant amount of rework for the contractor and the contracting officers. Additionally, time spent reviewing revisions to the task orders is time that is not available for other oversight activities. While operational considerations may have driven some of these changes, we believe others were more likely to have resulted from ineffective planning. The lack of planning also impacts the post-award administration of contracts. For example, in our 2004 report,[5] we noted that one reason the Army was unable to definitize the LOGCAP task orders was the frequent

[2] GAO, *Military Operations: Contractors Provide Vital Services to Deployed Forces but Are Not Adequately Addressed in DOD Plans*, GAO-03-695 (Washington, D.C.: June 24, 2003).

[3] The Joint Chiefs of Staff, *Doctrine for Logistic Support of Joint Operations*, Joint Publication 4-0 (Washington, D.C.: April 2000).

[4] GAO, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight*, GAO-04-854 (Washington, D.C.: July 19, 2004).

[5] GAO-04-854.

revisions to the task orders. Without timely definitization of task orders, the government is less able to control costs.

Our 2003 report also concluded that essential contractor services had not been identified and backup planning was not being done.[6] DOD policy requires DOD and its components to determine which contractor-provided services will be essential during crisis situations and to (1) develop and implement plans and procedures to provide a reasonable assurance of the continuation of essential services during crisis situations and (2) prepare a contingency plan for obtaining the essential service from an alternate source should the contractor be unable to provide it. According to DOD Instruction 3020.37, commanders have three options if they cannot obtain reasonable assurance of continuation of essential contractor service: they can obtain military, DOD civilian, or host nation personnel to perform the services, they can prepare a contingency plan for obtaining essential services, or they can accept the risk attendant with a disruption of services during crisis situations. However, our review found that essential contractor services had not been identified and backup planning was not being done. Without firm plans, there is no assurance that the personnel needed to provide the essential services would be available when needed.

Moreover, because DOD and its components have not reviewed contractor support to identify essential services, the department lacks the visibility needed to provide senior leaders and military commanders with information on the totality of contractor support to deployed forces. As we noted in 2003 and 2006,[7] having this information is important in order for military commanders to incorporate contractor support into their planning efforts. For example, senior military commanders in Iraq told us that when they began to develop a base consolidation plan for Iraq, they had no source to draw upon to determine how many contractors were on each installation. Limited visibility can also hinder the ability of commanders to make informed decisions regarding base operations support (e.g., food and housing) and force protection for all personnel on an installation. Similarly, we found that limited visibility over contractors and the services they provide at a deployed location can hinder the ability of military commanders to fully understand the impact that decisions such as

[6] GAO-03-695.

[7] GAO-03-695 and GAO, *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors Supporting Deployed Forces*, GAO-07-145 (Washington, D.C.: December 2006).

restrictive installation access and badging requirements can have on the ability of contractors to provide services.

As noted above, DOD has taken some steps to improve its visibility over contractor support. In addition, according to a October 2007 DOD report to Congress on managing contractor support to deployed forces, the department is developing a cadre of contracting planners whose primary focus will be to review contractor support portions of combatant commanders' operations plans and contingency plans, including the requirements for contractor services.

DOD Lacks an Adequate Number of Trained Contract Oversight and Management Personnel

As we noted in several of our previous reports, having the right people with the right skills to oversee contractor performance is crucial to ensuring that DOD receives the best value for the billions of dollars spent each year on contractor-provided services supporting forces deployed to Iraq and elsewhere. Since 1992, we designated DOD contract management as a high-risk area, and it remains so today, in part, due to concerns over the adequacy of the department's acquisition workforce, including contract oversight personnel. While this is a DOD-wide problem, having too few contract oversight personnel presents unique difficulties at deployed locations given the more demanding contracting environment as compared to the United States. Although we could find no DOD guidelines on the appropriate number of personnel needed to oversee and manage DOD contracts at a deployed location, several reviews by GAO and DOD organizations have consistently found significant deficiencies in DOD's oversight of contractors due to an inadequate number of trained personnel to carry out these duties.

In 2004, we reported that DOD did not always have enough contract oversight personnel in place to manage and oversee its logistics support contracts such as LOGCAP and the Air Force Contract Augmentation Program (AFCAP). As a result, the Defense Contract Management Agency was unable to account for $2 million worth of tools that had been purchased using the AFCAP contract. The following year, we reported in our High-Risk Series that inadequate staffing contributed to contract management challenges in Iraq.[8] During our 2006 review, several contract oversight personnel we met with told us DOD does not have adequate personnel at deployed locations. For example, a contracting officer's representative for a linguistic support contract told us he had only one

[8] GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

part-time assistant, limiting his ability to manage and oversee the contractor personnel for whom he was responsible. The official noted that he had a battalion's worth of people with a battalion's worth of problems but lacked the equivalent of a battalion's staff to deal with those problems. Similarly, an official with the LOGCAP Program Office told us that the office did not prepare to hire additional budget analysts and legal personnel in anticipation of an increased use of LOGCAP services due to Operation Iraqi Freedom. According to the official, had adequate staffing been in place early, the Army could have realized substantial savings through more effective reviews of the increasing volume of LOGCAP requirements. More recently, we reported that the Army did not have adequate staff to conduct oversight of an equipment maintenance contract in Kuwait. During our review of the contract, we found that vacant authorized oversight personnel positions included a quality assurance specialist, a property administrator, and two quality assurance inspectors. Army officials also told us that in addition to the two quality assurance inspectors needed to fill the vacant positions, more quality assurance inspectors were needed to fully meet the oversight mission. According to Army officials, vacant and reduced inspector and analyst positions meant that surveillance was not being performed sufficiently in some areas and the Army was less able to perform data analyses, identify trends in contractor performance, and improve quality processes.

In addition to our work, a number of other reviews of DOD's contractor oversight personnel have identified similar problems. A 2004 Joint Staff review of the Defense Contract Management Agency's responsiveness and readiness to support deployed forces found that the agency had not programmed adequate resources to support current and future contingency contract requirements. The review also found that the Defense Contract Management Agency manpower shortages were aggravated by internal policies that limited the ability of personnel to execute those missions. More recently, the 2007 report of the Commission on Army Acquisition and Program Management in Expeditionary Operations stated that the Army lacks the leadership and military and civilian personnel to provide sufficient contracting support to either expeditionary or peacetime missions. According to the commission, Army contracting personnel experienced a 600 percent increase in their workload and are performing more complex tasks, while the number of Army civilians and military in the contracting workforce has remained stagnant or declined. As a result, the commission found that the vital task of post-award contract management is rarely being done.

As we noted in our 2006 report,[9] without adequate contract oversight personnel in place to monitor its many contracts in deployed locations such as Iraq, DOD may not be able to obtain reasonable assurance that contractors are meeting their contract requirements efficiently and effectively. However, some actions have been taken since our report to address the issue of inadequate numbers of trained contract oversight and management personnel. For example, in February 2007, the Deputy Assistant Secretary of the Army (Policy and Procurement) issued guidance that for service contracts greater that $2,500, the contracting officer shall appoint certified contracting officer's representatives in writing, identify properly trained contracting officer's representatives for active service contracts, and ensure that a government quality assurance surveillance plan is prepared and implemented for service contracts. In addition, Congress has taken steps to improve oversight by increasing the budgets for the Defense Contract Audit Agency, Defense Contract Management Agency, and the Defense Department's Inspector General in the fiscal year 2008 Defense Department Appropriations.[10]

DOD Is Not Systematically Collecting and Distributing Lessons Learned

Although DOD and its components have used contractors to support deployed forces in several prior military operations, DOD does not systematically ensure that institutional knowledge regarding the use of contractors to support deployed forces, including lessons learned and best practices, is shared with military personnel at deployed locations. We previously reported that DOD could benefit from systemically collecting and sharing its institutional knowledge to help ensure that it is factored into planning, work processes, and other activities.[11] We have also made several recommendations that, among other things, called for DOD to incorporate lessons learned from its experience in the Balkans to improve the efficiency and effectiveness of the Army's LOGCAP contract, implement a departmentwide lessons-learned program to capture the experiences of military units that have used logistics support contracts, and establish a focal point within the Office of the Under Secretary of Defense to lead and coordinate the development of a departmentwide

[9] GAO-07-145.

[10] Conference Report 110-434, accompanying Pub. L. No. 110-116 (13 November 2007).

[11] GAO, *Information Technology: DOD Needs to Leverage Lessons Learned from Its Outsourcing Projects*, GAO-03-371 (Washington, D.C.: Apr. 25, 2003); and *Military Training: Potential to Use Lessons Learned to Avoid Past Mistakes Is Largely Untapped* (GAO/NSIAD-95-152 (Washington, D.C.: Aug. 9, 1995).

lessons-learned program to collect and distribute the department's institutional knowledge regarding all forms of contractor support to deployed forces.[12]

Although DOD has policy requiring the collection and distribution of lessons learned to the maximum extent possible, we found in our previous work that no procedures were in place to ensure that lessons learned are collected and shared. For example, DOD has established the Joint Lessons Learned Program, designed to enhance joint capabilities through discovery, knowledge development, implementation, and sharing of lessons learned from joint operations, training events, exercises, and other activities.[13] The program applies to the Joint Staff, combatant commands, services, and combat support agencies that are to coordinate activities and collaboratively exchange lesson observations, findings, and recommendation to the maximum extent possible. According to DOD policy, combatant commands are responsible for executing and supporting joint lessons learned functions including lesson discovery, knowledge development, and implementation activities. U.S. Joint Forces Command is responsible for developing and implementing the capability to collect and analyze observations from current operations and ensuring key findings are appropriately disseminated.

The Army regulation which establishes policies, responsibilities, and procedures for the implementation of the LOGCAP program makes customers that receive services under the LOGCAP contract responsible for collecting lessons learned. Nonetheless, we have repeatedly found that DOD is not systematically collecting and sharing lessons learned on the use of contractors to support to deployed forces. Despite years of experience using contractors to support forces deployed to the Balkans, Southwest Asia, Iraq, and Afghanistan, DOD has made few efforts to leverage this institutional knowledge. As a result, many of the problems we identified in earlier operations have recurred in current operations. In 2004, we reported that despite over 10 years of experience in using logistics support contracts, the Army continued to experience the same types of problems it experienced during earlier deployments that used LOGCAP for support.[14] For example, we found that U.S. Army, Europe,

[12]GAO-07-145

[13] Chairman of the Joint Chiefs of Staff Instruction 3150.25C, Joint Lessons Learned Program (11 April 2007).

[14] GAO-04-854.

which has had the most experience in using logistics support contracts, has not consolidated its lessons learned and made them available for others. Similarly, we learned that a guidebook developed by U.S. Army, Europe on the use of a logistical support contract was not made available to military commanders in Iraq until mid-2006.

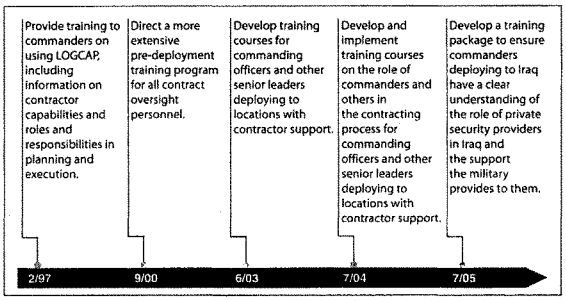
During the course of our 2006 work, we found no organization within DOD or its components responsible for developing procedures to capture lessons learned on the use of contractor support at deployed locations.[15] Likewise, we found that neither the Joint Force's Command Joint Center for Operational Analysis nor the Army's Center for Army Lessons Learned was actively collecting lessons learned on the use of contractor support in Iraq. We noted that when lessons learned are not collected and shared, DOD and its components run the risk of repeating past mistakes and being unable to build on the efficiencies and effectiveness others have developed during past operations that involved contractor support. We also found a failure to share best practices and lessons learned between units as one redeploys and the other deploys to replace it. As a result, new units essentially start at ground zero, having to resolve a number of difficulties until they understand contractor roles and responsibilities.

DOD Does Not Comprehensively Train Contract Oversight Personnel and Military Commanders

DOD does not routinely incorporate information about contractor support for deployed forces in its pre-deployment training of military personnel, despite the long-standing recognition of the need to provide such information. We have discussed the need for better pre-deployment training of military commanders and contract oversight personnel since the mid-1990s and have made several recommendations aimed at improving such training as shown in figure 1.

[15] GAO-07-145.

Figure 1: Previous GAO Recommendations Highlighting the Need for Better Training on the Use of Contractor Support to Deployed Forces



Source: GAO.

Moreover, according to DOD policy, personnel should receive timely and effective training to ensure they have the knowledge and other tools necessary to accomplish their missions. Nevertheless, we continue to find little evidence that improvements have been made in terms of how DOD and its components train military commanders and contract oversight personnel on the use of contractors to support deployed forces prior to their deployment. For example, in an October 2007 report to Congress on managing contractor support to deployed forces, DOD discussed broad, contractor management-related training programs that it intends to implement in the future. Without properly trained personnel, DOD will continue to face risks of fraud, waste, and abuse.

Limited or no pre-deployment training on the use of contractor support can cause a variety of problems for military commanders in a deployed location. As we reported in 2006, with limited or no pre-deployment training on the extent of contractor support to deployed forces, military commanders may not be able to adequately plan for the use of those contractors.[16] In its 2007 report, the Commission on Army Acquisition and Program Management in Expeditionary Operations found that combatant commands do not recognize the significance of contracts and contractors

[16] GAO-07-145.

in expeditionary operations, and concluded that the Army needs to educate and train commanders on the important operational role of contracting. Several military commanders we met with in 2006 said their pre-deployment training did not provide them with sufficient information regarding the extent of contractor support that they would be relying on in Iraq. These commanders were therefore surprised by the substantial number of personnel they had to allocate to perform missions such as on-base escorts for third-country and host-country nationals, convoy security, and other force protection support to contractors. In addition, limited or no pre-deployment training for military commanders on the use of contractor support to deployed forces can result in confusion regarding their roles and responsibilities in managing and overseeing contractors. For example, we found some instances where a lack of training raised concerns over the potential for military commanders to direct contractors to perform work outside the scope of the contract, something commanders lack the authority to do. As Army guidance makes clear, when military commanders try to direct contractors to perform activities outside the scope of the contract, this can cause the government to incur additional charges because modifications would need to be made to the contract and, in some cases, the direction may potentially result in a violation of competition requirements. In addition, our 2005 report on the use of private security contractors in Iraq noted that commanders told us they received no training or guidance on how to work with private security providers in Iraq. To highlight the lack of training and guidance, representatives from one unit told us that they did not know there were private security providers in their battle space until the providers began calling for assistance. They also said that any information about who would be in the battle space and the support the military should be providing would be useful.

We also found that contract oversight personnel such as contracting officer's representatives received little or no pre-deployment training regarding their roles and responsibilities in monitoring contractor performance. Many of the contracting officer's representatives we spoke with in 2003 and 2006 said that training before they assumed these positions would have better prepared them to effectively oversee contractor performance. Although DOD has created an online training course for contracting officer's representatives, individuals we spoke with noted that it was difficult to set aside the time necessary to complete the training once they arrived in Iraq. Furthermore, in most cases, deploying individuals were not informed that they would be performing contracting officer representative duties until after they had deployed. We found several instances where the failure to identify and train contracting

officer's representatives prior to their deployment hindered the ability of those individuals to effectively manage and oversee contractors. For example, the contracting officer's representative for an intelligence support contract in Iraq had not been informed of his responsibilities prior to deploying and had no previous experience working with contractors. The official told us he found little value in the online training course and subsequently did not believe this training adequately prepared him to execute his contract oversight responsibilities, such as reviewing invoices submitted by the contractor. Similarly, officials from a corps support group in Iraq told us that until they were able to get a properly trained contracting officer's representative in place, they experienced numerous problems regarding the quality of food service provided by LOGCAP. The 2007 report of the Commission on Army Acquisition and Program Management in Expeditionary Operations also discussed the need to train contracting officer's representatives and warned that the lack of training could lead to fraud, waste, and abuse.

Some steps have been taken to help address the issue of pre-deployment training of military commanders and contract oversight personnel. In DOD's response to our 2006 report, the Director of Defense Procurement and Acquisition Policy stated that the Army is making changes to its logistics training programs to be better positioned to meet current and future challenges.[17] This included incorporating contracting officer's representatives training into its basic and advanced training for its ordnance, transportation, and quartermaster corps. In addition, the Defense Acquisition University has updated its contingency contracting course to include a lesson on contractors accompanying the force. More recently, the National Defense Authorization bill for fiscal year 2008 included a provision addressing the need for contingency contractor training for personnel outside the acquisition workforce. This provision requires that military personnel receive training sufficient to ensure that they understand the scope and scale of contractor support they will experience in contingency operations and are prepared for their roles and responsibilities regarding contractor oversight and program management among others.

[17] GAO-07-145.

DOD's Problems in Managing and Overseeing Contractors Have Had Negative Impacts at Deployed Locations

DOD's problems managing and overseeing contractors at deployed locations make it difficult for the department to be assured that it is getting the services it needs on time and at a fair and reasonable price. Over the past few years, we reported some of the results of these long-standing problems. While many of the situations we discuss below highlight monetary consequences, poor contract management and oversight can affect military operations as well. Furthermore, although determining the extent of the financial impact is not always feasible or practicable, the inability to quantify the financial impact should not detract from efforts to achieve greater rigor and accountability in DOD contracting practices. The following are examples of negative impacts that have occurred at deployed locations.

- On January 23, 2008, we issued a report on the Army's equipment maintenance contract in Kuwait and concluded that the Army did not always follow key principles included in the Army Quality Program.[18] This instruction specifies the use of performance information to perform root-cause analysis and foster continuous improvement. In addition, the battalion's July 2006 draft maintenance management plan requires that contractor performance data should be analyzed to help identify the cause of new and/or recurring quality problems and evaluate the contractor's performance. However, we found that the Army did not begin to track contractor pass/fail rates until July 2007. According to Army quality assurance officials, this metric was not tracked and monitored because they did not have sufficient quality assurance staff to perform such an analysis. By not tracking and monitoring the percent of equipment submitted for Army acceptance that failed quality assurance inspection, the Army did not know the extent to which the contractor was meeting the specified maintenance standard requirements nor could it identify problem areas in the contractor's processes and initiate corrective action. Furthermore, our analysis of Army data found that for five types of vehicles inspected by quality assurance personnel between July 2006 and May 2007, 18 percent to 31 percent of the equipment presented to the Army as ready for acceptance failed government inspection. In addition, some equipment presented to the Army as ready for acceptance failed government inspection multiple times, sometimes for the same deficiencies. When the Army inspected equipment that did not meet standards, it was returned to the contractor for continued repair. Our analysis of Army data found that since May 2005 an additional 188,000 hours were worked to repair equipment after the first failed government

[18] GAO-08-316R.

inspection, which translates into an additional cost of approximately $4.2 million.

- In July 2004, we reported that the Air Force had used the Air Force Contract Augmentation Program (AFCAP) contract to supply commodities for its heavy construction squadrons because it did not deploy with enough contracting and finance personnel to buy materials quickly or in large quantities. Additionally, the U.S. Agency for International Development has used the contract to provide disaster relief and humanitarian assistance supplies. In some cases, the contractor simply bought the supplies and delivered them to the customer under cost-plus award fee task orders. We noted that the contractor had received more than $2 million in award fees since February 2002 for these commodity supply task orders. While permitted, the use of cost-plus award fee task orders to obtain supplies may not be cost-effective, as the government reimburses the contractor's costs and pays award fees for orders with little risk. Air Force officials recognized that this business arrangement may not be cost-effective. Under the current Air Force Contract Augmentation Program (AFCAP) contract, commodities may be obtained using only firm fixed price orders or cost-plus fixed fee orders.

- The lack of sufficiently trained personnel can also lead to the inefficient use of military personnel. In our December 2006 report, officials with a Stryker brigade told us a lack of contractor management training hindered their ability to resolve staffing issues with a contractor conducting background screenings of third-country and host-country nationals. In this case, shortages of contractor-provided screeners forced the brigade to use its own intelligence personnel to conduct screenings. As a result, those personnel were not available for their primary intelligence-gathering responsibilities.

- In June 2004, we reported that a disagreement between the LOGCAP contractor and the Defense Contract Audit Agency (DCAA) on how to bill for services to feed soldiers in Iraq involved at least $88 million in questioned costs. In this case, the statement of work required the contractor to build, equip, and operate dining facilities at various base camps and provide four meals a day for the base camp populations. The statement of work did not specify, however, whether the government should be billed on the camp populations specified in the statement of work or on the actual head count. This is an important distinction because the specified camp population was significantly higher than the actual head count, and the subcontractors providing the services generally billed the contractor for the specified base camp population. A contractor analysis of selected invoices over a 4-month period found that it had billed

the government for food service for more than 15.9 million soldiers when only 12.5 million—more than 3.4 million fewer—had passed through the dining facilities. DCAA believed that the contractor should have billed the government on the actual head count services, whereas the contractor believed that it should have billed the government based on the camp populations specified in the statement of work. A clearer statement of work, coupled with better DOD oversight of the contract, could have prevented the disagreement and mitigated the government's risk of paying for more services than needed.

Future Challenges DOD Will Need to Address to Improve Its Oversight and Management of Contractors at Deployed Locations

Looking at our past work, I would like to make a number of broad observations about challenges we believe will need to be addressed by DOD to improve the oversight and management of contractors supporting deployed forces in future operations and ensure warfighters are receiving the support they rely on in an effective and efficient manner. There are four issues in particular that merit attention by DOD: (1) incorporating contractors as part of the total force, (2) determining the proper balance of contractors and military personnel in future contingencies and operations, (3) clarifying how DOD will work with other government agencies in future contingencies and operations, and (4) addressing the use and role of contractors into its plans to expand and transform the Army and the Marine Corps.

Incorporating Contractors as Part of the Total Force

DOD relies on contractors as part of the total force, which the department defines as its active and reserve military components, its civil servants, and its contractors. As DOD's 2006 Quadrennial Defense Review noted, "The department and military services must carefully distribute skills among the four elements of the total force (Active Component, Reserve Component, civilians, and contractors) to optimize their contributions across the range of military operations, from peace to war." Furthermore, in a November 2007 briefing on challenges and opportunities associated with DOD's transformation efforts, the Comptroller General called on DOD to employ a total force management approach to planning and execution (e.g., military, civilian, and contractors). Similarly, the 2007 report of the Commission on Army Acquisition and Program Management in Expeditionary Operations called on the Army to transform its culture with regard to contracting and establish contracting as a core competency. Many of the long-standing problems we have identified regarding the oversight and management of contractor support to deployed forces stem from DOD's reluctance to plan for contractors as an integral part of the total force. This is evidenced by the fact that DOD does not incorporate

the use and role of contractors in its professional military education. For example, an official from the Army's Training and Doctrine Command said it was important that all DOD components incorporate into their institutional training information on the use of contractors in deployed location so that all military personnel who deploy have a basic awareness of contractor support issues prior to deploying. We therefore recommended in our 2006 report that DOD develop training standards for the services on the integration of basic familiarity with contractor support into their professional military education. This would be an important first step towards incorporating the use and role of contractors across the department.

Determining the Proper Balance of Contractors and Military Personnel in Future Contingencies and Operations

DOD needs to determine the appropriate balance between contractors and military personnel in deployed locations in order to ensure its ability to meet its future mission requirements while at the same time assuring it has the capacity to oversee and manage contractors supporting those future missions. As the Comptroller General stated in April 2007, given DOD's heavy and increasing reliance on contractors in Iraq and elsewhere, and the risks this reliance entails, it may be appropriate to ask if DOD has become too reliant on contractors to provide essential services.[19] This is becoming a more important issue, as DOD becomes increasingly involved in missions such as stability operations. Looking towards the future, the department needs to consider how it will use contractors to support those missions and how it will ensure the effective management and oversight of those contractors. What is needed is a comprehensive, forward-looking review of contractor support to deployed forces that provides the proper balance between contractor support and the core capabilities of military forces over the next several years. The National Defense Authorization bill for fiscal year 2008 requires the Secretary of Defense to conduct, every 4 years, a comprehensive assessment of the roles and missions of the armed forces and the core competencies and capabilities of DOD to perform and support such roles and missions. This could provide the foundation for a comprehensive examination of the support DOD will require contractors to provide in future operations and core capabilities the department believes it should not be relying on contractors to perform. Only when DOD has established its future vision for the use and role of contractors supporting deployed forces can it effectively address its long-term capability to oversee and manage those contractors.

[19] GAO-07-525T.

Clarifying How DOD will Work with Other Government Agencies in Future Contingencies and Operations

As DOD works to improve its oversight and management of contractors supporting deployed forces, it is increasingly working with other government agencies at those deployed locations. This has raised a number of issues that will likely continue to affect future operations unless the U.S. government acts to resolve them. For example, the Department of the Defense and the Department of State need to determine who should be responsible for providing security to the U.S. government employees and contractors working in contingency operations. If the U.S. government determines that it will use private security companies during contingency operations, it is imperative that DOD and the other agencies agree on regulations and procedures to govern the use of private security companies and clarify their rules of engagement. Another question that has come up in Iraq and may occur in future operations is which agency should be responsible for reconstruction efforts. Moreover, there are issues that arise from the different rules and regulations governing military personnel, DOD civilians, other government agency employees, and contractors who may all be living and working on the same installation. For example, concerns have been raised about the applicability of the Military Extraterritorial Jurisdiction Act to crimes committed by contractors who support agencies other than DOD at deployed locations. In addition, contractors working for DOD in Iraq and Afghanistan fall under military policies that prohibit the use of alcohol, gambling, and other behaviors. However, contractors working for other agencies are generally not required to follow these policies, which can lead to tensions and erode military efforts to maintain discipline and morale. Given that DOD can expect to work more closely with other agencies in the future, the department will need to develop memoranda of understanding with those agencies and update its guidance to improve its working relationship with its partners across the U.S. government.

Addressing the Use and Role of Contractors into Plans to Expand and Transform the Army and the Marine Corps

DOD also needs to address the role and use of contractor support to deployed forces as the department develops its plan to expand and transform its military forces. The department is in the process of planning for a substantial increase in the size of the Army and the Marine Corps. As it develops these plans, it is important that the department address the impact this growth in military forces will have on the contractor services needed to support those forces. Moreover, DOD should recognize that not all of the additional personnel must be dedicated to combat arms; a portion of that increase should be dedicated to expanding and enhancing the department's professional acquisition corps. In addition, as the Department continues to transform its forces, DOD should ensure that it is addressing contract oversight and management requirements, such as

personnel requirements. For example, the 2007 report of the Commission on Army Acquisition and Program Management in Expeditionary Operations recommended that the Army establish an Expeditionary Contracting Command that would be responsible for providing skilled, trained, contracting personnel for the support of expeditionary forces, assigned to deployable or deployed commands.

Concluding Observations

In closing, I believe the long-standing challenges DOD faces transcend the current operations in Iraq and Afghanistan and demand a comprehensive effort to resolve. As requested, we considered specific legislative remedies for the challenges facing DOD. While we believe that DOD bears the primary responsibility for taking actions to address the challenges discussed above, these are three actions Congress may wish to consider requiring DOD to take in order to move the debate forward:

- **Determine the appropriate balance of contractors and military personnel as it shapes the force for the future**. A Quadrennial Defense Review-type study of contracting may be in order, one which comprehensively examines the support DOD will require contractors to provide in future operations and the core capabilities the department believes it should not be relying on contractors to perform. In addition, as the department continues to grow and transform its military forces, it should ensure that the role of contractor support to deployed forces is incorporated into its planning efforts.

- **Include the Use and Role of Contractor Support to Deployed Forces in Force Structure and Capabilities Reporting**. DOD regularly reports on the readiness status, capabilities assessments, and other review of the status and capabilities of its forces. Given the reality that DOD is dependant on contractors for much of its support in deployed locations, the department should include information on the specific missions contractors will be asked to perform, the operational impacts associated with the use of contractors, and the personnel necessary to effectively oversee and manage those contractors. In addition, these reports should address the risks associated with the potential loss of contractor support.

- **Ensure that operations plans include specific information on the use and roles of contractor support to deployed forces**. DOD guidance requires that contractor support be fully integrated into the logistics annex of operations and contingency plans. However, our previous work indicates that this is not being done at a sufficient level. Because of the increased use of contractors to support deployed forces and the variety of missions DOD may be asked to perform, Congress may

want to take steps to gain assurances that operations plans for those missions sufficiently consider the use and role of contractors.

Mr. Chairman and member of the subcommittee, this concludes my prepared remarks. I would be happy to answer any question you may have.

Contacts and Acknowledgments

For questions about this statement, please contact Bill Solis at (202) 512-8365. Other individuals making key contributions to this statement include Carole Coffey, Assistant Director, Sarah Baker, Grace Coleman, and James Reynolds.

Appendix I: Related GAO Products

- *Defense Logistics: The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Kuwait.* GAO-08-316R. Washington, D.C.: January 23, 2008.
- *Defense Acquisitions: Improved Management and Oversight Needed to Better Control DOD's Acquisition of Services.* GAO-07-832T. Washington, D.C.: May 10, 2007.
- *Military Operations: High-Level DOD Action Needed to Address Long-standing Problems with Management and Oversight of Contractors.* GAO-07-145. Washington, D.C.: December 18, 2006.
- *Rebuilding Iraq: Continued Progress Required Overcoming Contract Management Challenges.* GAO-06-1130T. Washington, D.C.: September 28, 2006.
- *Military Operations: Background Screenings of Contractor Employees Supporting Deployed Forces May Lack Critical Information, but U.S. Forces Take Steps to Mitigate the Risks Contractors May Pose.* GAO-06-999R. Washington, D.C.: September 22, 2006.
- *Rebuilding Iraq: Actions Still Needed to Improve the Use of Private Security Providers.* GAO-06-0865T. Washington, D.C.: June 13, 2006.
- *Rebuilding Iraq: Actions Needed to Improve Use of Private Security Providers.* GAO-05-737. Washington, D.C.: July 28, 2005.
- *Interagency Contracting: Problems with DOD's and Interior's Orders to Support Military Operations.* GAO-05-201. Washington, D.C.: April 29, 2005.
- *Defense Logistics: High-Level DOD Coordination Is Needed to Further Improve the Management of the Army's LOGCAP Contract.* GAO-05-328. Washington, D.C.: March 21, 2005.
- *Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts.* GAO-05-274. Washington, D.C.: March 17, 2005.
- *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight.* GAO-04-854. Washington, D.C.: July 19, 2004.

- *Military Operations: Contractors Provide Vital Services to Deployed Forces but Are not Adequately Addressed in DOD Plans.* GAO-03-695. Washington, D.C.: June 24, 2003.
- *Contingency Operations: Army Should Do More to Control Contract Costs in the Balkans.* GAO/NSIAD-00-225. Washington, D.C.: September 29, 2000.
- *Contingency Operations: Opportunities to Improve the Logistics Civil Augmentation Program.* GAO/NSIAD-97-63. Washington, D.C.: February 11, 1997.

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Mr. MURTHA. I think we have exhausted the information that you have and recommendations you have. You have seen our frustration and concern about contracting out. With your help, and with our help, if you need help from us, ask, and we will try to get you more information that they are hesitant to give. You said to me before the hearing started that you did not think they were hesitant to give us information; they just did not have the information. Well, we are going to force them to find the information, because we cannot make a legitimate decision and recommendation on money until we get some idea of what a government contractor is, what the government responsibility is. And I think the idea of oversight is the key. You said at least as you make the transitions you should have somebody working for the government that is in charge of the contractors. Well, we will see here. But as two examples that Mr. Moran gave, they have got contractors in charge of contractors. And one of my staff said, when he was in the Army, they were cutting the grass at Fort Benning, they hired a contractor to tell the contractors how to cut the grass. I mean, we got a hell of a problem here. And we are going to have to work together trying to get to the bottom of it.

We appreciate your coming before the committee.

Unless somebody else has any questions, we adjourn the committee until 10 a.m. tomorrow.

Mr. Moran will be the Chair.

[CLERK'S NOTE.—Questions submitted by Mr. Murtha and the answers thereto follow.]

Question. Mr. Dodaro, do you think DOD has thought about its workforce holistically in order to determine the right balance of federal and contractor employees in performing DOD missions?

Answer. DOD has not conducted a comprehensive assessment of its workforce needs particularly with regard to the roles and functions contractors perform in supporting DOD's missions and activities. Our work on strategic human capital planning and acquisition workforce issues has encouraged DOD to conduct such an assessment.

Question. Mr. Dodaro, if DOD is not defining the proper balance between federal and contractor workforce, what steps should DOD take to better assure a balance?

Answer. DOD must engage in a fundamental reassessment of when and under what circumstances the department should use contractors. As part of this assessment, DOD needs to take several steps, including developing a data collection system that will allow DOD to identify all services currently being provided to DOD by contractors; detennine which of those services being performed by contractors should be performed by government personnel, taking into account the need to ensure proper government oversight of contractors' efforts and the need to develop or retain in-house sufficient institutional capacity to perform core capabilities; develop a total workforce strategic plan to identify and effect the appropriate mix, roles, and responsibilities of contractor, civilian, and military personnel, to include plans for how DOD will grow the in-house capabilities it has identified as lacking or otherwise convert contractor performance to in-house performance; developing budgets, both short and long term, that will support implementation of DOD's total workforce strategic plan, to include funding additional government personnel full time equivalents when necessary to perform the services in-house. These steps are consistent with the requirements contained in sections 324 and 807 of the Fiscal Year 2008 National Defense Authorization Act.

Question. Does the Department have the ability to report on the number of contractors that they employ and their compensation costs?

Answer. Section 807 of the Fiscal Year 2008 National Defense Authorization Act directed the department to develop a department-wide inventory of services being provided by contractors and the numbers of contractor full time equivalents used to provide the service. The inventory report is an annual requirement and is to be provided to Congress by the end of the third quarter of each fiscal year. However,

DOD does not currently have the ability to report on the total number of contractor personnel it employs or their compensation costs at a department-wide level.

Question. Mr. Dodaro, DOD continues to deploy huge numbers of contractors. Currently 267,000 contractors are deployed to the CENTCOM area of responsibility. Would you comment on the consequences of having more contractors than military personnel in CENTCOM's area of responsibility?

Answer. Our work has noted that DOD's increased reliance on contractors at deployed locations exacerbates long-standing challenges regarding DOD management and oversight of contractors to support deployed forces. These include an insufficient number of acquisition workforce personnel, DOD's failure to systematically collect and distribute lessons learned, and a lack of pre-deployment training for military commanders and contract oversight personnel. Moreover, the large number of contractors at deployed locations, particularly the widespread use of third-country and host-country national contractor employees, can increase the risk to military personnel due to the limited background screenings of contractor personnel.

The fact that there are more contractors than military personnel in Iraq further highlights the strains on DOD's ability to provide appropriate contract management and oversight. As we have noted in the past, DOD lacks adequate numbers of properly trained contract oversight personnel in Iraq to oversee the large numbers of contractors there. This is why we testified in January 2008 (see GAO–08–436T) that as part of the DOD's efforts to increase the size of the Army and the Marine Corps, the department should consider using a portion of its increased force structure to expand its professional acquisition corps. DOD's heavy reliance on contractors also underscores the need we identified last year for DOD to carry out a fundamental reexamination of when and under what circumstances the department should use contractors versus civil servants or military personnel.

Question. DOD officials have stated that contractors will be redeployed from Iraq in proportionate numbers to the redeploying troops. How can DOD effectuate proportionate redeployment given that the number for contractors in Iraq is a function of hundreds of decentralized contract actions in contrast to military personnel strength levels which are a function of a handful of centrally managed deployment orders?

Answer. In September 2008, GAO reported that from late 2007 through July 2008, planning for the drawdown of U.S. forces in Iraq did not include a theater-wide plan for the withdrawal of contractors. It is still unclear how DOD plans to manage and coordinate the drawdown of contractors and military forces from Iraq. We have recently begun a new review of DOD's plans for managing the drawdown and will review DOD's plans for contractors as part of this effort. In addition, in October 2008, DOD released Joint Publication 4-10, *Operational Contract Support,* which states that for each operation, the geographic combatant commander should publish a contractor management plan and outline in an appendix contractor management planning considerations.

Question. Does DOD have a good plan to account for assets, both government and contract, when drawing down contractors out of Iraq?

Answer. As of August 2008, DOD had not established effective plans and procedures to account for its assets—both government and contractor-managed—during the drawdown process. As we noted above, we have recently begun a new review of DOD's plans for managing the drawdown and will review DOD's plans for plan to account for government and contractor assets as part of that review.

DOD's management of the equipment retrograde process is hindered by use of incompatible data systems that necessitate frequent manual manipulation of data. This system incompatibility has resulted in diminished visibility over equipment and materiel while it is in transit. Furthermore, in addition to the incompatibility of the data systems, the disposition process can be slow and cumbersome due to the manual workarounds used to pass and manipulate the data. Although a fix for this system incompatibility had been identified, the implementation of the fix had not been enforced by DOD.

GAO also identified problems related to the accountability and disposition of contractor-managed government-owned property in Iraq. While there are ongoing efforts to plan for the disposition of contractor-managed government-owned property in Iraq, several challenges remain. The first challenge is determining the original or fair-market value of contractor-managed government-owned property and determining any security restrictions on its disposition. Second is the time-consuming and labor-intensive task of accounting for and determining the disposition of contractor-managed government-owned property. Finally, the Defense Logistics Agency may not have sufficient data to adequately plan capacity needs at the Defense Reutilization and Marketing Offices—facilities in theater responsible for disposing of surplus DOD property through reutilization, transfer, donation, and sale.

Question. The Department reports that a great number of contractors perform base support functions in Iraq. What exactly does "base support" mean?

Answer. Base operations support is a term used to describe a collection of day-to-day programs, activities, and services needed to keep the bases and installations running. As we have previously reported, base operations support is not a single, well-defined program area but a collection of many diverse programs, activities, and services. According to DOD budget documents, base operations support provides the resources to operate DOD bases, installations, camps, posts, and stations. According to the department, these resources sustain mission capability, ensure quality-of-life, and enhance work force productivity and fund personnel and infrastructure support. Personnel support includes food and housing services for unaccompanied and deployed forces; religious services and programs; payroll support; personnel management; and morale, welfare, and recreation services to military members and their families. Infrastructure support includes utility systems operations; installation equipment maintenance; engineering services including fire protection, crash rescue, custodial, refuse collection, snow removal, and lease of real property; security protection and law enforcement; and transportation motor pool operations.

Base operations support at deployed locations, such as Iraq, consists of providing food and housekeeping services on bases. This includes many of these services described above such as food, laundry, recreational, construction and maintenance, road maintenance, waste management, fire-fighting, power generation, and water production and distribution. While DOD estimates that over half of its contractors in Iraq are engaged in providing base support GAO has not verified DOD's estimates nor has GAO analyzed the data to determine what specific services are categorized as base support in Iraq.

Question. How can the DOD become less reliant on contractors in future military operations?

Answer. As noted in a February 2009 testimony, DOD officials have stated that without a significant increase in military end-strength, the department is likely to continue to rely on contractors to support future operations. The testimony also noted that the department has yet to conduct a fundamental reexamination of its extensive reliance on contractors in order to identify what types of function and activities should be contracted out. We called for such a reexamination in March 2008 (see GAO–08–572T). Until such an examination is completed, DOD may not be totally aware of the risks it faces in using contractors and will therefore be unable to mitigate those risks in the most cost-effective and efficient manner.

Question. Mr. Dodaro, the DOD is required by law 10 U.S.C. 2464 to have an in-house depot maintenance workforce able to respond to national defense emergencies. Do you believe that DOD has sufficient numbers of in-house personnel to meet all core maintenance functions to respond to national emergencies?

Answer. On the basis of ongoing work, we believe the depots currently have sufficient numbers of in-house personnel to handle their workload. As a result of the Global War on Terror (GWOT), the depots have experienced a surge in workload over the past few years. Some of this work relates to special projects, such as adding armor to vehicles, and some is attributable to repairing battle damage and other depot repair work associated with the military's high operations tempo. To accommodate the surge of workload, the depots have added to their total workforce over the last several years. Workforce data for the Army and Marine Corps indicate that the number of permanent government employees has remained steady, but the number of contract labor and temporary workers has risen. Depot officials told us they hired contractors and temporary workers in lieu of hiring permanent government workers due to uncertainties about the duration of GWOT. In the future however, there is a possibility that the depots could lack sufficient in-house technical expertise if core capabilities for new systems are not established at the depots.

Question. Mr. Dodaro, do you agree that current DOD policy encourages the use of contractor logistics support?

Answer. While DOD policies call for the use of both the public and private sectors to maintain weapon systems, DOD has moved toward greater use of the private sector to perform maintenance and other logistics support for new weapon systems. Our ongoing work on core logistics capabilities and depot operations indicates that some program managers prefer the original equipment manufacturers to provide long-term logistics and maintenance support for new and modified systems. Among the reasons cited for not considering the military depots is the cost associated with purchasing technical data and providing equipment to establish depot capability. In addition, DOD stated in 2001 that performance based logistics (a form of contractor logistics support) is its "preferred weapon system support strategy." DOD's policy is that performance based logistics arrangements shall make the best use of public and private sector capabilities, and with support provided by the government, the

private sector, or a combination of both. Nearly all of the performance based logistics arrangements we reviewed recently were implemented directly with private sector contractors, although some of the contractors subcontracted with government depots to provide support either for economic reasons or to help the government meet requirements for having a core logistics capability.

Question. If so, are we in danger of not having sufficient in-house technical expertise?

Answer. There is a possibility that the depots could lack sufficient in-house technical expertise in the future if core capabilities for new systems are not established at the depots. Our ongoing work on core logistics capability and depot operations raises concerns about the ability of the depots to maintain core capability in the future. Depot planners are concerned about the type and amount of workload that will replace their existing workload if GWOT-related and legacy system workloads decrease. Moreover, with the shift toward greater use of contractors to provide logistics support for new systems, depot planners are concerned that their permanent workforce may not be equipped with the necessary technical expertise to support core maintenance for new weapon systems. The depots have developed recruitment and training programs to attract and retain skilled workers, and they believe sufficient numbers of skilled workers are currently available. However, uncertainties about the type and amount of future workload hinder their ability to plan for future workforce requirements.

[CLERK'S NOTE.—End of questions submitted by Mr. Murtha.]

THURSDAY, FEBRUARY 12, 2009.

ARMY CONTRACTING

WITNESS

LIEUTENANT GENERAL N. ROSS THOMPSON, III, PRINCIPAL MILITARY DEPUTY TO THE ASSISTANT SECRETARY OF THE ARMY FOR ACQUISITION, LOGISTICS AND TECHNOLOGY AND DIRECTOR, ACQUISITION CAREER MANAGEMENT

INTRODUCTION

Mr. MORAN. Good morning to everyone.

This morning, the Committee will hold a hearing on the Army's contracting services, often referred to as outsourcing. More specifically, our private-sector contractors support government functions and the policies and procedures to ensure appropriate oversight.

We will also talk about the DOD acquisition workforce and about acquisition management and oversight of contracts.

We are very pleased to welcome Lieutenant General Ross Thompson, the Military Deputy to the Acting Assistant Secretary of the Army for Acquisition, Logistics and Technology. General Thompson is co-Chair of the task force to address the Army's structural weaknesses and shortcomings in contracting, of which there are many. He also shaped improvements to expeditionary contracting activities.

We are very pleased that you are with us this morning, General.

America has relied on contractors for national security support and materiel since the founding of the Republic, but that reliance has never been more pervasive than it is today. The Army now spends twice as much on contract services than on the pay of American military and civilian personnel combined.

For decades, it has been the policy to contract for all functions and activities that are not inherently governmental. But now it is impossible to define what that phrase "inherently governmental" means.

Further, after careful examination of some service contracts, the Army discovered that it had contracted out some of what we would consider—and most rational people would—inherently governmental functions, with contractors evaluating other contractors, building budget justifications and the like. The Army is now bringing those jobs back in house.

This Committee has oversight of DOD funding, and under Chairman Murtha's direction we focused considerable attention on contracted services over the past 2 years. The Army spends a lot of money on contracted services, and today we will hear more about how the contracts are made, how requirements are determined about the contracting workforce and how oversight is accomplished.

General Thompson, thank you for the time and attention that you have given to this problem and thank you for being here to discuss this very important issue.

We welcome Vice Chairman Dicks, Mr. Frelinghuysen, Ms. Granger and Ms. Kilpatrick to the hearing; and we are going to hear now from the ranking member, Bill Young.

We appreciate your presence and leadership. Mr. Young, if you would proceed.

REMARKS OF MR. YOUNG

Mr. YOUNG. Mr. Chairman, thank you very much. I just want to add my welcome to General Thompson, representing the Army in this great, real challenge. We have had an opportunity to visit and talk, and I feel very confident with him in charge of this particular responsibility. So, General, thank you for being here today. Welcome to the members of your team who are here.

Mr. Chairman, I just want to make a personal note that sitting in back with the team is one of my constituents and a former member of my staff like maybe 15, 18 years ago, Ky Dughi, whose mother still lives in my district. And, Ky, she keeps telling me to come home more often to see her.

General, welcome.

Mr. MORAN. Let that be on the record.

General Thompson, you may proceed with your summarized statement; and your entire statement will be placed in the record.

SUMMARY STATEMENT OF GENERAL THOMPSON

General THOMPSON. Thank you for inviting me here today, Chairman Moran and Congressman Young and distinguished members of the subcommittee. I really do thank you for the opportunity to update you on the Army's progress, and I do mean progress, in enabling the contracting mission to be agile, expeditionary and responsive to our warfighters, while ensuring proper stewardship of taxpayer dollars.

I have a written statement that I will respectfully request be made part of the record of today's hearing.

Mr. Chairman, as you know, the Secretary of the Army created a special commission on contracting, led by Dr. Jacques Gansler and a number of distinguished members, to look at the long-term strategic view of the Army's acquisition and contracting mission in support of expeditionary operations. The Army Contracting Task Force, which you alluded to, I co-chaired with Kathryn Condon, who is the Executive Deputy at the Army Materiel Command; and we looked at current contracting operations and took immediate action steps where they were necessary.

When our work was complete, we handed this off and created a Army Contracting Campaign Plan Task Force. It was led by my Assistant Military Deputy, Major General George Harris, who I work with on a daily basis. We continued the review of the Commission's recommendations and the other contracting recommendations that came from audits and other sources to determine the requirements and resources necessary to address the systemic issues. The mandate of both these task forces has been met, and their workload is

being transferred to the enduring organizations in the Army that are responsible for the long-term contracting success, and we think our progress has been steady and significant.

In all of our work, we were guided by Dr. Gansler's Commission's overarching recommendation, which was to implement the Commission's recommendations rapidly and then measure success. Because if you don't measure success, you don't know if you are going to get there.

The Commission outlined four supporting recommendations for our success, and they included 40 actions to correct discrepancies identified. Twenty-two of those were Army specific actions; and the remaining 18 are within the purview of the Office of the Secretary of Defense or are legislative actions being addressed jointly among the services, with OSD in the lead.

We have completed actions on 21 of the 22 specific recommendations that came out of the Gansler report. The remaining one, to increase the contracting workforce by 400 military and 1,000 civilians, is going to require more time to ensure we have both the quality and the quantity necessary to properly execute the contracting mission.

The initial recommendation from the Gansler Commission was the 400 military and the 1,000 civilian. Our actual numbers that we are pursuing in growing the contracting workforce are 446 military and 1,191 civilians. I will talk more about that later depending on the question.

Mr. MORAN. Are those on board?

General THOMPSON. No, sir, they are not. They are planned in our structure. We are starting to grow those military and civilian members this year. As I indicated yesterday when we talked, it is going to be a multiple-year process; and I can talk about the specific numbers. But about a third of those numbers is the planned growth in each of the next 3 years.

Mr. MORAN. But they are fully budgeted for. They are included within the personnel ceiling?

General THOMPSON. Yes, sir, they are included both in the military personnel accounts and they have been budgeted for in our budget. And even though we may adjust the budget here, as we resubmit it in the current schedule of April, they won't fall out of that budget, I assure you.

We also want to thank the Congress for the five additional general officer billets designated for acquisition. As of September, 2008, even in advance of the authorization from the Congress, we selected an additional general officer, a newly promoted Brigadier General, as commander of our recently established expeditionary contract command; and we will select more acquisition general officers this year. That board has already met, and the results are being reviewed appropriately in the Defense Department, and those results will be announced here over the next couple of months.

We have already established a two-star U.S. Army contracting command as part of the Army Materiel Command and a one-star-level mission and installation contracting command, which does all of the contracting primarily for our bases. These two billets are presently being filled by experienced members—and I emphasize

that—experienced members of the Senior Executive Service; and it is our plan over time to replace those two individuals with a properly qualified and skilled general officer once those selections are done.

Let me also mention here that Brigadier General Bill Phillips, who is really one of our best acquisition officers with an extensive, extensive background in contracting, just took command in the last couple of weeks of the Joint Contracting Command in Iraq and Afghanistan. He is an excellent choice to lead this Command. His in-depth contracting experience and expertise will be instrumental in continuing our efforts to improve Army contracting, and under his leadership the Army intends to improve the management of large dollar contracts in theater through reach-back to the Army Sustainment Command in Rock Island, Illinois. This reach-back methodology was largely successful in some of the issues that we had a year and a half ago in Kuwait, and we want to expand on that success by doing it for more of the large dollar contracts in Iraq and Afghanistan.

As we have testified before, Mr. Chairman, the Army acquisition workforce declined significantly in the last decade, while the workload and the dollars associated with that workload have increased significantly. To further improve contracting, the Army is now participating in a defense acquisition workforce 60-day joint assessment team to assess and make recommendations regarding the component workforce mix, the total force mix and future funding levels. I think personally we are well ahead of that, so our participation is going to just reinforce the path that we are already on.

A brief topic of interest to this committee and the U.S. Army is insourcing. Insourcing implements congressional direction to give special consideration to Federal Government employee performance of contracted functions based on the review and inventory process required by Congress for identifying inherently governmental functions, those closely associated with inherently governmental functions, and unauthorized personnel services.

We have a comprehensive approach to comply with the congressional direction. Insourcing is not simply a contracting matter. It also involves civilian manpower authorizations, our hiring processes and our budgets.

We have found that a practical insourcing schedule must be established in order to ensure continuity of service. This schedule may be affected by the timing of base realignment and closure moves, the effect of headquarters head counts or ceiling limits, and the ability and capacity of our civilian infrastructure to hire people.

Most importantly, successful insourcing requires strategic planning that looks at activities or functioning holistically for the total work force, looking at the workforce balance between military, Department of Army civilians and contractors within the framework of a manpower requirements determination process. Simplistically, what is the work that needs to get done and what is the proper mix of the workforce in order to get it done?

It also requires a contractor inventory and a process for reviewing the contracted activities in that inventory. And, again, we are well on the way; and I can talk more about that subject to your questions. This was recently directed by the Congress in the fiscal

year 2008 National Defense Authorization Act, but we started to put our arms around the contractor inventory back in 2005. So we have got a very comprehensive database, we know what that contractor inventory is, and we are starting to make decisions around what is the proper mix of the contractors in the workforce.

I have submitted for the record a detailed written statement which describes how we are changing our culture in this vital area specifically to ensure prompt compliance with both the congressional intent and the Federal acquisition regulation. To date, the Army is planning to in-source nearly 1,400 positions, of which 1,127 are programmed in fiscal year 2009 to 2011.

In light of the congressional interest, Dr. John Anderson, who is sitting behind me, who is our expert in this area from the Office of Manpower and Reserve Affairs, is leading our efforts and has accompanied me today and is available to provide additional details should you desire.

The other individual I would like to introduce behind me is Mr. Ed Harrington, who is now the Deputy Assistant Secretary of the Army for Procurement. This gets to one of my larger issues on the acquisition workforce about having the right people.

Mr. Harrington left the Army as General Harrington in 2003 as Commander of the Defense Contract Management Agency. He has a long history in the Federal Government and is really an expert in the contracting area, and we convinced Mr. Harrington to come back to work for us starting in December. We are delighted to have him back on our team. I think he is delighted to be with us to date.

But it is just an indication of hiring the right people in order to help us get through these very challenging areas that are of interest to the committee.

I am honored to be here today, and I will forthrightly—and I mean that—answer your questions that fall into my area of responsibility.

This concludes my opening remarks, Mr. Chairman; and I look forward to your questions.

[The statement of General Thompson follows:]

RECORD VERSION

STATEMENT BY

LIEUTENANT GENERAL N. ROSS THOMPSON, III
PRINCIPAL MILITARY DEPUTY TO THE ASSISTANT SECRETARY OF THE ARMY
FOR ACQUISITION, LOGISTICS AND TECHNOLOGY AND
DIRECTOR, ACQUISITION CAREER MANAGEMENT

BEFORE THE

SUBCOMMITTEE ON DEFENSE
COMMITTEE ON APPROPRIATIONS
UNITED STATES HOUSE OF REPRESENTATIVES

ARMY CONTRACTING

FEBRUARY 12, 2009

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Introduction

Chairman Murtha, Congressman Young, and distinguished members of the Appropriations Committee: Thank you for this opportunity to update you on the U.S. Army's progress and completed actions to enable our contracting mission to be agile, expeditionary, and responsive to our warfighters, while ensuring proper fiscal stewardship of taxpayer dollars. I am pleased to report to you that our progress has been steady and significant.

Our actions are based on the recommendations contained in the report, *Urgent Reform Required: Army Expeditionary Contracting* dated October 31, 2007, by Dr. Jacques Gansler and Members of the Commission on Army Acquisition and Program Management in Expeditionary Operations. We are guided by the report's overarching recommendation – *implement the Commission's recommendations rapidly and measure success* – and four supporting recommendations for the success of future expeditionary operations:

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

(2) Restructure organization and restore responsibility to facilitate contracting and contract management;

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

(4) Obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations.

In addition to the work of the Commission and its long-term, strategic view, the Army Contracting Task Force (ACTF) which I co-chaired with Ms. Kathryn A. Condon, Executive Deputy to the Commanding General at the U.S. Army Materiel Command (AMC), reviewed current contracting operations and initiated immediate actions needed to reduce the Army's risk of fraudulent activity in Southwest Asia. The ACTF completed its work in January 2008, and to ensure that the ACTF's momentum was carried forward, then Acting Under Secretary of the Army Nelson M. Ford established the Army Contracting Campaign Plan Task Force (ACCP-TF).

The ACCP-TF began work in February 2008, headed by Major General George R. Harris, my Assistant Military Deputy, to review the Commission recommendations and other contracting recommendations to determine the requirements and resources needed to address them. Shortly thereafter, in March 2008, the Army established the U.S. Army Contracting Command with a mission to continually improve contracting, acquisition, and program management in expeditionary operations. This organization is part of the AMC, but is closely aligned for policy and oversight with the Office of the Assistant Secretary of the Army for Acquisition, Logistics and Technology (OASA(ALT)). Finally, to broaden the scope of our efforts, the ACCP-TF developed the Army Contracting Campaign Plan to ensure an institutional approach to identifying and implementing systemic and long-lasting improvements, along with the successful alignment of contracting with doctrine, organization, training, materiel, leader development, personnel, and facilities. These improvements are designed to ensure

successful contracting and procurement operations from requirements development through source selection, award, delivery/acceptance, payment, and contract closeout – allowing us to support our Soldiers and provide best value to our Nation's taxpayers.

The Gansler Commission's four supporting recommendations listed above included 40 actions to correct the discrepancies identified – 22 of these are Army-specific while the remaining 18 are within the purview of the Office of the Secretary of Defense (OSD), or are legislative actions being addressed jointly among the Services with OSD as the lead agent.

The Army has completed 21 of the 22 Army-specific recommendations. The remaining one – to increase the contracting workforce by 400 military and 1,000 civilians – requires significant time to hire and train new personnel, but is being worked. Our plan for FY09 is to increase our military contracting workforce by 131 members and our civilian workforce by 347 members. The increase in workforce size will be deliberate over the next three years to ensure we have both the quality and quantity necessary to execute the contracting mission.

U.S. Army Actions

In support of the **first recommendation – "increase the stature, quantity, and career development of military and civilian contracting personnel, particularly for expeditionary operations,"** – the Army has expanded its expeditionary contracting structure to include planning cells within our Contracting Support Brigades to coordinate contract requirements with operational commanders. There is also educational and leadership focus for Army commanders, staff, and other non-contracting professionals

to value the role of the Contracting Officer's Representative (COR) because it is the COR's responsibility to ensure that the government is getting what it is paying for with appropriate oversight.

Section 503(a) of the National Defense Authorization Act (NDAA) for Fiscal Year 2009 (FY09) authorized five additional General Officer billets in the Active Component designated for acquisition. As of September 2008, the Army selected one additional acquisition General Officer (GO) and will select more this year until the five billets are filled. The GO selected is a newly promoted Brigadier General who is the Commander of the recently established Expeditionary Contracting Command. The Army had already established the two-star U.S. Army Contracting Command as part of AMC and the one-star Mission & Installation Contracting Command – which are two billets presently filled by experienced members of the Senior Executive Service. The two remaining billets are the Military Deputy for Contracting in the U.S. Army Corps of Engineers (USACE) and an acquisition (contracting) GO in OASA(ALT).

The Commission recommended increasing the number of military (by 400) and civilian (by 1,000) personnel in the Army contracting workforce, which is roughly a 25 percent increase. The Army has been working to ensure contracting or contracting-related needs are identified and codified through the Army's concept plan process, which serves to document organizational force structure. In July, August, and November 2008, the Army Vice Chief of Staff approved 11 concept plans that identified requirements for 446 military personnel and 1,191 civilian personnel, which represents an increase of 237 personnel beyond the Commission's recommendations. In addition

to the concept plans, a Force Design Update has been tentatively approved to increase the Contracting Support Brigades and subordinate battalions and teams with 295 military personnel (of the 446 mentioned above) in FY09-13.

In other actions, the Army is establishing an earlier accession point for military contracting officers and noncommissioned officers to enable them to begin their acquisition careers two to three years earlier, providing for increased availability of Army contracting personnel and more time to develop and apply their expertise. The Army is developing a comprehensive strategy to systematically integrate the collection, analysis, and dissemination of observations and insights about expeditionary contracting into its lessons learned processes. This will enable us to capture lessons learned from three different perspectives: the requiring activity, the contracting officer, and the contractor. The intent is to analyze the information to determine gaps or changes needed in our doctrine, organization, training, materiel, leader development, personnel, and facilities assessments. In addition, we have issued career guidance to restrict military contracting professionals from serving in theater until they have a minimum of one year of contracting experience. Finally, the Department received legislative authority for several incentives to foster civilian participation in future expeditionary operations in the FY09 NDAA, and we thank the Congress for this action.

The Army is implementing Section 852 of the FY08 NDAA which directed establishment of the DoD Acquisition Workforce Development Fund and mandates the military departments and DoD agencies make quarterly monetary transfers to this fund to enable the Department to retain, hire, and train the requisite acquisition workforce. The Army is evaluating and prioritizing its resource requirements in this area and

working to identify and rectify deficiencies in the Acquisition, Logistics and Technology community at large. The Section 852 authority will also enable corrective action measures identified by the Commission. Additional efforts are underway to provide Army contracting professionals with opportunities to attend training programs that address the commercial business environment and advanced issues in source selection. Furthermore, the Army is working closely with the Defense Acquisition University to increase the number of contracting training courses for certification that will be delivered starting in FY09 and to review and update training plans.

With the support of the Expedited Delegated Hiring Authority (DHA) provided by Congress, the Army will fully embrace the use of this practice to acquire the right personnel at the journeyman and authorized senior levels, which are the only levels currently authorized. We also anticipate further delegation of this authority to allow us to hire entry-level personnel as contracting interns. It is clear that Section 852 has enabled the start of many key initiatives for our workforce to allow the hiring, necessary training, and incentivization of key contracting personnel with relocation, retention, and recruitment bonuses.

Stakeholders in the acquisition process agree that decisive action must be taken to further develop and rebuild the acquisition workforce to improve both capacity and capability. This, for the Army, directly impacts our contracting workforce first and foremost, along with other functional career fields. Shaping the right size and mix of the workforce is challenging. To help us, the Army is participating in a Defense Acquisition

Workforce 60-day Joint Assessment Team (JAT) which includes a senior-level steering group and a working-level group. The JAT will assess and make recommendations regarding component workforce size, total force mix, and future funding levels.

In support of **recommendation two – "restructure organization and restore responsibility to facilitate contracting and contract management,"** – the Army responded quickly to restructure its contracting organizations by moving the Army Contracting Agency under AMC, while also establishing the U.S. Army Contracting Command. The Army Contracting Agency has since been retitled as the Mission and Installation Contracting Command. This restructuring places approximately 70 percent of the Army's contracting resources under AMC.

As mentioned previously, last September a newly promoted Brigadier General assumed command of the Expeditionary Contracting Command. The Army had already established a two-star position at the Army Contracting Command as part of AMC and a one-star Mission & Installation Contracting Commander. It is also important to note that the Army has recently hired an SES as the Deputy Assistant Secretary for Procurement who has extensive procurement background, including previous service as the Army's Director for Contracting and as Director of the Defense Contract Management Agency.

After a review of contracts awarded in Kuwait, Iraq, and Afghanistan revealed a significant backlog of contracts completed in theater that require closing, we queried the Army-wide database of awarded contracts. In doing so, we found that more than 500,000 contracts may be complete, but have not been officially closed-out in the

contract management system. We are taking immediate steps to obtain greater fidelity on this figure, explore the root causes, and develop a comprehensive plan to clear the backlog of contracts requiring close-out.

The Army is supporting **recommendation three – "provide training and tools for overall contracting activities in expeditionary operations,"** and addressing it in two broad areas: first, train as we fight; and second, develop and field contract tools needed for expeditionary forces. In the first area, we are adapting our training exercises to stress rapid acquisition, logistics, and contracting in expeditionary operations and including contracting operations and planning requirements in all military exercises. Sixteen different officer and non-commissioned officer professional military education courses have been added or modified to include information on Operational Contract Support. To improve knowledge gaps in training venues, the U.S. Army Training and Doctrine Command has developed a concept plan to add acquisition personnel to their Combat Training Centers. This new, collective training capability is designed to stimulate commanders and their staffs to solve expeditionary tactical problems, apply emerging doctrine to these tactical situations, and to promote a better appreciation of the challenge of integrating contractor support into military operations.

Second, to develop and field needed contract tools, the Army worked with OSD and other Services on the publication of a pocket-sized, Joint Contingency Contracting handbook to equip contingency contracting officers with the necessary tools for joint service operations. The handbook is currently being incorporated into new training material for the expeditionary/contingency contracting force structure. The Army is currently working to field the Virtual Contracting Enterprise (VCE) and other Information

Technology tools to aid Army commanders and staff in contract operations. The VCE will provide a repository of sample statements of work, independent government cost estimates, acquisition plans, and other relevant documentation to facilitate requirements development and to accelerate decision-making and contract award. Furthermore, the U.S. Army Acquisition Support Center is sponsoring a scenario-based contracting laboratory for both the officer and noncommissioned officer training course to develop an understanding of the current contracting tools used by the Army. This course is in addition to the current Basic Acquisition and Intermediate Contracting courses offered through the Army Logistics Management College at its Huntsville, Alabama campus.

The Joint Contracting Command – Iraq/Afghanistan recently established policy requiring all contracts over $25,000 in Iraq to be paid electronically to minimize cash operations and introduce supporting electronic commerce solutions that maximize effective financial and contract management operations and reduce the potential for fraud. In the long-term, the Army will evaluate training and tool alternatives and implement a federated approach to business systems development to determine requirements and solutions for integrated contract and financial management capabilities to support garrison and deployed operations.

In support of **recommendation four – "obtain legislative, regulatory, and policy assistance to enable contracting effectiveness in expeditionary operations,"** – OSD, with Army assistance, is leading the effort. Several aspects of this recommendation have been addressed earlier in this statement and include the increase of five general officers in acquisition and overall increases in the contracting workforce.

The Army works closely with OSD to analyze the Gansler Commission's recommendations for potential legislative changes. We are also working with various agencies to address specific issues within the recommendations such as incentivizing contracting personnel in expeditionary operations. Our focus in working with OSD and these other agencies is to determine if changes are required to current legislation or if new legislation must be implemented in order to accomplish the Commission's recommendations.

In-Sourcing

Let me briefly address a topic of interest to this Committee and the U.S. Army – in-sourcing. In-sourcing implements Congressional direction to give "special consideration" to Federal government employee performance of contracted functions based on the reviews and contractor inventory process required by Congress for identifying inherently governmental functions, those closely associated with inherently governmental functions, and unauthorized personal services. The Army is using a comprehensive approach to comply with Congressional direction to give special consideration to civilian performance of contracted services. In-sourcing cannot be effectively implemented within a single stovepipe. It is not simply a contracting matter but also involves the civilian manpower authorization, hiring process, and budget. It requires identifying funding sources to hire civilians, along with the use of over-hires until an authorization is documented.

We find that a practical in-sourcing schedule must be established in order to assure continuity of service. This schedule may be affected by the timing of Base Realignment and Closure moves, the effect of Headquarters headcount limits, and the ability and capacity of our civilian infrastructure to hire. Most importantly, successful in-sourcing requires strategic planning that looks at activities or functions holistically for the total workforce – military, civilian, and contractor – within the framework of manpower requirements determination. It requires a contractor inventory and a process for reviewing the contracted activities in that inventory, as recently directed by Congress in the FY08 NDAA, and then projecting those contract requirements in our manning documents.

It also requires culture change. For example, the Army has devised a checklist approach along with General Officer/Senior Executive Service certification and approval to ensure that each requirement is analyzed before a contract is initiated or renewed. This checklist approach ensures that the statutory in-sourcing requirements and the long-standing Federal Acquisition Regulation definitions are applied in order to ensure proper sourcing. We have eliminated illegal contracts for inherently governmental functions and unauthorized personal services contracts using this process. We believe this deliberative approach is preferable to arbitrary in-sourcing targets. We also believe that improving the enforcement of long-standing, existing definitions of inherently governmental and authorized and unauthorized personal services is preferable to changing the definitions currently in place. To date, the Army is planning to in-source at least 1,383 positions, of which 1,127 are programmed from FY09-11. Most of these functions are inherently governmental, closely associated with inherently governmental

and/or involve unauthorized personal services. They include Garrison activities at Fort Greeley, Alaska, logistics support of aviation systems, security guards, program managers, project managers, plans officers, intelligence analysts, operations research analysts, foreign affairs officers, readiness and exercise officers, and Congressional affairs functions.

Conclusion

As stewards of the taxpayers' dollars, the Army is doing a better job of managing and documenting contractor performance. With service and construction contracts, whether in Iraq, Afghanistan, the United States, or elsewhere in the world, representing an ever-increasing percentage of our overall contract dollars, greater emphasis is rightfully being placed on their management and oversight. This includes documenting the contractor's performance in accordance with policy.

The Army has carefully and comprehensively analyzed all of the Gansler Commission recommendations. We realize that complete implementation will be accomplished over a period of years due to the Program Objective Memorandum and budgetary cycles, human resources workload, and the institutional capacity to accommodate the requisite training and development of the newly hired personnel. The mandate of the Army Contracting Campaign Plan Task Force has been met; their mission is complete and their workload transferred to the enduring organizations responsible for sustaining long-term Army contracting success.

Expeditionary military operations in Iraq and Afghanistan have placed extraordinary demands on the contracting system and our contracting support personnel. The vast majority of our military and civilian contracting personnel perform well in tough, austere conditions. Their customers are the warfighters – the men and women who depend on them to do their jobs. In the end, the success of our warfighters is linked directly to the success of the contracting workforce. We are working hard to ensure that policies and procedures are in place for all joint, expeditionary contracting operations in Iraq, Afghanistan, and Kuwait or anywhere else we deploy.

I look forward to your questions and thank you for the opportunity to address the Members of this Committee.

CONTRACT PERSONNEL

Mr. MORAN. Thank you, General Thompson.

As difficult an issue as this is to deal with, we know that you are not the problem, that you are part of the solution. I would like to figure out how you got a guy like Harrington back, because that is part of our problem. We get these experienced people and they leave and we desperately need to bring them back into the government, but a private contractor is willing to pay him three times as much without harassment from the Congress. So it is difficult to get them back. So if you have any ideas on how that can be done, we need to know. I don't know how you get the incentives to bring the people of that caliber back into the government.

General THOMPSON. It is a good recruiting pitch, I think.

Mr. MORAN. I suspect there has to be some substantive incentives there, too. Whatever they are, I am glad you used them.

We are here because contracted services has gone up by 183 percent in the last 8 years, while salaries for military personnel have grown 5 percent. So we feel there is something wrong. We want balance. We are not trying to eliminate contract services, but it is out of balance now. I would like to hear your views about that and what you are beginning to think might be the proper balance.

One of the indications of the imbalance is what Chairman Murtha continually references, the fact it appears we have more contract personnel in Iraq than we do Federal employees, whether it be military or civilian. I will never forget being on one of those Congressional Delegations (CODELs) waiting in a line that there were four or five of us, and we were doing what we were told, we were waiting in line to get into the Green Zone. By the time we got up to the end of the line, it didn't take long because many people deferred to us, but I had been looking over to our left and there was a group of people that just walked right through, just waved and in they went.

So I asked the military police (MP), we don't mind waiting in line, but what is with all of those folks who just walk in? Who are they? This MP says they are from Halliburton. He said "They run the place." This was the Green Zone, and somehow I thought the U.S. military ran the place. So that is the imbalance that has struck us.

Lord knows when we did the surge how many of those surge personnel were actually contractors.

REDEPLOYMENT OF CONTRACT PERSONNEL

And that brings up another related issue that I think the Committee would be interested in hearing. As we redeploy troops out of Iraq, how are you going to redeploy those contract personnel, who are at least as many? Are you going to do it proportionally or whatever? That might be of interest to the subcommittee.

If you might respond to some of those general questions, then we are going to hear from the members of the panel and their questions.

General THOMPSON. Well, let me answer the second one first on the rebalancing as we reduce the force presence in Iraq. I have seen and been briefed on the comprehensive plans as we bring

down the military structure that also appropriately brings down the contract support structure that is in Iraq. That is one of the things that is General Phillips', who just went over there, prime responsibilities is to appropriately bring that down.

So I don't know what the exact numbers will be, but they will be proportional. So we should have fewer troops and a smaller presence with the forward-operating bases. You will need fewer support contractors to be able to support the troops that are out there doing the mission.

The way I would look at this, Congressman, if you go back strategically, there was a conscious decision at the end of the Cold War to reduce the size of the military, the military force structure. When we reduced the size of the military, it was to keep as many of the warfighters in the force and look at the reliance on some of the support functions that we had military members performing such as cooks and truck drivers and supply personnel.

In the Army, I know when we reduced from 780,000 in the active component and a proportionate reduction in the reserve components, we kept as much of the war fighting structure as we could; and we eliminated not all but some of the structure that was doing the support mission, with the thought that, if we needed it, we could contract for it if necessary. And I think that is what happened strategically from 2001 until today. When we needed the base support structure and contracted support primarily, we ended up contracting for it.

Is it too much? I don't know. I think it is a balance. There is a defined amount of work that needs to get done in order to support the troops. Some of it we do ourselves with the military and the Department of Army civilians, but we have elected to contract for it with a large proportion of it over the last 6 years.

Mr. MORAN. Thank you, General Thompson.

Again, we understand you are not the problem and didn't make those decisions in terms of the proper balance of contract versus in-house military personnel, but at this point let me turn to ranking member and former chairman, Chairman Young.

DOD CONTRACT MANAGEMENT

Mr. YOUNG. Mr. Chairman, thank you very much.

General, for a number of years, the Armed Services Committee and especially its Chairman made the case that he referred to them as shoppers. I am sure you know what I am talking about. He was determined to reduce the number of people in the contracting business at the Pentagon. Obviously, that was not the decision on the part of the Congress, at least not in a major way. But, today, apparently we have turned and gone a different direction.

For example, GAO identified DOD contract management as a high-risk area. Most recently, a senior DOD acquisition official stated that the Department must increase the size and capability of its civilian acquisitions workforce dramatically. What does that mean, "dramatically"? Does that mean an additional 100 or 1,000 or 10,000? What does that mean? This was GAO's recommendation, so what do you think it means?

General THOMPSON. Sir, what I think it means are the numbers that I articulated in my oral statement at the beginning and in the

written statement. For us, we have gone through our very deliberative process, and it is the 400-some military and the nearly 1,200 civilians in the contracting workforce, and we think that will get us to where we need to be properly in balance with the right number of people doing this critically important mission.

I do think the pendulum swung too far the other way. There was a conscious decision to reduce the size of the acquisition workforce, because we had statute at the time. We complied with that statute, but we swung the pendulum too far, and we need to swing it back in the other direction to an appropriate level.

I don't want one more person on my staff in any of my organizations than I need to get the job down done. But, right now, with the amount of contracted services we have and with the complexity of a lot of the contract instruments, you need to have a larger workforce. And you need to value that workforce. You can't label them in a pejorative way. Because if you do that, you won't get good people that want to do that mission and function. You have got to value that contracting workforce, make them feel like every day that they are a valuable part of the team. Because they are. They are at the forefront of guarding the taxpayer dollars and making sure we get an appropriate service or product for those taxpayer dollars.

So our numbers are there, very well thought out. We will adjust those as we need to over time here. But, right now, I am in a major recruiting effort, using some of the authorities that have been given to us by Congress that we have now implemented in policy in order to recruit the right people, like Mr. Harrington, to come to work for the Army or the Department of Defense in this critically important area.

ARMY CONTRACTING COMMAND

Mr. YOUNG. General, the Committee understands you are talking about raising the Army Contracting Command to 5,800 civilians and military personnel. Is that the right number?

General THOMPSON. That is about right.

Mr. YOUNG. Where are you today?

General THOMPSON. We are a little over 5,000. We are about 800 short.

Mr. YOUNG. Will that 800 be civilian or military or a combination?

General THOMPSON. Primarily civilian, in the Army's acquisition workforce as we define it. And it is not just contracting. There are 12 different skill sets. Program management, engineering, cost estimating are another couple of examples as well as information technology. There are about 40,000 members roughly in the Army's acquisition workforce. We are at about 1,500 military members today, and we will grow that to around 2,000 over the next couple of years. The rest of that 40,000 are all Department of the Army civilians.

WARRANT OFFICER CONTRACTING BRANCH

Mr. YOUNG. Sir, where are you on the creation of the warrant officer contracting branch?

General THOMPSON. Sir, that was a proposal to create a career field in contracting for warrant officers. This is one of the things that had just gotten started when Ms. Condon and I led the early task force in 2007. We have noncommissioned officers—NCOs—now that we are starting to recruit, and we now have about 240 noncommissioned officers that have got operational experience and other specialties that are now in the contracting career field. We are looking through our deliberate process. We call it a forced design process. Should we have warrant officers involved in that mix between NCOs, officers and warrant officers, which are a skill set? We haven't come to a conclusion yet that we think warrant officers are the right fit. They may be. But we are in the process of evaluating that right now.

We do need the number of people, whether they are civilians or NCOs, to do the mission; and we are evaluating whether warrant officers would be more appropriately suited to do a particular portion of the contraction mission, which is a broad mission.

Mr. YOUNG. Have you planned safeguards to make sure that we just don't create a bloated bureaucracy that might not do any better than what is being done today?

General THOMPSON. Yes, sir. And those safeguards are good metrics and good performance plans for organizations and individual performance plans for every individual in the organization.

I will give you one metric that we use with the Program Executive Officers who are direct reports to me, and there are 12 of them. We look at their overhead. So we evaluate the percent of the dollars that they have responsibility for and how much of that is in overhead; and we hold them to less than 5 percent, which is the high side, and in most cases it is far less than that. So we do evaluate that very significantly in the acquisition business. That is a key metric for me.

Mr. YOUNG. Well, I wish you a lot of success, because this is a real challenge, and it is a problem that is becoming more and more obvious to the Congress and I think the general public.

General, thanks for being here today. I appreciate your testimony.

Mr. Chairman, thank you.

Mr. MORAN. Thank you, Mr. Young.

Vice Chairman Dicks.

NUMBER OF CONTRACTORS

Mr. DICKS. Thank you, Mr. Chairman.

General Thompson, we are glad to have you here today.

In October of 2008, Nelson Ford, the Under Secretary of the Army, stated, "We really don't know the number of contractors that we have, and we really haven't thought about the appropriate role of contractors on the battlefield. We still don't understand that."

This is October of 2008. Where is all this action that was outlined in your statement, General?

I was over in Iraq. I am sorry that Congresswoman Kaptur is not here; she has been very interested in this. We have asked witness after witness after witness how many contractors do we have, and we never got an answer until we had to take out some money and

say you are not going to get your money until you answer these questions forthrightly.

I think in my mind this was a deliberate attempt to keep the information from Congress so that Congress wouldn't realize the number of people that we have over there.

Now, as I understand it, when you look at the whole picture in CENTCOM, we have currently 216,000 military personnel versus 267,000 contractors. The Under Secretary of the Army doesn't have any idea about this? What is going on? Why was this information withheld from the Congress? Were you ordered or did somebody tell you not to present us the information when we asked for it year after year after year?

We went over there to Iraq, and I met with the officials there in Iraq, and I asked them these questions. They said, we don't know. That was the official answer from the military until this hearing today. Why didn't we know?

General THOMPSON. Sir, I don't know why that information wasn't presented to you, but that information is available. I remember Congresswoman Kaptur asking me those questions last year, and I answered the questions very closely to what the numbers actually were, and then we followed up on that in response to the Committee. And I have got those numbers.

Mr. DICKS. Why does the Under Secretary still think we don't know anything about this?

General THOMPSON. Sir, I don't know. Mr. Ford is no longer the Under Secretary. I have a great deal of respect for Mr. Ford.

Mr. DICKS. Is this one of the reasons?

General THOMPSON. For Mr. Ford? No, sir. I think it was just the appropriate time because of the change of the administrations.

Mr. DICKS. For a long time there was a difficulty within the administration to come up with any numbers.

General THOMPSON. And we have those numbers today. I will ask one of the guys here in the back to pull out the sheet, and I will give you the latest numbers.

The Office of the Secretary of Defense now has a Senior Executive Service member, Mr. Gary Motsek, who has put his arms around this issue. We have monthly reports. I get a report every day that accounts for the contractor workforce in the theater. It comes on my BlackBerry every morning at 6 o'clock, and we gather up those numbers on a monthly basis and report them. I can give you the January figures in just a minute here.

SURGE IN CONTRACTOR EMPLOYEES

Mr. DICKS. Was the surge really the surge in contractor employees, or was it these additional five brigades? What are these 267,000 people doing besides supporting the troops? Is that basically what it is all about?

General THOMPSON. Well, it is supporting the troops. I will give you the exact numbers in a minute here. But a lot of the individuals that are over there are local nationals.

So here are the numbers as of the middle of January.

In the CENTCOM area of responsibility—that is Iraq, Afghanistan, Kuwait, Qatar, that whole area—there are 266,678 contractors; 41,000 of those are U.S. citizens, 100,640 are third-country

nationals, and 125,000 are local and host-country nationals. A lot of the local and host-country nationals are being hired in order to create jobs, in order to rebuild their own infrastructure in Iraq.

Those numbers are available. There is no reason why they can't be shared with the Members of Congress.

Mr. DICKS. That is good. That was not part of your testimony, I don't believe, was it?

General THOMPSON. It was not in the prepared statement that I made.

Mr. DICKS. Are there any other reports like this that you would like to present us? We would like to have that for the record.

General THOMPSON. We can add that for the record. There is no information here that should not be part of the public record.

[The information follows:]

CONTRACTOR SUPPORT OF U.S. OPERATIONS IN USCENTCOM AOR, IRAQ, AND AFGHANISTAN

BACKGROUND: This update reports DoD contractor personnel numbers in theater and outlines DoD efforts to improve management of contractors accompanying U.S. forces. It covers DoD contractor personnel deployed in Iraq, Afghanistan, and the U.S. Central Command (USCENTCOM) area of responsibility (AOR) as of December 31, 2008.

KEY POINTS:

- Ending 1st quarter FY 2009, USCENTCOM reported approximately 259,400 contractor personnel working for the DoD in the USCENTCOM AOR. A breakdown of those personnel is provided below:

DoD Contractor Personnel in the USCENTCOM AOR

	Total Contractors	U.S. Citizens	Third Country Nationals	Local/Host Country Nationals
Iraq Only	148,050	39,262	70,875	37,913
Afghanistan Only	71,755	5,960	5,232	60,563
Other USCENTCOM Locations	39,616	7,749	26,989	4,878
USCENTCOM AOR	259,421	52,971	103,096	103,354

Data does not include other U.S. Government Agencies/Departments

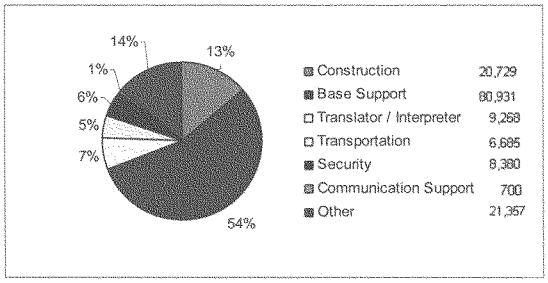
- These numbers reflect a 10% decrease (from 163K to 148K) in contractors in Iraq compared to the 4th quarter 2008 census. The decrease can be attributed to revised reporting procedures. The data system previously used in census collection was found to have been duplicating reported numbers on task order contracts.

- There was a 5% increase (from 68K to 71.7K) in contractor personnel in Afghanistan compared to the 4th quarter FY 2008 census due to an increase in total number of contracts, primarily from the USACE Afghanistan Engineering District.

- There was an AOR-wide decrease of approximately 3% this quarter (from 266.6K to 259.4K) due to the revised reporting procedures for contract employees in Iraq. JCC I/A now uses contracting officer representatives to report data, rather than relying on data from the Joint Contingency Contracting System (JCCS).

- Contractors accompanying the force provide a broad range of capabilities. The main categories of contracts in Iraq and the percentages of contractors working on them are displayed below:

Iraq DoD Contractor Personnel Breakdown by Type of Service Provided (as of 31 Dec 08)



General Data on the Number of Private Security Contractor Personnel in Iraq and Afghanistan

- Private security contractors perform personal security, convoy security, and static security missions. Not all private security contractor personnel are armed.

- USCENTCOM reports, as of its 1st Quarter 2009 census, the following distribution of private security contractors in Iraq and Afghanistan:

	Total	US/Coalition	Third Country National	Local/Host Country National
Total DoD PSCs in Iraq	9,218	782	7,226	1,210
Armed DoD PSCs in Iraq	8,701	727	6,909	1,065
Total DoD PSCs in Afghanistan	3689	15	23	3,651
Armed DoD PSCs in Afghanistan	3,184	12	18	3,154

We believe these numbers include most subcontractors and service contractors hired by prime contractors under DoD contracts.

- There was a 12% decrease (from 9,863 to 8,701) of armed DoD PSCs in Iraq compared to the 4th quarter FY 2008 census.

- There was a minimal 1% increase (from 3,144 to 3,184) of armed DoD PSCs in Afghanistan compared to the 4th quarter FY 2008 census.

General Conditions Regarding Contracts and Contractor Personnel

- The Combatant Commander has provided specific guidance on arming contractor personnel and private security contractors in the USCENTCOM AOR through a series of Fragmentary Orders (FRAGOs) and other authoritative guidance, including the following:

  - Private security contractor personnel are not authorized to participate in offensive operations and must comply with specific USCENTCOM Rules for the Use of Force (RUF). Under these RUF, private security contractor personnel are authorized to use deadly force only when necessary in: self-defense, defense of facilities / persons as specified in their contract; prevention of life-threatening acts directed against civilians; or defense of Coalition-approved property specified within their contract. The Multi-National Force - Iraq (MNF-I) issues to approved private security contractor personnel a weapons card authorizing them to carry a weapon. This weapons card also contains the guidance for the RUF and the contractor personnel's signature acknowledging the difference between the RUF and the Rules of Engagement.

  - Private security contractor personnel in Iraq must be properly licensed to carry arms in accordance with host nation law and must receive USCENTCOM / Coalition Forces' approval of their operations. Coalition Provisional Authority Order 17 (CPA 17), *Status of the Coalition, Foreign Liaison Missions, Their Personnel and Contractors* (June 23, 2003), is still in effect. It addresses Private Security Contractors operating in Iraq and requires the contractor's understanding of and compliance with all applicable:

    - U.S., host nation, and third country national laws;
    - Treaties and international agreements;
    - U.S. regulations, directives, instructions, policies; and
    - Orders, Standing Operating Procedures, and policies issued by the Combatant and / or Operational Commanders.

  - MNF-I forces are authorized to stop, search, seize weapons, and detain civilians armed under MNF –I Fragmentary Order, 07-428 (Armed Contractors / DoD Civilians and PSCs), if MNF-I forces observe a RUF violation, exhibitions of criminal behavior, or conduct that threatens security.

  - DoD contractor personnel armed by DoD authority must report any use of force, including the firing of a weapon. This requirement and the required information to be submitted are identified within the terms of the contract and MNF–I

FRAGO, 07-428. MNF-I forces must report any use of force by a civilian armed under the requirements of this FRAGO to their chain of command.

Improvements to Management and Oversight of DoD Contractors

- **Joint Operational Contract Support Planners (JOCSP).** Fourteen (14) JOCSPs are allocated among the COCOMs. Planners assist the CCDR in identifying gaps where contractor support capability may be required. They will then help to integrate required contractor support into plans and synchronize requirements with subordinate commands, the Military Departments, Defense Agencies, other U.S. Government (USG) Agencies, and coalition partners.

- **Joint Contingency Acquisition Support Office.** The ADUSD (Program Support) is institutionalizing the establishment of the current Joint Contracting Command structure for future contingencies. This organization, called the JCASO, will have the capability to perform program management and operational synchronization of all theater related contracting support efforts. ADUSD (Program Support) conducted a pilot implementation of the concept during EUCOM exercise Austere Challenge in April 2008. On October 20, 2008, ADUSD (Program Support) fielded the provisional JCASO organization, thus meeting its end of FY 2008 target goal ahead of schedule. Full Operational Capability (FOC) is scheduled at the end of the 1st quarter FY 2010.

- **Synchronized Predeployment and Operational Tracker (SPOT).** We continue to transition from manual accounting of contractor personnel to a web-based, database tool, called SPOT, to track contractor personnel and contractor capability in theater. A SPOT-generated Letter of Authorization is now required for contractors receiving government furnished support in the CENTCOM AOR. This requirement has led to a substantial increase in registered contractors; there are now 152,000 active records of contractors in SPOT. Initial deployment of Joint Asset Management and Movement System (JAMMS) scanners to Kuwait, Iraq, and Afghanistan is complete. This scanning equipment captures movements of contractor personnel through key life support and movement nodes using their identification cards.

- **Authority of the Joint Contracting Command for Iraq and Afghanistan (JCC-I/A) to pre-clear all contracts and task orders to be implemented in Iraq and Afghanistan.** The USCENTCOM established a Joint Contracting Command, reporting to MNF-I to provide centralized management and responsive operational contracting support to ongoing operations in Iraq and Afghanistan. The JCC-I/A commander has the authority to approve statements of work and terms and conditions that relate to the delivery of supplies and services in or to Iraq or Afghanistan. This requirement will ensure contracts contain the appropriate terms and conditions for work to be accomplished in Iraq and Afghanistan and will ensure the planned work is in consonance with in-country commanders' plans.

- **Memorandum of Agreement (MOA) between the Department of Defense and the Department of State (DoS) on USG Private Security Contractors (PSCs).** On December 5, 2007, the DoD and the DoS signed an MOA defining a framework for improving accountability and strengthening operations of USG PSCs in Iraq. This MOA covers a broad range of management policies and procedures to achieve more effective management coordination of PSC operations in Iraq. MNF-I FRAGO 07-428 was published on 15 December 2007 implementing the MOA. We are working to develop a corresponding MOA and comprehensive FRAGO in Afghanistan.

- **Increase in Defense Contract Management Agency (DCMA) staffing to strengthen pre- and post-award contract oversight.** DCMA agreed to expand its presence in theater and take responsibility for the administration of the more complex contracts that require specialized and critical oversight functions.

- **Implementation of Uniform Code of Military Justice (UCMJ) authority over DoD contractors.** Secretary of Defense memorandum, "UCMJ Jurisdiction Over DoD Civilian Employees, DoD Contractor Personnel, and Other Persons Serving With or Accompanying the Armed Forces Overseas During Declared War and in Contingency Operations," was signed March 10, 2008. This memo addresses concurrent authority and defines the authorities and policies for the implementation of UCMJ authority to DoD civilians and DoD contractor personnel.

- **Defense Federal Acquisition Regulation Supplement (DFARS) and Federal Acquisition Regulation (FAR) changes.** On March 31, 2008 DoD adopted an interim rule amending the DFARS to implement DoD policy regarding contractor personnel authorized to accompany U.S. Armed Forces deployed outside the United States. On February 28, 2008 changes to the FAR were finalized addressing the issues of contractor personnel that are providing support to the U.S. Government outside the United States but are not covered by the DFARS rule.

- **Final 854 Report submitted.** This report, required by section 854 of the FY 2007 NDAA, was submitted on April 17, 2008. The report outlined a strategic policy framework for program management of DoD contractors and contractor personnel and updated status on the initiatives related to contract management and oversight. A General Officer Steering Committee (GOSC) has been established to manage implementation.

- **DoD documents being published, updated, and integrated.**

    - ***Rewrite of DoD Instruction (DoDI) 3020.41.*** A revised version of DoD 3020.41, "Integrating Operational Contract Support into Contingency Operations," formerly entitled "Contractor Personnel Authorized to Accompany the U.S. Armed Forces," is in final coordination. This version contains significant changes to the existing instruction including: (1) incorporation of lessons learned from current operations; (2) requirements for the development of contractor oversight plans; (3) requirements for

adequate military personnel necessary to execute contract oversight; and, (4) standards of medical care for deployed contractors.

- ***Draft DoDI on U.S. Government Private Security Contractors Operating in a Designated Area of Combat Operations.*** This draft DoDI prescribes the selection, accountability, training, equipping, and conduct of personnel performing private security functions under a covered contract in a designated area of combat operations. It also prescribes incident reporting, use of and accountability for equipment, rules for the use of force, and a process for the discipline or removal, as appropriate, of U.S. Government Private Security Contractor (USG PSC) personnel. The DoDI responds to requirements of section 862 of the FY 2008 NDAA. It has been forwarded for publication in the Federal Register for a period of public comment.

- ***Draft DoD Directive (DoDD) on Orchestrating, Synchronizing, and Integrating Program Management of Contingency Acquisition Planning and its Operational Execution.*** This new Directive establishes policy and assigns responsibilities for program management for the preparation and execution of acquisitions for contingency operations, and for the accountability, integration and management of all contractors supporting the DoD and all USG PSCs operating in an area of contingency operations. It is being prepared for signature.

- **Memorandum of Understanding between DoS, DoD and USAID Relating to Contracting in Iraq and Afghanistan.** Section 861 of the NDAA for FY 2008 requires the identification of common databases among the DoD, DoS, and USAID to serve as repositories of information on contracts and contractor personnel in Iraq and Afghanistan. The Memorandum of Understanding (MOU) was signed on July 8, 2008. In it, the Agencies agreed that SPOT will serve as the interagency database for information on contractor personnel.

- **Establishment of a "911" Response Capability.** A DepSecDef memorandum providing guidance on the responsibility to respond to reports that these contractor and civilian employees have allegedly committed crimes or who are reported to be the victims of crimes was issued September 10, 2008.

- **Continued development of an Operational Contract Support Concept of Operations (CONOPS).** The CONOPs will outline how the operational and acquisition communities plan and execute OCS during complex operations involving support, not just to the joint force, but to our multinational, other government agency and interagency partners as well.

- **Programs of Instruction for the non-acquisition workforce.** Contingency Contracting is taught by the Defense Acquisition University (DAU) as a special subject for key acquisition personnel. We are developing Programs of Instruction (POI) on contingency acquisition for our non acquisition workforce to be taught at military staff

and senior staff colleges. This training will focus all leaders on determining requirements, translating those requirements into SOWs, and then overseeing work.

Mr. MORAN. If the gentleman will yield, this is the number of deployed contractors, but we also wanted to know how many contractors are working for the defense establishment. Do we have that number? Can we even guess at what it might be?

General THOMPSON. I can tell you that number for the Army. I don't know the number off the top of my head for the entire Department of Defense. If you just give me one second, Congressman.

Dr. Anderson, who as I said earlier is our expert in this area.

Mr. DICKS. Do you want him to come up to testify?

General THOMPSON. I don't think it is necessary unless I don't get this right. John will keep me straight.

But in the deployed infrastructure, which is not what is overseas, the number is about 125,000 for the Army right now. We started in 2005, before I had the job that I am in now, when our former Secretary asked us to get our arms around this issue because he wanted to understand the total workforce mix. So we have gone out and gathered that information on how many contractors we have working for us.

Mr. DICKS. 125,000 separate contractors.

General THOMPSON. Separate than the number I just gave you.

Mr. DICKS. This isn't people. This is contractors. He is telling me you are wrong now.

General THOMPSON. Yes, full-time equivalent employees.

Mr. DICKS. Okay, but not 125,000 contractors who would have 500,000 employees.

General THOMPSON. It is 125,000 people that are part of the multiple contracts we have got. I don't know what that number is, but 125,000 full-time equivalents people.

Mr. MORAN. So the answer to Vice Chairman Dicks' question is there are about 400,000 contracted people working for the Army alone in addition to the normal military and civilian hired personnel?

General THOMPSON. If I can make a clarification, the 266,000 number in the CENTCOM area of responsibility are all DOD, are all contractors, not just Army. The 125,000 number that Dr. Anderson just gave us are the ones that work for the Army here in the continental United States.

ACQUISITION

Mr. DICKS. The other point I would like to make, I think we have to make a distinction—correct me if I am wrong—but this contracting that is going on and sending those people over there instead of government workers or whatever, there is a whole separate thing here which is acquisition, right? The acquisition thing is the Army's ability to go out and buy equipment, which has not been one of your strong suits over the years, just thinking of the six or seven billion dollars that we lost on the Comanche helicopter. Acquisition hasn't been one of the—since the '80s, when we did the tank, the Bradley and the Infantry Fighting Vehicle and the helicopter. So we are trying to get the acquisition thing straightened out.

I go back to what Mr. Young said. The former chairman of the Armed Services Committee kept demeaning these acquisition people as "shoppers". This is the people that go out and get the weap-

ons system, buying the equipment, doing this stuff. We cut way back on the number of people we had there, unfortunately.

Can you tell us just quickly what are we trying to do to improve Army acquisition, to try to get beyond the period of time when we have been not very successful in bringing in new equipment?

General THOMPSON. The strategic thing, Congressman Dicks, is the people and having the right number of people and having the people with the right skill set. We have an excellent acquisition workforce today. They have certification levels that they have to achieve. They have required training.

Mr. DICKS. Are any of those people contractors?

General THOMPSON. The acquisition workforce that I referred to, the 40,000 earlier, are all government.

Mr. DICKS. This is inherently government.

General THOMPSON. This is inherently government. They do the inherently governmental things. They write and approve contracts, they build budgets, they approve payments, they do the final checks on everything that is required in the Federal Acquisition Regulation and the Defense and the Army supplements that go with that.

There are contractors that work in support of the acquisition process, for example, in engineering. When we don't have the engineer with the right skill set because of a particular technical area, we will go out and hire that engineer to work for us, and then they have the appropriate checks on what they can and cannot do because they are a contractor.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. MORAN. Well, thank you, Mr. Dicks.

The problem we are having up here is that for these contracted services that you said are 125,000 working for the Pentagon, basically——

Mr. DICKS. No, this is for the Army.

Mr. MORAN. The Army.

Mr. DICKS. Not for the whole military.

Mr. MORAN. That is right. We understand that. Just for the Army. The number in the budget is $35 billion for contracted services. It averages out to, what, 20 or 30 million per person. So we are wondering if it isn't much larger than 125,000. That is something the staff is working on now, but you may want to respond to that. Because the figure we have for contracted services for the Army for 2007, that is the time period that you gave us those numbers, is $35 billion. It was an increase of $23 billion over 2000.

Mr. DICKS. Mr. Chairman, is that just for personnel, or is that buying stuff as well?

Mr. MORAN. Well, it says contracted services. So it is just contracted services, which is not products, it is not equipment, it is not weapons. Maybe your people there, Mr. Anderson, might give some thought to that, and you can respond to us in a few moments.

Let's hear from Mr. Frelinghuysen for the time being.

Mr. YOUNG. Mr. Chairman, will you yield for a moment before we leave this subject?

QUALIFICATIONS FOR CONTRACTING OFFICIAL

General, what qualifications do you require when you hire someone as a contracting official? We are talking about large numbers of people, adding large numbers of people. What kind of experience do you expect, do you demand or do you get?

General THOMPSON. The minimum qualification is 24 college credits in a business or a management or an economic area for contracting, and then there are the certification levels as they work through, they have a number of courses they have to go to and a number of individual self-development things they have to do. To be certified at level 1, it is 2 years of experience on the job. To be certified at level 2, it is an additional 2 years of experience at an appropriate job. And level 3 just adds on top of that.

So, depending on the discipline, for engineering, you would expect us to hire people with an engineering degree; and we do. For cost estimating, somebody that has got an economics degree or accounting degree. Those are the kind of people that we hire for the different acquisition career fields.

Mr. YOUNG. Do you hire them with personal interviews, or do you just use this computer system that seems to be engulfing the government where a person applies on line and they get a response yes, no or maybe on-line, never having talked to or had contact with a human being?

General THOMPSON. Well, I can't say categorically that it is 100 percent done with interviews, but it is pretty close to 100 percent. My stump speech to people is the most important thing you do is to hire the right people to work for you. And if you can do that with a computer resume, more power to you. I don't see how you do that. So the ones that I am involved in the selection process with and all of the people that I interact with at a more senior level typically go through an interview process.

They will get, as an example, 10 resumes for a particular job application. I forget the exact number for Mr. Harrington, but it was over 20 people applied for his position. We evaluated those, we picked what we thought were the top 7 or 8, and I personally interviewed every one of those individuals, in some cases more than once, in order to make sure we got the right person for the job.

That is the typical way it is done. It is time-consuming, yes, but it is also a critically important thing to do.

Mr. YOUNG. Mr. Frelinghuysen, thank you very much for yielding to me.

ACQUISITION WORKFORCE

Mr. FRELINGHUYSEN. Thank you, Mr. Young.

The Committee has focused on the issue of contractors in Iraq and Afghanistan, and I assume we have quite a few contractors in Kuwait, where we have a rather large footprint, and much has been made of the fact that we have so many contractors. But the figures you have given us here about foreign nationals—and what was the other category?

General THOMPSON. Third country nationals.

Mr. FRELINGHUYSEN. Third country nationals. That puts the picture in far greater focus.

In Vietnam, we had similar foreign national support. We had large companies with a variety of different initials which ran military bases large and small. So there is contracting, and there is contracting.

I would like to just know sort of what you are doing in terms of ratcheting up the acquisition workforce. It is a little indefinite as to where you stand relative to your hiring goals. But how are those goals impeded by issues of retirements/loss of institutional memory and what are you doing to sort of retain people, taking a look at a variety of different incentives? Much has been made of the whole issue of competition for people with core competency. Can you sort of briefly touch on those issues dealing with issues of retirement and retention?

General THOMPSON. Yes, sir. There has been lots of studies done, Congressman Frelinghuysen, on the percent of the government workforce—we are talking civilians primarily now—who are retirement eligible or will be early retirement eligible in the next 5 years; and those numbers are at the 50 to 60 percent level, typically, depending on the study that is done. So when we take into account our necessary strategic hiring plan, we take into account those retirement numbers.

We typically don't see nearly the number of people retire in a year that could retire in a year. People typically stick around longer than they could in order to draw retirement benefits, which is a good thing for us because you do want to keep that experience and skill set.

So when we look at the strategic hiring, how many we are going to hire in 2009 and 2010 and out, we take into account those numbers. We predict how many we need in order to keep the numbers up against the authorization documents that are out there. So in the acquisition workforce, again, if I can go back to the 40,000, to try to stay at least at that steady state for 40,000, and as we grow by a couple of thousand over the next few years how do we make sure that we don't fall further behind.

The one thing that we have gotten from the Congress in the 2008 authorizations are the Section 852 permissions which were designed to give us the right statute and mechanism to recruit, retain, and train the acquisition workforce; and we are doing that. We are using those tools starting in 2008. We got started late in the year, but we are going to spend in the DOD nearly $900 million out to 2013 in order to take care of the government acquisition workforce.

As I mentioned yesterday to several of you, the mechanism to do that is to tax the contracted services dollars. So to meet the intent of Congress is to tax the dollars that we are spending on contracted services and spend less there and to take that nearly $900 million and apply it for the right incentives for the government acquisition workforce. I am not the best business person in the world, but that is a pretty good way, I think, of meeting the intent of Congress and accomplishing a number of objectives.

REACH-BACK TECHNIQUE

Mr. FRELINGHUYSEN. Lastly, I think you somewhere made a good choice with General Phillips being responsible for contracting in

Iraq and Afghanistan. Could you comment on the whole issue, what you call the reach-back? Is this the issue that was identified in the Gansler report of the Pentagon actually talking to the commanders in the field as to what the hell is going on and getting their take on things, rather than on some other, shall we say, more traditional model?

General THOMPSON. Yes, sir.

When I use the term reach-back, the contracting process is a broad process that starts with identifying what do you want to do, what is the requirement. That process, the requirements definition has got to be done with what the commander needs, whether it is base support services or transportation services or pick something that is a requirement. That part has got to be done with the requiring activity of the commander in the field.

But a lot of the contracting process, the detailed source selection, the pricing, things like that, doesn't have to be done in theater, and I would argue strategically, don't do forward what you can do back here. With the tools that we have got available today, if I can do the source selection process, the evaluation, the pricing, the negotiation with the contractors, if I can do all that at Rock Island, Illinois, which we have done very successfully with the contracts we had in Kuwait.

Mr. FRELINGHUYSEN. So you have problem-solving teams back here.

General THOMPSON. Back here. And what we did in Kuwait, when Ms. Condon and I got that started, is we put the people at Rock Island, Illinois, who were in support of the contracting office in Kuwait, we put them on the same work schedule. So they would start work at 7 o'clock Kuwait time, which was 3 or 4 o'clock in the afternoon here. They would run the same work schedule. So they were in direct support. That has proved to be very, very successful.

I can give you an example on one contract that we negotiated because of the right expertise back at Rock Island where we had an $18 million savings from what we would have already spent, and a lot of other examples that way. General Phillips is well aware of that. He is over there to do his command mission for the joint contracting, but one of his specific strategic objectives is to appropriately expand the use of that reach-back technique for what we are doing in Iraq and Afghanistan.

Mr. FRELINGHUYSEN. And that is into Afghanistan as we move a greater obligation there, expand that?

General THOMPSON. Yes, sir.

Mr. FRELINGHUYSEN. Thank you.

General THOMPSON. Bill Phillips has got responsibility, Congressman, for both the contracting in Iraq and in Afghanistan.

Mr. MORAN. Mr. Visclosky.

Mr. VISCLOSKY. I will defer.

Mr. MORAN. Ms. Kaptur.

COST OF CONTRACTORS

Ms. KAPTUR. Thank you, Mr. Chairman.

Welcome, General. I am sorry I wasn't here a little bit earlier. I had two other briefings and meetings I had to attend.

I am very interested in the subject of contracting, and you have a very difficult job.

I wanted to ask you for the record, do you have the most recent numbers of the number of contractors employed in Iraq versus—hired by our military—versus the number of individuals who are, as you have, dedicated their lives to the military in the regular force? Could you provide those numbers for the record? And could you tell me off the top of your head are those numbers of contractors increasing or decreasing at this point as a percent of total budget?

General THOMPSON. We talked about those numbers before you had the opportunity to join us, because that question came up already. I can restate that, but I plan on leaving those numbers behind with the latest DOD report.

Ms. KAPTUR. All right. Are those numbers increasing?

General THOMPSON. I don't know. I will check before we leave here and somebody go back and look at the notes. I don't know what the trend has been in the last year, for example. I want to give you the most relevant information.

My recollection is that they have been fairly steady for the last couple of years, not increasing dramatically but fairly steady over the last couple of years.

Ms. KAPTUR. According to the numbers I have, from the period of 2000 to 2007, the Army's spending on contracted services grew by 183 percent in constant dollars while spending on military and civilian personnel salaries grew by 5 percent. The personnel salaries of the Army's budget were 31 percent, had fallen to 15 percent of the total, and contracted services from the year 2000 to date rose from 15 percent to now 20 percent of the total. And in October of 2008, Nelson Ford, then Under Secretary of the Army, made this statement—I don't know if others have put this in.

Mr. MORAN. We have discussed it.

Ms. KAPTUR. Okay. So my question is, what steps is the Army taking to understand its reliance on contractors?

General THOMPSON. To the specific numbers, ma'am, having a little bit of an operations research background, I always ask what was the source of the information. And I think we probably need to get with that and reconcile that with the committee staffers to make sure of the numbers. But not arguing about the percentages. I can say, no matter what database they came from, that the spending on contracted services has grown faster than the percent that we have spent on military pay.

As I indicated earlier, we started in 2005 to get our arms around the number of contractors, full-time equivalents, that work for the Army. Dr. Anderson, who I introduced earlier, has built that database over time.

Our process right now is, as we look at our authorization documents for the organizations in the Army, we don't just look at how many military are there or Department of the Army civilians. We also look at how many contract employees they have and should they be contract employees.

Ms. KAPTUR. Do you look at salary levels and compensation?

General THOMPSON. Yes, ma'am.

Ms. KAPTUR. That will be in this document or material given to the committee?

General THOMPSON. It can be. We can come back to your staffers or the professional staffers on the committee with Dr. Anderson and show you our process to evaluate that.

But it is what is the work to be done, simplistically. What is the right mix, military, government or civilian, to do that? A lot of that is driven by the dollars available. So if I got somebody that is picking up trash on an installation, we will pay them an appropriate salary to pick up the trash that goes through a justification process to make sure that is a fair salary to pay, a fair contracted price to pay. All that is done in conjunction with the proper auditors and the Defense Contract Management Agency.

Ms. KAPTUR. Well, I don't want to repeat what others may have said earlier, but I am very, very interested in the costs to the taxpayers of the United States of increasing reliance on contractors, and I am very interested in contracted work force. I have asked for that information in the past. I am still interested in that. And I am interested in compensation levels.

So I would be very interested in the meals. I am interested in the whole deal. But I am particularly interested in the contracted forces and what has happened since the year of 2000 to date, and I am interested in those compensation and benefit levels.

Thank you, Mr. Chairman.

Mr. MORAN. Thank you, Ms. Kaptur.

The $35 billion, which represents the 183 percent increase in contract personnel, is comprised of almost 400,000 people. But if that includes all the foreign nationals who are paid virtually nothing in terms of U.S. dollars, $10,000, $15,000, $20,000 at the most, which of course has much more purchasing power in their country of origin, but it is an average figure of $100,000 that probably masks some great disparities in terms of compensation levels. So I think what Ms. Kaptur and the Committee would like is to break some of those numbers down.

For example, what do the average American contract service person get per person compensation? What does the foreign national get? And maybe break them down by security or professional category so that we can get our hands around this to see what is a typical kind of compensation for these personnel. Because just to say 400,000 and 35 billion, doesn't really give us much insight into whether it is appropriate or not.

General THOMPSON. I think that is definitely a fair question. That is analysis we can do.

Again, it comes back to what is the source of the information, and you've got to come to agreement on where the data came from and how we pulled it. Otherwise, we could be talking past one another.

But, back to the point, roughly half of the contractors in theater are the local and host country nationals who do make a salary at the lower end of the wage scale. And it is done not just because we need the work done, but it is also done so that they have jobs and they don't become insurgents themselves and they begin to rebuild their own economy as well.

Mr. MORAN. We are not arguing about that policy. I don't think that is at issue.

Did you want to continue to pass, Mr. Visclosky?

Mr. VISCLOSKY. I will keep passing.

Mr. MORAN. Mr. Bishop.

INSOURCING/OUTSOURCING

Mr. BISHOP. Thank you very much.

Let me also extend my welcome to you, General Thompson.

I want to talk about, at least inquire about, outsourcing, about insourcing and also about some contingency contract problems. The 2008 Defense Authorization Bill required that the services take an inventory of the contracts; and, of course, the Army did that and was fairly aggressive I think with some push from our subcommittee; and I think you had some initial findings.

As I understand it, you reviewed your contractor positions; and you discovered there were a number of inherently governmental functions that were in fact performed by contractors. I want to ask you what do you as a military person identify as the dangers of relying on contractors for inherently governmental functions, and in your review were you able to convert some of those positions thus far from contract positions to government positions? And what are the financial implications that you have been able to determine were the result of either utilizing the contractors for governmental functions or switching back and if that was a cost saving. And what are the factors that you are using to determine what the mission needs are with regard to governmental functions or for contractors or government personnel?

General THOMPSON. Let me start, Congressman, and I think I will get answers to all of those questions, and if I don't, just remind me, and I will come back to it.

We have a very deliberate process, and I gave some of the committee staffers the checklist ahead of time. This is a checklist that we go through that has to be signed by a senior official for service contract approvals. It starts with the statute and works its way down; it is a yes/no checklist.

I will just give you an example looking at the checklist for inherently governmental.

Here is an example: Does the function involve contractors providing legal advice and interpretations of regulations and statutes? Does the contract involve the direct conduct of criminal investigations? Does it involve the conduct of foreign relations? Determination of Federal program priorities for budget requests.

Those are just examples of a very comprehensive checklist. You must answer no to all of those, or you cannot contract it out, because by the definition we determine that to be inherently governmental.

That process is in place.

Mr. BISHOP. How is that monitored? Is that left to the discretion of the local commander? Who decides whether that yes or no answer is sufficient or is accurate?

General THOMPSON. It is the appropriate level of approval authority depending on the contract value, in most cases. For example, I, for the Acting Assistant Secretary of the Army for Acquisi-

tion who I work for, have the approval authority for services contracts over a certain dollar threshold.

Mr. BISHOP. What is that dollar threshold?

General THOMPSON. That dollar threshold is $250 million. That is not just one year. That is multiple years in some cases. So any request for a services contract that exceeds that threshold has to come to me, and with that packet comes this checklist.

Mr. BISHOP. Okay. So if they do it incrementally and it does not exceed that amount, it means who under you without having to get your approval has the discretion to make that decision, if they decide to do it, say, in $500,000 increments or $250,000 increments or $1 million increments or $10 million increments? What kind of checks and balances do we have there so we know they are not done incrementally to get around the approval of a sharp eye like yours?

General THOMPSON. It is against our policy to do things incrementally because that is really not meeting the intent. The approval authorities for those service contract thresholds below me are depending on the dollar value.

INCREMENTAL CONTRACTS

Mr. BISHOP. The Gansler commission found that there were a number of incremental contracts, in fact, an excessive number, in Iraq and Afghanistan, and they found that was a problem because it caused unnecessary workload, inefficient operations, and limited the contracting officer's ability to achieve a better bargain. Now, apparently it may have been against your policies to do it but the Gansler commission found that it was very common practice that was being done. Some of them were funded monthly, and some of them even on more shorter intervals than monthly.

General THOMPSON. A couple of points. There is no threshold on the checklist. Every services contract has got to have that checklist gone through, and it is part of the contract file, and so you make it part of the record on who approved that, it could be a $2 contract or a $250 million contract. I don't have any specific examples. If we had specific examples of somebody that was trying to break apart a contract in multiple increments to get underneath the threshold, we would deal with that appropriately. We would deal with that appropriately administratively or legally or criminally if it came to that.

Mr. BISHOP. But the discretion is that the command level, the unit level, brigade level?

General THOMPSON. It is typically at the general officer or the SES equivalent level.

Mr. BISHOP. That doesn't depend on an amount?

General THOMPSON. No, it doesn't. The principal assistants responsible for contracting in the government are the senior procurement officials who have the most expertise in compliance with the Federal Acquisition Regulation and all of the policies that exist.

Mr. BISHOP. But all of that has been thrown out for the most part with Iraq and Afghanistan, particularly at the beginning of the effort with the no-bid, sole-source contracts.

General THOMPSON. Sir, I don't think it has been thrown out, and to make sure we are complying with that, our Army audit

agency is doing an audit on that very issue just to make sure we are in compliance. We have a team that works for Mr. Harrington, a contract operations review team, that goes out and reviews every one of our contracting organizations to make sure that they are in compliance. That is in addition to the Army Audit Agency, the DOD, the Inspector General.

Mr. BISHOP. That is a relatively recent occurrence, though, only after this Committee, through the language that we put in our report, as well as the authorization committee required that you be more accountable for that. You weren't doing it before that, were you?

General THOMPSON. I would say that we have probably paid more attention to it since the interest has been there, but it is not something that we just started recently. It is part of the process. The detailed checklist is relatively new because of the emphasis there, and that has been put in place within in the last year.

Mr. ANDERSON. Since June.

General THOMPSON. Within the last year.

Mr. BISHOP. Since June, did I hear him say?

General THOMPSON. Yes.

Mr. MORAN. That was 7 years on, but thank you very much, Mr. Bishop, for your line of inquiry.

I would wonder, General, if you might pass that checklist around. It appears to be the kind of checklist this Committee was pursuing. And it is strange that it is the only Army that has it, but it is the kind of checklist that we need so as to define what should be inherently governmental work in terms of classification. So if you would just pass that around to the Members and give it to the staff at some point.

Ms. KILPATRICK. Mr. Chairman, could the staff get it and copy it and see that we all get it?

Mr. MORAN. Yes.

General THOMPSON. We did give a copy to Ms. Reese but we will provide additional copies.

[The information follows:]

REQUEST FOR CIVILIAN HIRE OR SERVICES CONTRACT APPROVAL

A	**Name of HQDA Principal, Army Command, Army Service Component Command or Direct Reporting Unit Organization:**
B	**Unit Identification Code (UIC):**
C	**Position Title (if civilian hire) or Project Name for Contract:**
D	**Position Number (if civilian hire) or Contract Number/Task Order/ Delivery Order Number:**
E	**Position Grade (if civilian hire) or Contract Manpower Equivalents and Cost:**
F	**Justification for fill (if civilian hire) or Contract (for contracts attach worksheets A, B, C, and D):**
G	**HQDA Principal, Army Command, Army Service Component Command, or Direct Reporting Unit Decision:** • **Civilian Hiring Decision: _____Approve _____Disapprove** • **Contracting Decision:** **_____ I approve and certify that:** 1) this requirement does not include inherently governmental functions; 2) this requirement does not include unauthorized personal services either in the way the work statement is written or in the way the contract operates; 3) in the case of work closely associated with inherently governmental functions, or non-competitive contracts, special consideration has been given to using federal government employees; and 4) this contract (circle all that apply): a) has been reported in the Contract Manpower Reporting Application (CMRA); b) has not reported in CMRA, an explanation is enclosed; or c) the CMRA reporting requirement has been included in the work statement for this new requirement. **_____ Disapprove** **_____** **Printed Name, Rank, Position and Date** **Signature: _____**
H	**Worksheets Prepared by: _____Date: _____** **Signature: _____**

Worksheet Dated: 03/03/2009
Previous versions are obsolete

Worksheet A (1 of 3) - INHERENTLY GOVERNMENTAL

(This worksheet must be included as part of the Request for Civilian Hire or Services Contract Approval form.)

The following functions constitute inherently governmental functions and may not legally be contracted. (See the FAIR Act (31 United States Code Section 501), the Federal Acquisition Regulation (FAR) Part 7.5), and Department of Defense Instruction (DoDI) 1100.22, Guidance for Determining Workforce Mix.

If the services to be contracted involve **any** of the following, then the function must be performed in-house by federal government employees.

	INHERENTLY GOVERNMENTAL	YES	NO
	Answer "YES" or "NO" to the functions below that apply based on the work statement or the way the contract is performed. Any "YES" response to a function below must be performed in-house and cannot be contracted.		
	Does the function:		
1	Involve contractors providing legal advice and interpretations of regulations and statutes to Government officials?	☐	☐
2	Involve the direct conduct of criminal investigations?	☐	☐
3	Involve the control of prosecutions and performance of adjudicatory functions other than those relating to arbitration or other methods of alternative dispute resolution?	☐	☐
4	Involve the command of military forces, especially the leadership of military personnel who are members of the combat, combat support, or combat service support role?	☐	☐
5	Involve the conduct of foreign relations and the determination of foreign policy?	☐	☐
6	Involve the determination of agency policy, such as determining the content and application of regulations, among other things?	☐	☐
7	Involve the determination of Federal program priorities for budget requests?	☐	☐
8	Involve the direction and control of Federal employees?	☐	☐
9	Involve the direction and control of intelligence and counter-intelligence operations?	☐	☐
10	Involve the selection or non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment?	☐	☐
11	Involve the approval of position descriptions and performance standards for Federal employees?	☐	☐
12	Involve the determination of what Government property is to be disposed of and on what terms (although an agency may give contractors authority to dispose of property at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency)?	☐	☐
13	Involve:		
	i) Determining what supplies or services are to be acquired by the Government (although an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency);	☐	☐

Worksheet A (2 of 3) - INHERENTLY GOVERNMENTAL

(This worksheet must be included as part of the Request for Civilian Hire or Services Contract Approval form.)

	INHERENTLY GOVERNMENTAL	YES	NO
	Answer "YES" or "NO" to the functions below that apply based on the work statement or the way the contract is performed. Any "YES" response to a function below must be performed in-house and cannot be contracted. **Does the function:**		
	ii) Participating as a voting member on any source selection boards;	☐	☐
	iii) Approving any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria;	☐	☐
	iv) Awarding contracts;	☐	☐
	v) Administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services);	☐	☐
	vi) Terminating contracts;	☐	☐
	vii) Determining whether contract costs are reasonable, allocable, and allowable; and	☐	☐
	viii) Participating as a voting member on performance evaluation boards.	☐	☐
14	Involve the approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and the approval of agency response to the administrative appeals of denials of Freedom of Information Act requests?	☐	☐
15	Involve the conduct of administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in Government programs?	☐	☐
16	Involve the approval of Federal licensing actions and inspections?	☐	☐
17	Involve the determination of budget policy, guidance, and strategy?	☐	☐
18	Involve the collection, control, and disbursement of fees, royalties, duties, fines, taxes, and other public funds, unless authorized by statute, such as 31 U.S.C. 952 (relating to private collection contractors) and 31 U.S.C. 3718 (relating to private attorney collection services), but not including-	☐	☐
	(i) Collection of fees, fines, penalties, costs, or other charges from visitors to or patrons of mess halls, post or base exchange concessions, national parks, and similar entities or activities, or from other persons, where the amount to be collected is easily calculated or predetermined and the funds collected can be easily controlled using standard case management techniques; and	☐	☐
	(ii) Routine voucher and invoice examination.	☐	☐
19	Involve the control of the treasury accounts?	☐	☐
20	Involve the administration of public trusts?	☐	☐
21	Involve the drafting of Congressional testimony, responses to Congressional correspondence, or agency responses to audit reports from the Inspector General, the Government Account Office, or other Federal audit entity?	☐	☐

Worksheet A (3 of 3) - INHERENTLY GOVERNMENTAL

(This worksheet must be included as part of the Request for Civilian Hire or Services Contract Approval form.)

	INHERENTLY GOVERNMENTAL	YES	NO
	Answer "YES" or "NO" to the functions below that apply based on the work statement or the way the contract is performed. Any "YES" response to a function below must be performed in-house and cannot be contracted. Does the function:		
22	Require the exercise of discretion in applying Federal Government Authority?	☐	☐
23	Require the making of value judgements in making decisions for the Federal Government?	☐	☐
24	Require making judgements relating to monetary transactions and entitlements?	☐	☐
25	Involve the interpretation and execution of the laws of the United States so as to bind the US to take or not take some action by contract, policy, regulation, authorization, order or otherwise?	☐	☐
26	Involve the interpretation and execution of the laws of the United States to determine, protect and advance the United States economic, political, territorial, property or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management or otherwise?	☐	☐
27	Involve the interpretation and execution of the laws of the United States to significantly effect the life, liberty or property of private persons?	☐	☐
28	Involve the interpretation and execution of the laws of the United States to commission, appoint, direct, or control officers or employees of the United States?	☐	☐
28	Involve the interpretation and execution of the laws of the United States to exert ultimate control over the acquisition, use or disposition of the property, real or personal, tangible or intangible, or the United States, including the collection, control or disbursement of appropriated and other Federal funds?	☐	☐

Worksheet B (1 of 2) - CLOSELY ASSOCIATED WITH INHERENTLY GOVERNMENTAL

(This worksheet must be included as part of the Request for Civilian Hire or Services Contract Approval form.)

The following kinds of services are defined as "closely associated with inherently governmental functions," in 10 U.S.C. 2383(b) (3) and pursuant to 10 U.S.C. 2463, **special consideration** must be given to in-sourcing contracts performing the functions listed below.

If the function is closely associated with an inherently governmental activity, then 1) provide an explanation describing: a) How discretionary authority, decision-making responsibility, or accountability of Government officials using contractor services or work products with respect to this contract/task order/delivery order will be maintained, and b) Why the function cannot be in-sourced at this time; or 2) In-source using the concept plan process.

	CLOSELY ASSOCIATED WITH INHERENTLY GOVERNMENTAL	YES	NO
	Answer "YES" or "NO" to any functions below that apply based on the work statement or the way the contract is performed. (The list below is not comprehensive, as it excludes examples from DoDI 1100.22).		
	Does the performance involve:		
1	Services that involve or relate to budget preparation, including workload modeling, fact finding, efficiency studies, and should-cost analyses, etc.	☐	☐
2	Services that involve or relate to reorganization and planning activities.	☐	☐
3	Services that involve or relate to analyses, feasibility studies, and strategy options to be used by agency personnel in developing policy.	☐	☐
4	Services that involve or relate to the development of regulations.	☐	☐
5	Services that involve or relate to the evaluation of another contractor's performance.	☐	☐
6	Services in support of acquisition planning.	☐	☐
7	Contractors providing assistance in contract management (such as where the contractor might influence official evaluations of other contractors).	☐	☐
8	Contractors providing technical evaluation of contract proposals.	☐	☐
9	Contractors providing assistance in the development of statements of work.	☐	☐
10	Contractors providing support in preparing responses to Freedom of Information Act requests.	☐	☐
11	Contractors working in any situation that permits or might permit them to gain access to confidential business information and/or any other sensitive information (other than situations covered by the National Industrial Security Program described in 4.402 (b))	☐	☐
12	Contractors providing information regarding agency policies or regulations, such as attending conferences on behalf of an agency, conducting community relations campaigns, or conducting agency training courses.	☐	☐
13	Contractors participating in any situation where it might be assumed that they are agency employees or representatives.	☐	☐

Worksheet B (2 of 2) - CLOSELY ASSOCIATED WITH INHERENTLY GOVERNMENTAL

(This worksheet must be included as part of the Request for Civilian Hire or Services Contract Approval form.)

CLOSELY ASSOCIATED W/ INHERENTLY GOVERNMENTAL	YES	NO

Answer "YES" or "NO" to any functions below that apply based on the work statement or the way the contract is performed. (The list below is not comprehensive, as it excludes examples from DoDI 1100.22).

14	Contractors participating as technical advisors to a source selection board or participating as voting or nonvoting members of a source evaluation board.	☐	☐
15	Contractors serving as arbitrators or providing alternative methods of dispute resolution.	☐	☐
16	Contractors constructing buildings or structures intended to be secure from electronic eavsdropping or other penetration by foreign governments.	☐	☐
17	Contractors providing inspection services.	☐	☐
18	Contractors providing special non-law enforcement, security activities that do not directly involve criminal investigations, such as prisoner detention or transport and non-military national security details. However, the direction and control of confinement facilities in areas of operations is inherently governmental.	☐	☐
19	Private security contractor in operational environment	☐	☐
20	Contract interrogators.	☐	☐
21	Contractor provided combat and security training.	☐	☐
22	Contract logistics support required for weapon systems which deploy with operational units.	☐	☐

Worksheet C - PERSONAL SERVICES

(This worksheet must be included as part of the Request for Civilian Hire or Services Contract Approval form.)

Pursuant to FAR Part 37.104, a personal services contract is characterized by "the employer-employee relationship it creates between the Government and the contractor's personnel. The Government is normally required to obtain its employees by direct hire under competitive appointment or other procedures required by the Civil Service laws. Obtaining personal services by contract rather than by direct hire under competitive appointment, circumvents those laws unless Congress has specifically authorized acquisition of those services." **If the services do not meet one of the statutory exceptions listed above, use the following checklist. If the contract, by its written terms or in the way it is actually performed, involves any of the following elements, modify the contract or perform it to avoid creating an employer-employee relationship**: (Adapted from FAR Part 37.104 (d)).

	PERSONAL SERVICES	YES	NO
1	The contractor personnel are subject to relatively continuous supervision and control of a governmental officer.	☐	☐
2	Contractor is performing on a government site.	☐	☐
3	Principal tools and equipment are furnished by the government.	☐	☐
4	Services are applied directly to the integral effort of agencies or an organizational subpart in furtherance of assigned function or mission.	☐	☐
5	The need for the service provided can reasonably be expected to last beyond one year.	☐	☐
6	The inherent nature of the service, or the manner in which it is provided, reasonably require (directly or indirectly), Government direction or supervision of contractor employees in order to:		
	a) Adequately protect the government's interest;	☐	☐
	b) Retain control of the function involved; or	☐	☐
	c) Retain full responsibility for the function supported in a duly authorized Federal officer or employee.	☐	☐

Specific statutory authority for personal services is provided in 10 United States Code §129b for:

- **experts or consultants where the services cannot be adequately provided by the Department**;
  - *In general, the authority to procure personal services for experts and consultants pursuant to 10 United States Code §129b requires the approval of the ASA(ALT) unless the services being acquired are covered by the delegation of authority covered in AFARS Sub Part 5137-104-90-2 (i.e., stenographic reporting, stage, motion picture or television productions or legal services outside the United States). In all cases, additional procedures required by AFARS Part 5137.104-90 must be followed with appropriate approval authority.*
- **direct support of a defense intelligence component or counter-intelligence organization of the Department of Defense outside the United States where the services are urgent or unique and cannot be practically obtained within the Department;**
  - *Pursuant to DFARS SubPart 237.104(b)(iii)(A), the Head of a Contracting Activity must provide written approval.*
- **direct support of mission of special operations command outside the United States** where the services are urgent or unique and cannot be practically obtained within the Department;
  - *Pursuant to DFARS SubPart 237.104(b)(iii)(A), the Head of a Contracting Activity must provide written approval.*
- or 10 United States Code §1091 **for carrying out health care responsibilities in medical treatment facilities of the Department of Defense.**
  - *DODI 6025.5 limits this exception to health care personnel who participate in clinical patient care and does not include personnel whose duties are primarily administrative or clerical, nor personnel who provide maintenance or security services.*

Worksheet D

(This worksheet must be included as part of the Request for Civilian Hire or Services Contract Approval form.)

		YES	NO
1	Has in-sourcing been considered? Special consideration should be given to civilians in the following situations:	☐	☐
	i) The function was performed by Department of Defense civilian employees since January 1998.		
	ii) The function is closely associated with the performance of an inherently governmental function. (See worksheet B.)		
	iii) The function is performed pursuant to a contract awarded on a non-competitive basis.		
	iv) The contracting officer has determined that the contract has been performed poorly because of excessive costs or inferior quality.		
2	Has the contract been accurately reported in the Contractor Manpower Reporting Application (https://cmra.army.mil/) pursuant to SecArmy policy? For new requirements, has the Contractor Manpower Reporting Application (CMRA) Requirement been included in the work statement? CMRA reporting pursuant to SecArmy policy is being used by Department of the Army to comply with most of the reporting required by the National Defense Authorization Act for FY2008, Section 807.	☐	☐

Mr. MORAN. Mr. Young, you had a request you wanted to make at this point.

Mr. YOUNG. Mr. Chairman, what I discussed with you off the record was whether or not it would be any advantage to the Committee or if it would be a task so large that I shouldn't ask for it to have a list of all of the contractors employed by the Department of Defense and how many people they employ and what they do. I just—I am seeing amazing numbers, and I am just thinking of bloated bureaucracies all over the place.

General, if we were to ask you to provide that for the record, would that be an insurmountable assignment?

General THOMPSON. From an Army perspective, again, going back, Congressman, we started to gather that information starting in 2005. So we have got a pretty good handle on that information in the Army. I don't know if the other organizations are as far along.

You have got the Web site?

Mr. ANDERSON. It is on our Web site in a PDF file.

General THOMPSON. That information for the Army is on a Web site that is accessible?

Mr. ANDERSON. Yes, it is an M and RA Web site.

General THOMPSON. M and RA is the Manpower and Reserve Affairs Assistant Secretary of the Army. So we have got that information for the Army, it is not an onerous burden.

But, starting in 2005, I will tell you there was a lot of pushback when Dr. Anderson and I sat with the Secretary of the Army and said, we really need to do this, and he agreed because he knew the importance of it to get our arms around this. But it has been a couple of years of work to get this to where we are right now. So if the committee would ask the Defense Department to do it, I am not sure that other parts of the Defense Department would be happy to have that analysis passed.

Mr. YOUNG. Are you saying this would be available to the Committee online?

Mr. ANDERSON. Yes, sir. We provided it to Congress last fall, and it is also on our Web site so it is available.

Mr. MORAN. You provided to the authorizing or Appropriations Committee?

Mr. ANDERSON. To both. It was in a hard file, and then we had electronic versions. It is a work in progress. We think it is about 70 percent accurate. That is a guess.

Mr. MORAN. Seventy percent accurate?

Mr. ANDERSON. Right. Because we compare it to the your accounting system numbers. We have about 82 billion reported associated with 125,000 and it is important to understand the accounting system counts the total invoice amount of the contract which includes other direct costs. We also have direct labor amount, which is a portion of that.

General THOMPSON. You can't just divide the $82 billion by 125,000 and get a number. That is why it is important, Congressman, to define the analysis task so we don't end up with an average number that over or under represents the point we are trying to make.

Mr. MORAN. The 125,000 you are referring to, if it is not 82 I think——

Ms. KILPATRICK. Mr. Chairman——

Mr. MORAN. I think that would result in 20 million per contract person; so we know that is not accurate.

General THOMPSON. That is right.

Mr. MORAN. The information our staff—she does not recall our being in receipt of that, but if we could get that, I think that would be helpful.

[The information follows:]

The contractors and the number of contracted full-time equivalents providing services to the Army worldwide are listed in the Army FY2007 Report of Contracts for Services, which is available on the Assistant Secretary of the Army for Manpower and Reserve Affairs website at *http://www.asamra.army.mil/ref.htm*. Included in the report is a list of contracted functions with the number of contractor full-time equivalents performing the functions and the total contract costs and direct salary costs of the functions.

SEE ATTACHMENT: FY2007 ARMY INVENTORY OF CONTRACTING CONTRACT SERVICES

Some important caveats are in order: Because total contract cost and direct labor cost are treated as proprietary information when associated with either contract number or contractor name, these costs are not listed with contractors providing services in the inventory. We are still reviewing and validating the Fiscal Year 2008 data.

Ms. Kaptur.

Ms. KAPTUR. Mr. Chairman, I appreciate the gentleman for yielding.

I just wanted to ask in the way that information is organized, if one goes to that, which categories, how is it arranged? Are we going to just look at an accounting list, or are there headings for different functions within that? If I am interested in contracted force, how easy is that to pick out versus garage collection? What are we going to look at when we look at this site?

Ms. KILPATRICK. Excuse me, Mr. Chairman.

Mr. MORAN. Ms. Kilpatrick.

Ms. KILPATRICK. Being the newest member on here and having done some of the research, the Web site is very convoluted. It is not an easy access; it is incomplete. And as he mentioned, they are in the process of getting better in formulating. We have been looking at it, and it is coming, but it is not what you want yet. And as a teacher— it takes a while. So we have begun the process. There are several things you have to compare in chart and form. It is not something you are quite looking for, but it is a start, I think.

Mr. MORAN. We will see if we can't perfect it. But as we understand it, it is only the Army that is even trying to do it.

Mr. Bishop.

Mr. BISHOP. That is the point. What has made it so frustrating for us is, with different accounting methods, with different methods of organizing the data, it has been virtually impossible for us as a Committee and for the auditors as well as the Inspectors General to sort all of this information out and sometimes we wondered if it was intentionally obfuscated so we couldn't track it and of course up until the last couple of years we were not allowed very much oversight, and we just begun our serious oversight 2 years ago, and

I think that somehow we have got to make sure that we compare apples to apples and originals to originals.

Mr. MORAN. It is an appropriate line of questioning. So if you could get it to us in a way we could get our arms around it intellectually to understand what it is we are seeing, it would be very helpful to this Committee.

General THOMPSON. And to all of the members of the Committee, Mr. Chairman, if you would just define for us the questions you think you want answered, we will go out of our way to give you access to all of that information and to make sure we are talking apples to apples, not passed from one to another, because it is not helpful to you or to us if we are throwing out numbers that we don't come from the same frame of reference from the database perspective and accounting, et cetera. We want to get this right because it is our responsibility to get it right, and we owe that to you.

Mr. MORAN. I think the staff may have done that. But the staff will give you a clear list of questions that we would like to have answered.

REMARKS OF MS. KAPTUR

Ms. KAPTUR. Mr. Chairman, I just wanted to place this experience on the record. As someone who tried to understand how our government had contracted with Blackwater security in Iraq, and Mr. Dicks led us on a CODEL. We were in Iraq. We were in Baghdad. And what I found was that the Blackwater contract wasn't under DOD. It was over at the State Department. So even when you produce your data set for us, one of my questions is, who is contracting for force across this government, and can this Committee access that information from other Committees? Because we have people being paid in theater that one would normally think would be under the purview of this Committee, and all of a sudden, you find it is squished over somewhere else inside the Government of the United States, and it was extraordinarily frustrating to try to track contracting when it was in other places in this government. So I don't know how you deal with referral contracts that were over at State, for example, and they were doing more than just guarding embassy personnel. But I wanted to place that experience on the record so we can get at the full extent of contracted force.

Mr. BISHOP. Will the gentlewoman yield on that point?

Mr. MORAN. This is getting a little out of order here, but very quickly go ahead.

Mr. BISHOP. If the gentlewoman will recall, I think it was 2 years ago that she was only able to get any information about that contracting from Vanity Fair Magazine.

Mr. FRELINGHYSEN. So the object here is to substitute our military for whatever these people are doing in terms of protective services? I sort of want to know where we are going here. I am for full disclosure, but with all due respect, when we go over there, would you rather have our soldiers doing that?

Ms. KAPTUR. Yes.

Mr. FRELINGHYSEN. All right, I just sort of wanted to know that so——

Ms. KAPTUR. I want to understand who it is providing force, certainly inside theater, but in any place relating to our Department of Defense, I want to know who they are. And I found with Blackwater, all of a sudden it vaporized, and it was over at the Department of State. At least that is what we were told, and it was very hard to find it inside of DOD and how all of that happened.

Mr. MORAN. The decision as to the allocation of security personnel wasn't made by General Thompson, but what we are trying to get here is a handle on the scope of contracting out, the imbalance, et cetera. And we are really primarily talking about the Army here. So if we could develop kind of a best practices approach to at least providing the Committee with relevant information, I think that would be helpful. And then we can ask other military services to do the same so that we can get our handle—our arms around the scope of this, and that will yield to some policy conclusions. But at this point if we can get information as to at least the Army's contracting, as Mr. Young has suggested, in a way that we can understand, we would very much appreciate that, General.

And at this time, let us turn to Mr. Kingston.

Mr. Kingston.

BECOMING PRIVATE CONTRACTORS

Mr. KINGSTON. Thank you, Mr. Chairman.

General, I just want to say I represent the Third Infantry in Hinesville, Georgia, Savannah, at Fort Stewart. I know a lot of the retired soldiers actually are able to be effective by becoming private contractors, and the ones I know are really great, top notch people. Most of them didn't even want to get out of the Army, but as you know, there is a kind of retirement timeline. So it might be helpful for you for the record to outline the advantages because I know of so many really young people who are now out of the Army but want to stay involved in Iraq, believe in the mission, are dedicated to the mission, doing a great job, working side by side with soldiers right now, and it could be good just for you to outline some of the advantages of using contractors because I don't think we talk about it that much. And there are mistakes that are made by contractors, just as there are by men and women active duty in uniform, but the ones that get the headlines are the mistakes, not the good work. However, I actually wanted—so if you could submit that for the record, that will be very helpful, I think.

General THOMPSON. A point would be that part of our recruiting efforts for the Army are to look at those men and women who have served in uniform that because of retirement eligibility or just for personal reasons decided to not wear the uniform anymore. We have active programs to recruit them if they are good people, most of them are or they wouldn't get through all of the wickets, to continue to work for us. I do that personally. I have a lot of senior officers, for example, in the acquisition workforce that, when they do decide it is time to retire, I try to encourage them to look for the federal civilian opportunities to continue to work for us because it takes 20, 25 years to develop that kind of a skill set, and you don't want to let that skill set go. So that is part of the routine for us, not just in the acquisition workforce.

Mr. KINGSTON. And also when they return to service wearing a contractor's hat, so to speak, they actually have some flexibility which they did not have when they were in the Army. And it also gives you flexibility that, if you don't need them, you don't hire them. But there are a lot of people who actually don't make colonel or general, and they are forced to retire, and yet they have lots to offer, lots of good productivity.

General THOMPSON. I agree 100 percent.

PROCUREMENT SYSTEM

Mr. KINGSTON. Actually, my question, though, is in a different direction. In terms of procurement, when we earmark things—and I have been with lots of military procurement people, and I will say—I will ask a rhetorical question, how many of you think the Army or Navy or whatever procurement system is in great shape? Zero hands go up.

And I understand everybody thinks there is room for improvement. But when we earmark stuff in the budget, often it is because of a frustration with procurement. And this committee was known, I guess, as the one who really pushed for the Predator, for example, and there are other weapons systems, and I can tell you some other stories, as I am sure everybody here can, but I think all of us really try to vet the earmarks.

There is this public perception that, oh, you know, you like somebody, they are a supporter, you want to earmark. I don't think anybody, Democrat or Republican, does that, particularly on this committee. We vet it. We shop it around at Pentagon. Is this really the gizmo that you want? Because there is really only one private company that could supply it or manufacture it or whatever, and we have to earmark it. Does this help the system or does this undermine the system? And you are kind of darned if you do and darned if you don't, but is there a growing problem or a growing solution with DOD earmarks?

General THOMPSON. Well, earmarks do indicate the intent of the Congress, and we execute on those earmarks for the most part. The strategic objective though is full and open competition wherever we can do it. So roughly two-thirds of all of our contract actions are full and open competition. They are very strict. There are seven provisions that allow you to not do full and open competition. Those things again have to be approved all the way up to the Assistant Secretary level or the DOD level in some cases so the arching principle is full and open competition so that everybody out there has an opportunity to compete for that product or services. And that is the overarching objective in every acquisition decision we make, and we only do not do full and open competition by exception.

Mr. KINGSTON. So are earmarks good or bad? I would never ask you to answer that in a yes or no, General. But I can tell you that——

General THOMPSON. It depends.

Mr. KINGSTON. We all have seen earmarks that have done something very helpful.

General THOMPSON. That is true.

Mr. KINGSTON. Yet I think all of us would like to think, hey, if this is a good system, it doesn't need an earmark because the Army is going to go after it anyhow but the problem is the Army doesn't, and many times these are your small entrepreneurial inventors that come up with the idea and, it is something that the soldiers on the ground actually do want. But, again, I think most of us vet the heck out of this stuff before we thrust it.

General THOMPSON. We do look for those small innovative solutions. But it has to start with a need for that. And sometimes you create a need when you have got an inventive solution, but it has got to start with the need. And I get a lot of people that talk to me at trade shows and things like that, if I could just get you to buy this particular product, my answer always is, go back and look at our solicitation opportunities, which are open to everybody, and compete that product. And I will say that the ones that are good are successful, and the ones that are not good are not so successful.

But I will say for the record, and this is a broad statement and I hope it doesn't get me into too much trouble here, a lot of people oversell the value of their product or service. And when you bore into it and you look at it objectively with set criteria that we do for all of our contracts, the ones that are good come to the top, and the ones that are not so good come to the bottom. And if somebody feels like they haven't gotten a fair shot, they have appropriate remedies to include a protest of our action that goes to GAO, and we fairly adjudicate that. So I think the proper checks and balances are in the system. The outcomes of those checks and balances are not always in the government's favor or the contractor's favor but they are fair.

Mr. KINGSTON. Well, we want to work with you if there is a better way for us to do earmarks, something we should know, we want to work closely with you because we don't want to be embarrassed, and we don't want you to be embarrassed, and we certainly don't want to waste taxpayers' money, but we also philosophically believe in the legislative branch's prerogative to put in an earmark because almost everyone understands in Washington and almost no one understands outside of Washington that the Pentagon budget is the President's budget, and whether you are of his party or the other party, you may have some disagreements as to that budget. So the equal branch of government, the legislative branch, should be able to do earmarks. But if there is anything we need to know that we can do better, I think all of us would like to work with you on that.

Mr. MORAN. Thank you, Mr. Kingston.

Mr. Hinchey.

REMARKS OF MR. HINCHEY

Mr. HINCHEY. General, thanks very much.

I really appreciated the response that you have given to these questions. And I think we are dealing with a very difficult set of circumstances that has evolved over the course of the, well, last several years, and there are a number of examples of that. Yesterday I had a meeting with the Secretary of the Army, Secretary Geren, at the West Point Board of Visitors meeting. And one of the things that he was talking about was the number of suicides that

have occurred and how that number of suicides has been at record proportions, last year particularly, and how it even jumped up in January of this year. So I assume that that is something that you and other leaders in the Army are deeply concerned about, and I think that we would appreciate any insight that you might be able to give us with regard to that problem and how it can be dealt with.

For example, and this is not the critical example, but I understand that the investment in personnel in the military as a matter of the function of the budget has dropped from 31 percent of the Army's budget to 15 percent of the budget over the course of the years 2000 to 2007. Now, that is something that I think ought to get some attention. So anything that you and the other people in the Army who are focusing on that issue can provide us with information so that we could be helpful, I think would be something very significant, and I would appreciate that very much, if you have any comment on that.

General THOMPSON. Sir, to your question on the suicides, it is something that the entire Army takes very seriously, and there are comprehensive plans in place. We are even increasing the level of effort to make sure that the numbers don't go in the wrong direction; they go down as they should be. From the medical help that is there and the personnel community is doing all the things they need to do to reach out to the right psychologists and psychiatrists and social service providers, a significant investment. This is not an area that is directly under my purview, but it is something we take very seriously. I know there are a number of plans in place, I am just not the right person to talk about those plans.

To the question on the percent of the pay, again, it is, how do those numbers get derived? I used to be the Army's programmer in my former job, and that is the individual that has got responsibility for the 5- or the 6-year plan and where the Army puts all of its money; it balances its portfolio. So, again I don't recognize that 15 percent number. My recollection, and it is still pretty true today, is that about 42 or 43 percent of the Army's total dollars in its base program are spent on military pay, but that military pay is not just salaries. That is also retirement accrual and health benefits and reenlistment bonuses, et cetera. I don't recognize that 15 percent number. I have to determine how we got that, and so that is the issue of defining the question we are asking here.

Mr. MORAN. General, that is just pay. It is not benefits; it is pure pay.

General THOMPSON. Okay.

Mr. HINCHEY. Anything further?

General THOMPSON. No, sir. Unless I have got something I didn't answer that you asked me.

Mr. HINCHEY. Well, I appreciate the answer and I appreciate the focus of attention on it because it is something that has to be——

General THOMPSON. It has to be addressed.

Mr. HINCHEY. The Army's obligation on contracts has essentially tripled over the course of the last several years. It rose from 18 billion to 54 billion, just gone up three times. What do you see happening in the future? Do you continue to see that kind of thing to continue to develop or is it going to change? Now, I know that

there is a whole set of circumstances relating to the situation in Iraq and Afghanistan which promoted this kind of a set of circumstances. And while those conditions there continue, while we continue to have to deal with them, probably some of that is going to have to change but not very much. But the situation here with contractors, I think, is causing a great deal of concern, and I am just wondering what you think about that and what you think that this issue might—how it might change, how it might not change, what will be the set of the circumstances over the course of the next couple of years.

General THOMPSON. The number of contractors that we need in order to get the work done, whether it is in the Middle East or someplace else, it depends on the work that needs to get done. As we draw down our presence in Iraq, we will have fewer military and fewer contractors in Iraq. As we grow our presence in Afghanistan, the number of military is going to go up; the number of contractors is going to go up. It takes years to grow the military. The Army is on a path to grow the size of the active Army and the Reserve components. From the active component, it is to increase to about 547,000. We are going to get there quicker than we thought, but it was going to take us a couple of years in order to grow that. So when you don't have enough military to do the work that needs to get done, then you need to appropriately contract for that in order to get the work done.

Mr. HINCHEY. Well, this is the first time that we have had an alleged war and we didn't have the kind of active recruitment that you normally have. You are just relying on volunteers, and that is the basic problem. And in addition to that broad analysis, you have also had to deal with the situation of the decline in the quality and the value of the people who were being recruited or absorbed into the Army, taken into the Army, and I know that that has been a problem, something that you have had to deal with; you and others have had to deal with. So the situation with regard to the contractors is the main focus of attention right now.

What is the kind of oversight that you have on the activity of these contractors, the kind of oversight that they deliver in places like Iraq, for example?

General THOMPSON. Every contract that we have got has got a statement of work, duties that that contractor is supposed to perform. And there is oversight. The contracting officer doesn't always do that him or herself because that is too much of a responsibility. The Defense Contract Management Agency has a responsibility primarily for the weapons systems contracts, but they are now doing quite a bit of the service contract in theater. And then we have individuals that are not part of the professional workforce that are contracting officer representatives. And it is those people, as an example, if you are on a forward-operating base in Iraq and a contractor is there to pick up trash three times a day, somebody has got the responsibility to make sure that contractor is picking up the trash three times a day and not just once a day because that is what the terms of the contract specify. And if they perform satisfactorily to the terms of the contracts, they get paid appropriately, and if they don't, there are remedies that are taken. So there is a check and balance taking place.

Mr. HINCHEY. Based on experience, what is the real outcome there? What you are talking about is the general way that it is supposed to behave, but we have seen a number of examples of bad behavior on the part of the contractors, and this bad behavior causing a host of serious problems.

General THOMPSON. The seriousness of the issue from 2003 to 2006 was because there was not contracting officer representatives assigned to every contract. That was one of the reasons that we had so many cases of fraud and abuse during that timeframe. I can say today that, starting in Kuwait, there is a contracting officer representative assigned to every contract. So we do that. That is the way it should be done. Nothing is ever 100 percent but damn near 100 percent that is being done today in the theater.

Mr. HINCHEY. But you know you have got more oversight on the regular military personnel than you do on the contractors, don't you?

General THOMPSON. Sure you do. You have got a uniform code of military justice. But the change in policy in the last couple of years is the contractors over there are subject to the discipline as well.

Mr. HINCHEY. Let me ask you one more small specific question. Do you think it is appropriate to have contractors in charge of security operations at places like West Point and other military academies?

General THOMPSON. Yes, I do.

Mr. HINCHEY. You do?

General THOMPSON. I do. As long as the government has got the ultimate responsibility for that. But to pay a security guard to check passes coming in and out of an installation like West Point, you can't just compare the cost of that security guard to the cost of a soldier doing that, because the soldier has got nonsalary benefits. It has got retirement accrual benefits and health care benefits. The cost of the security guard as a contractor is a fully burdened cost. If you want to compare that to the cost of a soldier doing that, you have got to compare apples to apples with fully burdened cost. We make those kind of business case analyses all the time.

Mr. HINCHEY. Are you saying that the contractors do a better job than a military personnel would do in security operations?

General THOMPSON. I did not say that. I did not imply that. You asked me if it is appropriate for them to do that, and I do think it is appropriate with the right oversight. We set the standards for the force protection aspects around West Point and all of our installations. Some Department of the Army civilian police, some contracted security force, some military police on some installations—we expect them to do that.

Years ago, we had a lot of military police on our installations doing traffic control and security. We don't have as many today doing that because the demands of the operational environment in the Middle East primarily have caused us to use the military police in their military-only roles and not in a role that could be done by a private security contractor.

Mr. HINCHEY. Thank you very much.

Mr. MORAN. Thank you, Mr. Hinchey.

Mr. Young.

Mr. YOUNG. Yes. Mr. Chairman, the conversation that we had a little bit earlier on the list of contractors, Ms. Kilpatrick makes a good point. What is on the Web, unless you have some way to break the code, it is pretty hard to understand. So what I would like to do is make a formal request for what we discussed a few minutes ago, that you provide us for the record a list of contractors that provide services to the Army worldwide; identify the function for each contractor; in other words, what they are doing for you, identify the total contract cost; and break it down so that we know the number of employees employed by the contractor and what the personnel cost is.

General THOMPSON. That is doable. I am just looking behind here to the guy that is going to have to lead that work. He is nodding, we can do that, so we will sign up for that as a team.

Okay, John?

[The information follows:]

The contractors and the number of contracted full-time equivalents providing services to the Army worldwide are listed in the Army FY2007 Report of Contracts for Services, which is available on the Assistant Secretary of the Army for Manpower and Reserve Affairs website at *http://www.asamra.army.mil/ref.htm.* Included in the report is a list of contracted functions with the number of contractor full-time equivalents performing the functions and the total contract costs and direct salary costs of the functions.

SEE ATTACHMENT: FY2007 ARMY INVENTORY OF CONTRACTING CONTRACT SERVICES

Some important caveats are in order: Because total contract cost and direct labor cost are treated as proprietary information when associated with either contract number or contractor name, these costs are not listed with contractors providing services in the inventory. We are still reviewing and validating the Fiscal Year 2008 data.

Mr. MORAN. Very well and within a timely timeframe.

General THOMPSON. No doubt, if we could have a little leeway to negotiate that timeline with you, so that it is reasonable for you and reasonable for us.

Mr. MORAN. But it would be helpful to have those numbers available for the 2010 budget consideration.

General THOMPSON. Right.

Mr. MORAN. Mr. Visclosky.

PAY SCALE OF MILITARY PERSONNEL VS. CONTRACTORS

Mr. VISCLOSKY. Thank you very much.

In a sense, the question has been covered, and I know you and Ms. Kaptur talked about it, too, but I have just a general question about wage rates and understanding your interchange with Mr. Hinchey that you have to factor in all of the cost of that military personnel. Is there a broad differential as far as what contractors in places like Iraq and Afghanistan are being paid compared to military personnel?

I assume there is a variance position to position. But, of course, we hear the exaggerated exception to the rule where you have a military personnel doing a function and is getting paid in the high 20s and a contractor in the same room with this military getting $120,000. Is there a wide discrepancy? Because at some point, you are still paying more for a contractor. And will some of these tables that are being requested reflect those salary levels?

General THOMPSON. We spend a lot of time with differences of opinion. It would be easy to say, and I am making this up and I am giving you an example, to say that Sergeant Thompson gets $50,000 a year as salary and yet there is a guy—a maintenance guy, I fix Bradleys or I fix helicopters, and there is a contracted field service rep there that is making $150,000 a year. That is a fully burdened cost for that contractor. That includes retirement benefits and the war differential they are getting for being in harm's way. The soldier also gets danger pay, and he also has health care benefits and a housing allowance that is tax free. So you have got to make a fair comparison. And it is easy to say this guy is making $150,000 a year, and I am making $50,000, and that is not fair. You have got to put it in context. For the same kind of work, you can make a fair comparison, I think.

Mr. VISCLOSKY. Can I ask it a different way? For the person making $120,000 and, again we are talking hypothetically here, that is cash in the pocket compared to the sergeant making $50,000 plus benefits that may equal $120,000 but the contractor employee, I assume, will have some health care benefits and some type of thrift plan that the company will provide for. He is probably getting some housing that is allotted to him added onto that $120,000.

General THOMPSON. The operative question I always ask if I have got a contracted employee working is what is the burden cost for that employee.

Mr. VISCLOSKY. And we are paying the contractor every penny on that and the contractor is making a profit on that employee.

General THOMPSON. I will give you an example. On my immediate staff, when I first got to the position that I am in now, we had 11 different management support contract instruments in place supporting the acquisition function at the headquarters of the Department of the Army. I said, what are we doing? We have now reduced that to two and on a glide-path to go to one because I want to pay one set of overhead if I need that kind of function and not 11. And I asked the operative question, what is the burden cost of that?

So I may be paying somebody $150,000, but the profit and the GNA and all of that that goes with that it may be $250,000. And so the question to ask for everybody, not just the Congress, but for everybody, is, am I getting a fair day's work for a fair day's pay?

Mr. VISCLOSKY. And I would ask two other questions related to the salary because I want to make sure that person is working for me and not loyal to somebody else. I am not saying anybody who is working for a contractor isn't loyal to the United States of America, but you have got somebody in a uniform who, essentially, when they take that oath and put on that uniform, they are risking their life, and they are making less money. On the issue of the Gansler Commission, it is suggested it is going to take 3 to 5 years to hire additional personnel and training. If there is that pay differential, the question is what about the retention of quality trained people? I understand people make a career of the military. They retire, and then they go over to contractor, but I assume we are losing a lot of people on the front end of this, too, if I am sitting in that room, and I am seeing somebody make 120,000 plus a thrift plan plus

health care plus housing plus a profit. It is not just to get up to where we want to be in 3 and 5 years but retaining people. And if I am paying $50,000 in cash, and somebody else $120,000 in cash, and forgetting the benefits for a second, who is going to attract somebody who may have that additional skill set that I want as a Federal employee, as a military employee, keeping an eye on the contractor? I want somebody who has the same set of skills and more as the government employee working for me keeping an eye on them.

General THOMPSON. I do, too.

Mr. VISCLOSKY. How do we—is there a pay differential here or something we have to look at as far as retention and the issue of finding those quality people who will work for the government?

General THOMPSON. We talked earlier, Congressman, about the authorities that we have, and I refer back to the section 852. We need to, one, value the acquisition workforce more than we have, not put them under the spotlight and criticize them constantly because they all are trying to do the best job that they can, but we have got the right authorities, I think, to recruit, retain, and train those people. We have a lot of programs, for example, where we send people off to education opportunities to get master's degrees, to pay back college tuition loans because I want a smarter shopper than the other person on the other side of the negotiating table for the contract.

And there are a lot of people in this room, I will use Mr. Harrington as an example, who could and do make more money on the outside, but the level of responsibility and authority and the service that you get, you can put a dollar value against it, but that is the kind of person that I want both militarily and the Department of Army civilian. And I say this to you honestly, and I use this a lot when I talk to the workforce: I like my contractors that are doing a fair day's work for a fair day's pay. I love my government workforce, because they are on my team. They have the same set of values. Their motivations are more pure.

And contractors are not evil people, but they have a different set of motivations. The ones, as Congressman Kingston alluded to, that are former military. They have a different set of allegiances, and I like those kind of people that are working for us in a contracted capacity because they know what it is like to be shot at and cold and hungry and dirty and in harm's way. So I am giving you more a philosophical answer than a specific one.

Mr. VISCLOSKY. And I have nothing against contractors.

Thank you very much, Mr. Chairman.

Mr. MORAN. Good line of questioning. Thank you.

Ms. Kilpatrick.

BUSINESS REPRESENTATION

Ms. KILPATRICK. Thank you, Mr. Chairman.

And thank you, General, for your service and your time. This has been very instructive. I am a new member on the Committee. It took an hour and 45 minutes for you to say you love your troops. I sincerely needed to hear that. And I never doubted it, but I need to hear you say that.

General THOMPSON. I mean that sincerely. But sometimes it is tough love, ma'am.

Ms. KILPATRICK. Congress is tough. It is tough here. That is the nature of who we are.

A couple of questions. Of the 266,600 plus troops who are in theater overseas, in Kuwait and other places, how many businesses are represented in the 267,000?

General THOMPSON. I would have to take that one for the record. To the specific question that Mr. Young read out earlier, the answer to that question will be in answer to your question.

[The information follows:]

SEE ATTACHMENT: FY2007 ARMY INVENTORY OF CONTRACTING CONTRACT SERVICES (CONTRACTOR TAB)

This list was compiled by Assistant Secretary of the Army for Manpower and Reserve Affairs.

Ms. KILPATRICK. So, in that number and as you prepare that document, we are to understand that, as you talk about the contractors, as you have been doing this morning, those are individuals you speak of rather than businesses; is that right, for the most part?

General THOMPSON. That is correct. The number 266,000 is individuals.

Ms. KILPATRICK. I know that is individuals. The discussion this morning has been mostly about the individuals and not the businesses themselves.

I think Mr. Visclosky, our chairperson, our cardinal from Energy and Water was going where I went with the Gansler report, which talked about what they found that contributed to abuse and neglect perhaps, and you are on about fixing that in the Army. We heard earlier from one of the other branches of services this week who said their contractors did all of that as well including the administrative things as well as researching weapons, as well as monitoring those weapons, and doing the reporting back. I heard you say a little while ago that your report back of the monitoring of the monitor will be an Army personnel; is that right? Or is it a contractor monitoring their contracting obligation?

General THOMPSON. The way I would answer that, ma'am, is to those things that are inherently governmental, there is a government employee, military or Department of Defense civilian that is at the head of that approval process.

Ms. KILPATRICK. But the report found some abuse there and that contractors, they do government functions like programs, financial management, intelligent analysis, policy making, weaponry, researching. Those are contractor obligations you have been using. Are you saying you are not going to use contractors for some of those now in the Army?

General THOMPSON. We want to in-source those things that should be done by the government. And if there are cases where that is being done by a contractor today, we want to switch that and make it done by a government employee.

Ms. KILPATRICK. So, over the last 7 or 8 years, where contracting has increased tremendously and it seems like military and civilian personnel has decreased, is it the view of the Army that we do

more contracting and less of those dedicated Army civilian DOD employees? Is that the move——

General THOMPSON. The move is to bring more of that capacity in-house but not let the government overhead get too great because, again, it is swinging the pendulum back to what is the right balance. I want enough government people to do the job that needs to get done and not one person more than that.

Ms. KILPATRICK. I think that is what all of us want. And from where I sit, I want more government employees. I want more people who are dedicated and take that oath and wear that uniform, civilians and military, to run and be operative in the military. Of course, I am not opposed to contracting. I just don't believe that they ought to have more of the $500 billion that we spend. I have heard in my own district from soldiers, who are next to and done their third deployment, an armed uniform person side by side by the contractor who does get two or three times the pay. You mentioned the fringe benefits that they get. They don't think it is right. And you have not mentioned it this morning, but you have got to feel some of that as well.

I didn't like your opening remarks. I can read that, and I am a reader; I can read those on the airplane. But what we have been talking about for the last 2 hours is what I want you to sit there and talk to us about because that is really the meat of who we are as a Nation and what our military service—we have got to understand what you do and who you are because many of our colleagues think $500 billion for Defense, is too much, and the Congress should cut it. I don't care what they are doing. So I, as a new appropriator to this Committee and 10 years on the Appropriations Committee, I want the real information.

We don't have a lot of time, and you have been pretty straight with us, and I appreciate your staff. But as I sit here and I try to learn, and I am like a CRS 101 just trying to keep up; I need you to give it to me straight. And when I read and have a question, I really want to know. And about those 267,000 contractors I do want to know if it is the top 10 companies—I have a list here of the top 20, and since 2003, one particular company got $5 billion plus dollars, many of them contractors. Why? There are men and women all over the country, and we want to help you with a strong military uniformed American force that will raise their hand and commit their lives. We want you to help you with that, and I want you to count on me.

General THOMPSON. Thank you.

Ms. KILPATRICK. Thank you.

I yield back.

Mr. MORAN. Thank you very much, Ms. Kilpatrick.

We need to vacate this room within a few minutes. They are going to need it for logistics of putting together the stimulus bill. So we will conclude this hearing at this point.

We do want to thank the Army for being as responsive to the subcommittee's questions and concerns as you have been. So we thank you, General Thompson, and I think the best that we could hope for is to get kind of a best practices approach to getting a handle on how much is being spent and the manner which it is being

spent so that we can a apply that to the Air Force and the Navy. They are not as far along as the Army is.

And it is not that there is any vendetta against contracting. I would hope we have made that clear that there needs to be a balance between in-force personnel and contracted-out personnel. But at this point, we really haven't had much control upon the way in which the money was being spent, and when we realized that there were more contract personnel in Iraq than there were uniformed and regular civilian personnel, it naturally raised a great deal of concern on the part of all the Members.

So, once we get that information, we can address it in the 2010 appropriations bill. And we appreciate you certainly having this forum. That is the best step yet in terms of helping us to define what is and should be inherently governmental. And we appreciate your being willing to disclose the information on what contractors this subcommittee is funding, and we will move forward from here. So this has been a very informative hearing. We appreciate your testimony, General Thompson, and those of the fine professionals that backed you up on it.

General THOMPSON. Congressman, I just want to say thank you to the members of the committee. Every time I have been before this committee, and it has been more than once, or dialogue with the Members or the staffers related to issues, it has been an honest exchange, and the committee has always been supportive of the military and the Army, in particular. My promise to you is to be forthright and share the information so we can come to the best decisions for the country.

Mr. MORAN. Very good. Thank you, General.

[CLERK'S NOTE.—Questions submitted by Mr. Murtha and the questions thereto follow.]

CONTRACTOR SERVICE PROVIDERS

Question. Please list the contractors providing services to the Army worldwide. For each:

- List the number of contracted personnel in terms of full-time equivalents.
- Identify the contract function by describing the type of work performed.
- Provide total contract cost and identify direct salary costs.

Answer. The contractors and the number of contracted full-time equivalents providing services to the Army worldwide are listed in the Army FY2007 Report of Contracts for Services, which is available on the Assistant Secretary of the Army for Manpower and Reserve Affairs website at *http://www.asamra.army.mil/ref.htm.* Included in the report is a list of contracted functions with the number of contractor full-time equivalents performing the functions and the total contract costs and direct salary costs of the functions.

SEE ATTACHMENT: FY2007 ARMY INVENTORY OF CONTRACTING CONTRACT SERVICES

Some important caveats are in order: Because total contract cost and direct labor cost are treated as proprietary information when associated with either contract number or contractor name, these costs are not listed with contractors providing services in the inventory. We are still reviewing and validating the Fiscal Year 2008 data.

Question. Has Army done mission analysis and/or a study of roles and missions that includes consideration of the role that contractors should play?

Answer. The Army, the Joint Staff and DoD have engaged in a number of working group efforts and studies to analyze the proper roles and missions of contractors. Some of these efforts resulted in guidance, such as the DoD Instruction 1100.22, Guidance for Determining Workforce Mix; a 2005 RAND Study, *How Should the*

Army Use Contractors on the Battlefield; and a 2005 Secretary Harvey directive to establish a contractor manpower inventory to be used for this kind of analysis. The Army has used this inventory to comply with the National Defense Authorization Act for FY 2008 mandate for such an inventory and is at the very beginning stages of doing the kinds of reviews and analyses required by that statute.

CONTRACTING OVERSIGHT

Question. How does the Army headquarters achieve oversight of contracting that is accomplished at Army field locations around the world?

Answer. The Army has an overarching strategy that provides for the oversight of contracting from formation to administration. The Army recently mandated Solicitation Review Boards and Contract Review Boards to implement the Office of Defense Procurement policy for Peer Reviews. Standards for the boards are communicated through "toolkits" and validated through Procurement Management Reviews. Metrics from the approved acquisitions are reported annually back to the Deputy Assistant Secretary of the Army (Procurement) (DASA(P)). Army policy stipulates that all service contracts contain quality surveillance plans and all service contracts valued greater than $2,500 must have an appointed Contracting Officer's Representative (COR) prior to contract award. Moreover, the COR must complete the minimum training standard of the Defense Acquisition University Continuous Learning Course "COR With A Mission Focus" (CLC 106); over 19,000 Army civilian and military employees have completed this training through Fiscal Year 2008. In addition to training, Army policy mandates that CORs are held accountable for their responsibilities via their performance objectives. Policy instituted in November 2008 also mandates oversight performance objectives for contracting personnel. Compliance with the Army's oversight policies is being monitored through routine reporting to the DASA(P). All acquisition strategies for services greater than $500 million are reviewed and approved by the Army Services Strategy Panel, which is a multi-functional leadership team chaired by DASA(P).

BASE SUPPORT

Question. The Army reports that a great number of contractors do base support in Iraq. What exactly does " base support" mean?

Answer. Base Support refers to the resources involved with operating and maintaining Army installations. Base Support accounts fund installation functions such as administration; automation support; family programs; morale, welfare and recreation services; real estate leases; environmental conservation and compliance; pollution prevention; facility support services; minor construction; maintenance and repair; audiovisual and visual information production, acquisition and support; demolition and disposal of excess facilities; base communications; and other base operations support services.

OUTSOURCING

Question. While it may be appropriate to outsource activities when they are to be performed at home station, this outsourcing may result in the need to deploy contractors to contingency operations. What steps does the Army take to factor the potential need to deploy contractors into its outsourcing calculation?

Answer. The Department has preplanned certain capabilities such as the Logistics Civil Augmentation Program (LOGCAP) which provides a wide variety of logistics and base operations services for the combatant commanders. This program has been effective in providing preplanned and negotiated services. There is room for improvement in this area. Two areas of note include contract logistics support (CLS) for major weapons systems and certain shortage combat support and facility engineering functions that are highly interrelated to tactical operations. The Army is developing an enhanced manpower estimate reporting (MER) process for acquisition systems to examine Contract Logistics Support. Expanding the Army Total Army Analysis (TAA) process to include both civilian and contractor requirements on the battlefield will improve the latter.

COMBATANT COMMANDERS ROLE

Question. What role should the combatant commanders play in deciding what tasks should be contracted out, particularly for mission essential skills that will be needed for a contingency?

Answer. Pursuant to 10 U.S.C. 164(b), the combatant commander is responsible to the President and Secretary of Defense for the performance of missions assigned

to that command by the President and pursuant to 10 U.S.C. 164(c)(1)(C) for organizing commands and forces within that command as he considers necessary to carry out missions assigned to the command. Additionally, according to 10 U.S.C. 3013(c), the Secretary of the Army is responsible for "carrying out the functions of the Department of the Army so as to fulfill the current and future operational requirements for the unified and specified combatant commands." The combatant commander requests a particular capability, and the source of labor to perform that mission is determined by the size of the Army and the available force structure. Therefore, the ultimate decision regarding what functions are contracted is made by the Department of the Army, not by the Combatant Commander.

LEAD SYSTEMS INTEGRATORS

Question. The Army Future Combat Systems (FCS) Program has contracted for a lead Systems Integrator (LSI) to assist in defining, developing and integrating the programs. Employing an LSI was viewed as the best option for program management due to the scope and complexity of the FCS program. Why can't the Army manage all of its own programs rather than use Lead Systems Integrators?

Answer. The Army has not contracted out the Program Management functions for the FCS program. The Army has invested extensive resources in managing the FCS Program. The FCS LSI is the prime contractor for the FCS development effort. Just as with every other prime contractor relationship within DoD, the prime contractor for the FCS Program routinely subcontracts and manages efforts of its subcontractors and suppliers for major components of the acquisition. The FCS Program manager is responsible for and provides program management and oversight to ensure government equities are protected. This is evidenced by the assignment of a Major General as the Program Manager, the assignment of three flag level (General Officer/Senior Executive Service) Deputies, four 06 (Colonel) level Project Managers, twelve 05 (Lieutenant Colonel) level Product Managers, a total of over 80 Army Acquisition Corps officers, and over 1,000 Army civilian Acquisition Corps professionals. Every LSI senior position has an Army leader as a counterpart. Program level decisions involving subcontracts are coordinated and agreed to by both Army and LSI leaders.

CONTRACTING OUT

Question. Why does the Army need to contract out for program management, in effect hiring a contractor to manage other contractors?

Answer. With respect to the FCS program, The Army has not contracted out the Program Management functions for the FCS Program. The Army has invested extensive resources in managing the FCS Program. The FCS LSI is the prime contractor for the FCS development. Just as with every other prime contractor relationship within DoD, the prime contractor routinely subcontracts and manages efforts of suppliers for major components of the acquisition. This does not take away from government oversight and management of the program to ensure government equities are protected. This is evidenced by the assignment of a Major General as the Program Manager, the assignment of three flag level (General Officer/Senior Executive Service) Deputies, four 06 (Colonel) level Project Managers, twelve 05 (Lieutenant Colonel) level Product Managers, a total of over 80 Army Acquisition Corps officers, and over 1,000 Army civilian Acquisition Corps professionals. Every LSI senior position has an Army leader as a counterpart. Program level decisions involving subcontracts are coordinated and agreed to by both Army and LSI leaders.

PROGRAM MANAGEMENT

Question. Isn't program management an inherently governmental function?

Answer. Yes, program management is an inherently governmental function. Army has not contracted out program management.

WEAPON SYSTEMS PROGRAMS

Question. Does the Army have any concerns about its institutional capacity to manage its own weapon system programs given this degree of contractor support?

Answer. Yes and we have taken steps to mitigate these concerns through reducing our reliance on contractor support. The Army's in-sourcing policy has allowed us to convert 150 contractor support positions to government employees. We will continue to use in-sourcing to reduce our reliance on contractor support.

IN-HOUSE PROGRAM MANAGEMENT

Question. Specifically what has the Army done to expand in-house program management capacity? What more should be done?

Answer. The Army has acquired and will continue to acquire and train personnel in key areas such as systems engineering, network engineering, and software development as well as sustaining program management, contracting, and business management expertise.

EQUIPPING THE FORCE

Question. The committee understands that the traditional requirements determination process is not responsive enough to provide essential capabilities required by deploying units. The committee further understands that the Army has expanded the number of ways a unit can request a materiel capability and these are called the "Operational Needs Statement" and the "10 liner".

Isn't equipping the force the responsibility of the Chief of Staff, Army and the Department of the Army and not the deploying unit?

Answer. The Secretary of Army has statutory responsibility for equipping Army forces. As senior military advisor, the Chief of Staff, Army supervises the execution of policies, plans, and programs to include the "traditional" materiel requirements determination process known as Joint Capabilities Integration and Development System (JCIDS). This process is centered on the deliberate analysis of operational concepts set 10–15 years in the future, representing the entire range of military operations our Army may be asked to execute. If capability gaps against potential enemies are identified, analysis of the alternative solutions is conducted to determine operational suitability, technical feasibility, and life-cycle affordability. The selected solution is then described in sufficient detail to support execution of an acquisition program and associated force integration activities such as documenting required changes to unit equipment authorizations, ensuring life-cycle sustainment capabilities are emplaced, and establishing Army training plans for operators and commanders that will employ the new capability. Deploying commanders are not responsible for developing, introducing and sustaining new capabilities to their own unit or to the Army force at large. Commanders are responsible for conducting mission analysis and requesting any additional resources such as manpower, equipment, direct support affiliations, etc. that they determine are essential to mission accomplishment or the safety of their soldiers.

MATERIEL CAPABILITIES

Question. Why does the Army need three processes to provide materiel capabilities for deploying forces?

Answer. The three processes cited are mutually supporting and not redundant. The deliberate requirements determination process is used to design Army units and develop the integrated capabilities that those units will need to perform their missions over the full range of potential military operations. There is risk inherent in this designed force due to the difficulty in analyzing every possible scenario against every potential type of enemy. Additional risk is introduced by fiscal realities that preclude development of solutions for every capability gap that can be identified. The Operational Needs Statement (ONS) process provides a mechanism for the Army to adjust to a known enemy and a narrower set of capability gaps. In that sense, the ONS is part of the Army's risk mitigation strategy. Operational Commanders conduct mission analysis using actual rather than theoretic intelligence, environmental considerations, and assessments of the strengths/weaknesses of their own units as well as coalition partners. With this information, the Deploying Commander develops ONS requests to fine-tune his unit to accomplish his assigned mission. The additional equipment or "new capabilities" are provided for that specific mission and they do not become a permanent addition to that unit's authorization or design. The Army is constantly assessing and analyzing current operations, to include the requests for additional capabilities, to glean lessons learned that should be applied to the designs of the future force. These potential future force improvements are integrated and resourced through the deliberate processes. The Army's Rapid Equipping Force (REF) provides a forward-deployed research and development capability that is focused on finding quick solutions to warfighter problems. Deployed soldiers describe these tactical challenges in a simple "10 Liner" format. The REF methodology capitalizes on market surveys to identify potential useful technologies and rapid prototyping—unit evaluation of the initiatives. The REF does not develop integrated solutions for large-scale application. REF Initiatives are assessed for broader applicability to current operations via the ONS process and the

potential integration of successful REF solutions with the future force is evaluated through introduction to the deliberate requirements determination process.

OPERATIONAL NEEDS STATEMENT/10 LINER

Question. What is the difference between the Operational Needs Statement and the "10 liner"?

Answer. The Operational Needs Statement process is used by deployed or deploying units to request: (1) additional quantities of Army Standard equipment above the level they are already authorized, (2) Army Standard equipment that is not normally authorized to that type of unit, or (3) a "New" capability that doesn't currently exist in the Army inventory. This last category can include commercially available equipment or software, Other Service equipment, or a capability that must be developed or prototyped because it does not exist in an operational configuration. The Army's ability to provide training and sustainment for the requested equipment is an element of the ONS validation/approval process. An ONS request can be satisfied or disapproved by any Commander in the chain of command. Validation of the ONS at HQDA is essential to access Army resources but does not automatically constitute approval to execute as resourcing priorities may force a given request to be documented as an Unfunded Requirement (UFR). Additionally, an ONS request for additional/improved capability may be satisfied with a different solution than requested by the Commander. Any proposed "in lieu of" capability is coordinated with the requesting commander to ensure operational suitability. The "10 Liner" submitted by a deployed unit is used by the Rapid Equipping Force (REF) to initiate rapid prototyping and/or expedient evaluation of commercial products that have potential to solve that particular unit's problem or "capability gap". REF is limited in the amount of resources and the number of interested units that they can provide the solution to for use and evaluation. If the initiative is deemed successful by the deployed commanders, an ONS will be submitted to the Army G–3/5/7 to expand the initiative to additional units and to initiate Army integration and sustainment planning.

Question. Who approves each of these processes?

Answer. The Army's approval authority for the deliberate requirements determination process (JCIDS) is delegated by the Army Chief of Staff to the Vice Chief of Staff (VCSA) and the Deputy Chief of Staff, G–3/5/7. The Army Requirements Oversight Council (AROC) process facilitates integration of Army Staff input to the VCSA and DCS G–3/5/7 for each materiel capability proposal before it is submitted for joint review in the (Joint Requirements Oversight Council) JROC process. The approval authority to direct re-distribution of equipment to satisfy Operational Needs Statement (ONS) requests exists at each level of command for equipment organic to that organization. Approval authority to apply Army resources for additional procurement as well as to divert or re-distribute equipment at the Army-level, in support of ONS requests is the Army Deputy Chief of Staff, G–3/5/7. This approval authority is delegated by the Army G–3/5/7 to his subordinate Flag Officers and Colonels within resource thresholds. The Army Requirements and Resources Board (AR2B) process facilitates integration of Army Staff input for each ONS submitted by an Army Commander and also Joint Urgent Operational Needs submitted by Joint Commanders that require Army resources to resolve. The approval authority for a "10 Liner" submitted to the Rapid Equipping Force (REF) for limited prototyping and procurement is the REF Commander (Colonel). REF initiatives are briefed to the Army G–3/5/7 within the AR2B process to ensure Army Staff visibility for potential expansion or integration opportunities.

[CLERK'S NOTE.—End of questions submitted by Mr. Murtha.]

THURSDAY, FEBRUARY 26, 2009.

OUTSOURCING

WITNESS

HON. GORDON S. HEDDELL, ACTING INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

INTRODUCTION

Mr. MORAN [presiding]. All right. The Committee will come to order. Mr. Young, we didn't want to start without you. Ms. Granger, thank you for joining us. Let the record show that we have Vice Chairman Dicks on hand here. This morning the Committee will hear about the Pentagon's use of private sector contracts to support government functions, often referred to as outsources. We will also discuss the acquisition workforce which has been a focus for many members of this Committee.

We are very pleased to welcome Mr. Gordon Heddell who is DOD's acting inspector general, doing a fine job, as well as two expert members of his staff, Mary Ugone and Charles Beardall. We know both of them. They are long time pros and we are very happy to have you with us. Mr. Heddell and his staff have taken this topic very seriously. Their research is thorough. And we are grateful that these folks are with us this morning to answer some of our questions and concerns.

REMARKS OF MR. MORAN

As we all know, DOD has increasingly relied on contracted services activities and functions provided by contract personnel. In the year 2000, 26 percent of DOD's budget was spent on contracted service, but today contracted services account for 34 percent of the budget. Another indication of DOD's increasingly large contracts is that contractor costs are now greater than compensation costs. Prior to 2008, more was spent on personnel compensation than on service contract, but this year DOD will spend $43 billion more on service contracts than on military and civilian compensation combined.

Despite this growth, the Secretary of Defense's Office has yet to establish a chain of accountability and oversight. They still cannot answer a fundamental question: How many contractors has DOD hired with the funds that this committee has appropriated? I know that the DOD IG has reviewed the actions underway in the Pentagon to inventory the contracts for services, identify functions that are inherently governmental, and insource the inherently governmental positions.

This hearing will continue to help the committee better understand the extent of the problems in contracting, but more importantly, how we can solve those problems constructively.

The Congress has pressed for this and will be interested in what you believe that DOD has accomplished, Mr. Inspector General. We will also want to know what needs to occur to ensure that there is an effective and cost-efficient mix of a Federal and contracted workforce and DOD.

Mr. Heddell, thank you for the time and attention that you have given to these issues. Before we hear your testimony, we would like to call on the Ranking Member, Mr. Young, for his comments. Bill.

REMARKS OF MR. YOUNG

Mr. YOUNG. Mr. Chairman, thank you very much. And I want to add my welcome to our distinguished guests as we conclude the third hearing in a series of hearings on contracting. The truth is we could probably spend a lot more time on the issue because it is a very major issue and it has a lot to do with the cost-effectiveness of our programs.

We heard from GAO earlier this month and from the Army on the subject of contracting. The challenges facing the Department and contingency contracting are highlighted and may be created by long-term neglect of the Department's contracting and acquisition workforce.

Maybe it is because of this that we see reports of 87,000 weapons unaccounted for in Afghanistan. I don't know if that is true or not, but we are probably going to ask you about that. We are concerned, because rumored last year at a similar hearing, we discussed 190,000 unaccounted-for weapons in Iraq. So these are important issues and especially for those of us responsible for providing the funding. So we look forward to your testimony today.

And as an afterthought, I wanted to make a suggestion that I made last year at the hearings. We have some very successful business firms that keep track of everything they handle almost minute by minute. And at a meeting with some UPS workers, I made the comment that might be good if the Defense Department would hire somebody like UPS or FedEx who know how to do this, who don't lose packages, and they surprised me by introducing me to a young man who was an Army reservist, who actually worked in management control at UPS. And he had just been called up to be deployed to go to Afghanistan to help with that purpose.

So we need to get a handle on it. And I know that you all feel that this is as important as we do. So we are looking forward to your testimony and anxious to see what we can all do together to work together to fix this problem.

Thank you for being here. Thank you, Mr. Chairman.

Mr. MORAN. Thank you, Mr. Young.

Mr. Heddell, you may proceed with your summarized statement. Your entire statement will be placed in the record.

SUMMARY STATEMENT OF MR. HEDDELL

Mr. HEDDELL. Thank you very much, sir.

Congressman Moran and distinguished members of the Appropriations Subcommittee on Defense, thank you for this opportunity to appear before you today to discuss challenges regarding the management of acquisition and contract outsourcing.

Effective and efficient contracting is an ongoing challenge. Concerns related to overpricing, contractor fraud, inadequate goods, and the lack of government oversight began with the Revolutionary War. Today, that challenge has been compounded by the global nature of Department of Defense operations and the size of our military.

A great urgency has been placed to increase the speed of procurement needed to meet urgent warfighter needs in both Iraq and Afghanistan, and to support other efforts such as humanitarian assistance and disaster relief.

Since the early 1990s, my office and the Government Accountability Office have identified contracting as a high-risk area within the Department. In 1998, then-Inspector General Eleanor Hill, in testimony before Congress, expressed her concern regarding the downsizing of the acquisition workforce and the plan to increase the outsourcing of numerous functions.

One thing is very clear: that adjustments to the acquisition workforce should not be driven merely by personnel reduction goals, but by management decisions based on sound, reliable, and quantifiable analysis.

We also continue to be concerned about the lack of oversight in services contracting. As we testified recently before the Commission on Wartime Contracting, contract administrators focus primarily on timely mission accomplishment, sometimes, unfortunately, at the expense of following traditional contract administration procedures, many of which are designed to reduce the risk of fraud, waste, corruption, and abuse.

When engaging in contingency contracting, administrators may not always consider the increased risk of failing to apply stringent controls and oversight of contracting practices. Their priority is to provide goods and services to the warfighters as quickly as possible. Very legitimate.

However, every acquisition dollar that is not prudently spent is a dollar that is not available to fund other top priorities of the Department of Defense. Because of the magnitude of the Department's purchasing power and the global presence of personnel and resources, we face significant challenges relative to the absolute requirement for fair and reasonable pricing, the importance of contract oversight and administration, and the dangers of outsourcing inherently governmental functions.

One example of pricing problems involves an investigation by our Defense Criminal Investigative Service regarding C&D Distributors, a company. C&D, beginning in 1997 and continuing all the way into 2006, submitted electronic bills to the Department to supply small hardware components, things like plumbing fixtures, electronic equipment, and other items, as well as claims for shipping costs.

These fictitious shipping costs ranged in the hundreds of thousands of dollars, despite the fact that the value of the items that were shipped rarely exceeded $100. In fact, in the final transaction

before this particular scheme was discovered, C&D billed the Department almost $1 million to ship two flat washers, two flat washers that cost 19 cents apiece.

Mr. MORAN. Mr. Heddell, I want to make sure that everyone heard that precisely. Two flat 19-cent washers and they charged $998,000 for them?

Mr. HEDDELL. That is correct, sir. That is correct.

Mr. DICKS. Was that the only thing they shipped? Was that the only thing?

Mr. HEDDELL. No, sir. In fact, over the period of——

Mr. MORAN. For the $998,000, but——

Mr. HEDDELL. For that particular shipment, yes.

Mr. TIAHRT. Was there any engineering that went with it?

Mr. HEDDELL. Nothing except for two washers at the cost of $998,000. And I will tell you that over the course of this particular conspiracy, the defendants obtained approximately $21 million in fraudulent shipping costs. Now, the surviving sister in this particular company pled guilty and is today pending sentencing.

In this instance, it is clear that the attempt to expedite supplies into a war zone allowed pricing to be manipulated through a vulnerability in an automated purchasing system that lacked oversight and effective internal controls.

With regard to contract oversight and administration, we reported in a recent audit that Regional Contracting Command-Bagram contracting officials, accepted construction projects that required extensive rework by another contractor. This particular audit looked at 42 contracting actions totaling $1.9 million for construction, and of these 42 contracts, 2 contract files were missing and 40 contract files lacked quality assurance surveillance plans as well as contracting officers' representative designation letters. Contracting personnel further stated that there was often a lack of qualified personnel available to serve as contracting officer representatives.

Examples of rework that was performed included reinstalling sewer lines for latrines and repairing flooring that was improperly installed.

We have also identified many examples of outsourcing inherently governmental functions, which are functions that are so intimately related to the public interest as to mandate performance by government employees in one example regarding controls over what should have been government-issued contractor Common Access Cards, also known as CACs. All DoD employees carry one of these for access and identification. We found that contractors were sponsoring other contractors to obtain these cards. These Common Access Cards are the DoD credential for obtaining physical and logical access worldwide, to include facilities in Southwest Asia.

My office is also engaged in proactive initiatives to improve acquisition and contracting practices. And these include aggressive audit planning for contracts, depot overhaul, maintenance of equipment, and spare parts in support of operations in Iraq and Afghanistan.

We also maintain an active membership on the Panel on Contracting Integrity and we have launched our own fraud indicator

Web site to assist oversight personnel in detecting indicators of potential fraud.

This concludes my opening statement. I thank the committee for this opportunity to testify on contracting and outsourcing within the Department and I would be more than happy to try to answer your questions.

[The statement of Mr. Heddell follows:]

February 26, 2009

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Appropriations

Statement of
Honorable Gordon S. Heddell
Acting Inspector General
Department of Defense

before the
Subcommittee on Defense
Committee on Appropriations
United States House of Representatives

on

"Department of Defense Outsourcing"

Chairman Murtha, Congressman Moran, and distinguished members of the Appropriations Subcommittee on Defense, thank you for the opportunity to appear before you and discuss acquisition and contract outsourcing management challenges. I want to emphasize that the Department of Defense Office of the Inspector General (DoD IG) has been a strong supporter of improving acquisition and contracting processes. We want to ensure that the Department and America's warfighters are provided materiel and services that are safe, superior in performance and quality, sufficient in quantity, and within the timeframes needed by the warfighter while balancing taxpayer concerns.

BACKGROUND

The volume and complexity of DoD purchases have increased due to the additional support needed by the warfighter for Operations Iraqi Freedom and Enduring Freedom and other efforts such as humanitarian assistance/disaster relief for Hurricanes Katrina and Rita. DoD spending on contracts in FY 2008 was about $390 billion, which is more than 2.5 times the $154 billion spent on contracts in FY 2001. This has resulted in efforts to increase the speed of procurements, specifically those intended to meet urgent warfighter needs. As a consequence, some of these efforts have resulted in less prudent contracting practices. Every acquisition dollar that is not wisely spent is a dollar that is not available to fund other top priorities of the Department of Defense.

Effective and efficient contracting has challenged this nation since its founding and such challenges are ever present today given the global nature of DoD operations and the size of our military. Most significantly, the size and skill of the DoD acquisition workforce has not kept pace with the growth of contracting. Historically, contracting challenges show that there were similar contracting concerns related to overpricing, contractor fraud, inadequate goods,

and the lack of Government oversight. For example, in 1777 during the Revolutionary War:

- General Washington wrote of his concern over the exorbitant prices charged by vendors of required goods.[1]
- The Continental Army suffered gravely at the hands of suppliers who engaged in fraudulent practices.[2]
- Contractors provided the Continental forces with barrels of meat that were filled with stones and tree roots and provided other spoiled food rations, such as rancid flour. The contractors also provided Continental forces with gunpowder that had deteriorated, and thus was unusable.

During the Civil War, contractors provided soldiers shoddy supplies, including clothes, blankets, and shoes that would break down after a one day's march or a little rain.

Today, instead of debris-laden barrels of meat, contractors have built inadequate or unusable facilities, provided defective equipment and parts, stolen fuel, bribed contracting officials, grossly overcharged for goods, and failed to deliver products in a timely manner, if at all. Because of the magnitude of the DoD's purchasing power and the global presence of its personnel and resources, we face particular challenges regarding:

- Fair and reasonable pricing;
- Contract oversight and administration; and
- The dangers of outsourcing inherently governmental functions.

As such, since the early 1990s, the OIG and the Government Accountability Office have identified contracting as a high-risk area within DoD. This vulnerability is exacerbated when applied to supporting operations in Iraq and Afghanistan. As we recently testified to the Commission on Wartime Contracting, contract administrators focus primarily on timely mission accomplishment versus ensuring strict adherence to traditional contract administration procedures, many of which are designed to reduce the risk of fraud, waste, corruption, and abuse. When engaging in contingency contracting, administrators may not consider the increased risk from omission of appropriate controls and oversight of contracting practices, as their priority is to provide goods and services as quickly as possible.

Additionally, as discussed in our most recent Semiannual Report to the Congress, the DoD acquisition and contracting communities, in an attempt to manage the large increases in defense spending with a smaller and less capable workforce, have increasingly turned to contractors to fill roles previously performed by Government employees. Therefore, not only are we challenged with executing enormous amounts of contingency contracting, but we must also oversee a large contractor workforce with an acquisition corps that has been systematically reduced in size and capability since 1990.

IG PERSPECTIVES

In 1998, then DoD Inspector General Eleanor Hill testified[3] about our concerns regarding the downsizing of the acquisition workforce and the plan to increase the outsourcing of numerous functions, thus increasing the contract administration workload. Ms. Hill stated that the reductions in the acquisition workforce did not seem to be driven by logical consequence of business reengineering and efficiencies gained, but rather were a reform goal in and of

themselves. She also stated at that time that adjustments to the acquisition workforce should not be driven merely by personnel reduction goals but through management decisions based on sound, reliable, and quantifiable analysis that identify trade-offs in management's decisions.

Another concern voiced by Inspector General Hill in 1998 was the lack of oversight in services contracting, another high-risk area for waste and mismanagement. Services contracts were a growth area in DoD, and would continue to increase because of the expanded emphasis on outsourcing. In FY 1998, about $49 billion was spent on services contracts. However, there were almost no oversight mechanisms for service contracting, and the Office of the Secretary of Defense received little information on how the Department was managing services contracts. We saw no comprehensive efforts by the Department to oversee or manage the growth, costs, profits, or fees for services contracts. In just the last decade, the value of services contracting more than tripled and yet the number of acquisition and oversight staff was essentially flattened. DoD is not currently capable of tracking all of the services contracts as shown in the table below. Without good data, it is difficult to manage services contracts and contracts in general.

Value of Service Contracts and Contracts–FY 2008*

Contract Description	Value of Service Contracts	Total Contracts
All Contracts from FPDS	$ 155.0 Billion	$ 382.5 Billion
JCCI/A from FPDS	$ 42.0 Million	$ 7.5 Billion**

* The chart does not include data for interagency actions for FY 2008. In the Panel on Contracting Integrity Report to Congress for 2008, DoD reported, using Federal Procurement Data System (FPDS) data, that it spent $13.0 billion on interagency actions in 2007. However, DoD could not provide data for 2008.

** Data was manually loaded from Joint Contracting Command Iraq/Afghanistan (JCCI/A) into the FPDS for FY 2008. In the manual loading, 99.4 % was coded as miscellaneous. As a result, the amount shown for services is not reliable.

DoD IG CONTRACT OVERSIGHT EFFORTS

Through our reviews of the Department's contracting practices, we have continuously identified problems with the pricing of awarded contracts and the subsequent oversight of these contracts after award. Improper oversight often leaves the door open for fraud and other criminal activities, which continue to become more complex in nature. In addition, the Department also faces the challenge of distinguishing what work is inherently governmental. We have provided several examples of work that we have recently conducted in these areas, which shows our on-going commitment in mitigating the vulnerabilities we have identified within the acquisition and contracting arenas.

FAIR AND REASONABLE PRICING

Recent work shows that contracting officials have used inappropriate contracting approaches, ignored acquisition regulations, or used ineffective pricing tools resulting in prices that could not always be determined to be fair and reasonable. Below are a few specific examples.

Mine Resistant Ambush Protection Vehicles. In our report on the Procurement and Delivery of Joint Service Armor Protected Vehicles,[4] we found that the Marine Corps Systems Command did not properly determine that contract prices were fair and reasonable when they awarded nine firm fixed price contracts for Mine Resistant Ambush Protected (MRAP) vehicles. As of June 30, 2008, the contracts were valued at $9.1 billion. Contracting officials relied on competition as the basis for price reasonableness even though the awards were made for dissimilar vehicles with a wide range of prices.

For example, for Category I vehicles, the prices ranged from $306,000 to $1,089,000. The current lead contracting officer could not explain how the price

evaluation team concluded that prices were fair and reasonable. For $1.2 billion of non-vehicle items, we found no corresponding independent government cost estimates for evaluation. The Marine Corps also did not obtain volume pricing discounts from two contractors for orders in excess of 1,500 vehicles.

We estimated that for one contractor there was about $45 million in lost potential savings because of a failure to obtain volume discounts similar to other contractors. One contractor self-initiated price reductions and quantity discounts in 2007. While seemingly laudable, what this voluntary reduction indicated was that the initial prices may have been inflated. We believe the best approach would have been to use the Truth in Negotiations Act to obtain cost or pricing data and ensure fair and reasonable prices.

We concluded that the contracting officials did not adequately evaluate prices during source selection. As a result, the Marine Corps had no assurance that prices paid were fair and reasonable and likely paid more than it should have for the vehicles. Marine Corps officials disagreed with our conclusions related to MRAP contract prices. However, the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, agreed with our conclusions that Marine Corps officials did not properly determine that MRAP contract prices were fair and reasonable and that quantity discounts should have been sought. We also reported positive news; we complimented the Marine Corps because they took effective actions to accelerate delivery of MRAP vehicles and addressed materiel shortfalls. In addition, the Army and Marine Corps developed MRAP requirements based on theatre commander assessments.

Expeditionary Fire Support System and Internally Transportable Vehicle. In an audit of the procurement of the Expeditionary Fire Support System

and Internally Transportable Vehicle,[5] contracting officials did not award the contract in accordance with the Federal Acquisition Regulation. As of July 2008, the contract was valued at $108 million. However, there was no basis to assess the profit or fee negotiated or that fair and reasonable pricing occurred. Since contract award, the average unit cost has increased by 86 percent ($579,000 to $1,077,000) for the Fire Support System and 120 percent ($95,000 to $209,000) for the Internally Transportable Vehicle. Also, the scheduled delivery has slipped by 22 months for the Fire Support System and 17 months for the Internally Transportable Vehicle. Further, the Expeditionary Fire Support System and Internally Transportable Vehicles were misclassified as non-developmental items when major modifications were needed. Also, source selection personnel did not adequately document and disclose all technical criteria in the solicitation and did not prepare a price negotiation memorandum. Finally, the Marine Corps could not locate a business clearance memorandum, which could meet the requirements for a price negotiation memorandum. We recommended that Marine Corps contracting officers be provided training on their authority and responsibility and that the Assistant Secretary of the Navy (Research, Development, and Acquisition) perform an accountability review of the contracting officer's performance in awarding the contract. The Assistant Secretary agreed with the recommendations.

Public Relations Services. The OIG audit of the America Supports You Program[6] identified a fundamental lack of segregation of duties in the contracting process, poor contract oversight, and contract prices that were not fair and reasonable. The Deputy Assistant Secretary of Defense for Internal Communication and Public Liaison was responsible for:

- Establishing funding for a Public Affairs support contract;
- Recommending award of the contract to one contractor;

- Overseeing the Contracting Officer's Representatives for the contract;
- Reviewing the contractor's invoices; and
- Approving payments to the contractor.

The absolute control of the contracting process by one individual resulted in the Department not obtaining the services needed at a fair and reasonable price. From FY 2005 to FY 2007, DoD spent $8.8 million on 6 contracts for public relations services from one contractor. The contracts provided annual rates of payment for managers/executives from $312,821 to $662,691 to perform public relations efforts. In addition, the contractor was reimbursed for $17,345 for duplicate and unallowable charges for such items as liquor, first class airfare, and lodging costs of $547 per night. The Department planned to cancel the $15.3 million contract awarded in 2008. The Under Secretary of Defense (Comptroller)/DoD Chief Financial Officer and the Assistant Secretary of Defense for Public Affairs agreed with the report findings.

Spare Parts. The OIG identified in an audit that contractors' uses of unique contracting approaches also caused pricing problems.[7] When sole-source manufacturers use an exclusive distributor for sales of its parts to the Department of Defense, they put contracting officials in the position of being unable to effectively negotiate prices or obtain best value for noncompetitive spare parts. In some cases, the contracting officer did not perform price reasonableness determinations. In other cases, the contracting officer relied on ineffective tools such as price analysis and cost analysis of dealer costs for price reasonableness determinations. As a result, DoD paid about $3 million more than fair and reasonable for 33 parts that cost about $6.9 million. Some of the specific examples we found of questionable pricing follow. The example descriptions are vague so that we do not disclose proprietary data:

- For 25 parts, the Defense Logistics Agency paid 550.7 percent more than we determined fair and reasonable (paid $2,723.93 per part instead of our fair and reasonable price of $418.63).
- For 353 parts, the Defense Logistics Agency paid 224.3 percent more than we determined fair and reasonable (paid $977.37 per part instead of our fair and reasonable price of $301.38).
- For 30 parts, the Defense Logistics Agency paid 154.6 percent more than we determined fair and reasonable (paid $1,839.10 per part instead of our fair and reasonable price of $722.32).

The Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense for Acquisition, Technology and Logistics, agreed that the Department needs to improve pricing techniques and controls for determining fair and reasonable prices with distributors.

Criminal Investigation Examples of Pricing Problems. The most notorious case investigated by the Defense Criminal Investigative Service (DCIS) involved C&D Distributors, LLC, a company owned by twin sisters that, beginning in 1997 and continuing into 2006, submitted electronic bids to the Department to supply small hardware components, plumbing fixtures, electronic equipment, and other items. Along with the cost of the items sold, C&D made claims for shipping costs, which were processed automatically to streamline the resupply of items to combat troops in Iraq and Afghanistan. The fictitious shipping costs ranged into the hundreds of thousands of dollars, despite the fact that the value of the items shipped rarely exceeded $100. In the final transaction before the scheme was discovered, C&D billed the Department $998,798.38 to ship two flat washers that cost $0.19 each. Over the course of the conspiracy, the defendants obtained approximately $20.6 million in fraudulent shipping costs.

The money was used to purchase beach houses, high-end automobiles, boats, jewelry, vacations, and other items. The surviving sister and the company pled guilty and are pending sentencing. In this instance, it is clear that the attempt to expedite supplies into a war zone allowed pricing to be manipulated fraudulently through an automated purchasing system that lacked effective internal controls.

American President Lines (APL) recently reached a settlement with the Department of Justice and agreed to pay $26.1 million to settle allegations that the company overcharged and double billed the Department for transportation of containers from ports to inland delivery destinations in Iraq and Afghanistan. The investigation was initiated based upon a Qui Tam lawsuit alleging that APL systematically billed the Surface Deployment and Distribution Command for transportation related charges that should have already been covered by the assessorial rate being paid under two DoD contracts. An analysis of the records obtained via Inspector General subpoenas provided evidence to substantiate the allegations of cost mischarging on the part of APL.

Also, DCIS investigated allegations of labor mismanagement by ITT Federal Services (ITT) in 2008. It was alleged that ITT billed excessive labor hours against work orders for basic service level repair and ordered excessive replacement parts. The investigation revealed that the contract authorized ITT to bill for a 6-day work week at 12 hours per day for the entire work force without regard for the actual amount of work being done. The lack of oversight on the management of the contract and ITT work force was primarily attributed to two factors: the absence of an administrative contracting officer for more than a year at Camp As Sayliyah, Qatar, and the failure of the contracting officer's representative to effectively perform his duties.

CONTRACT OVERSIGHT AND ADMINISTRATION

Maintaining public support for Defense programs requires good contract oversight and prompt identification of any problems. During the Truman Commission hearings, then Senator Harry Truman indicated, "I have had considerable experience in letting public contracts and I have never yet found a contractor who, if not watched, would not leave the government holding the bag. We are not doing him a favor if we do not watch him." Senator Truman's concerns on oversight resonate today.

Contract oversight and administration are especially important on cost-type contracts. In addition, the increased use of contractors and service contracts has heightened the need for close surveillance on contracts. With more reliance on contractors, it is important to clearly draw the line between Government activity and contractor activity and ensure that contractors do not have undue influence on the decision-making process. As noted earlier, in 2008, contracting for services reached approximately $155 billion. Also, cost-type contracting in recent years accounted for about a third of DoD spending and became more prominent because of the uncertainties associated with expeditionary contracting for the Global War on Terrorism and Hurricanes Katrina and Rita. Lack of adequate oversight and surveillance has led to waste and abuse on DoD contracts.

Inadequate contract oversight on services contracts overseas and in the United States has been a recurring problem identified in reports issued by my office, the Government Accountability Office, and the Service audit agencies as well as the subject of Congressional testimony. The following are a few sample findings.

Hurricane Relief Services. Our recently issued audit report on Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract (CONCAP)[8]

identified that Navy contracting officials did not effectively implement cost control procedures for three CONCAP contract task orders issued to a contractor for recovery efforts associated with Hurricanes Ivan and Katrina. As a result, the Navy had no means to measure contractor cost performance on task orders totaling more than $229 million and was instead monitoring the contractor's spend rate.

In addition, the Navy contracting officials provided insufficient oversight of the contractor's subcontracting efforts for the three task orders. The contracting officials decided not to review the contractor's analysis of subcontractor prices because the contractor had an approved purchasing system. Navy officials thought that any problems with subcontract pricing would be uncovered by the Defense Contract Audit Agency (DCAA) during its cost incurred audits. Unfortunately, the contractor waited until after the storms before soliciting for proposals to perform the tasks the Navy requested. At that point, the supply and demand for contracting was out of balance, and there was also intense political, public, and operational pressure to restore lost capabilities and to stabilize damaged buildings to prevent further damage. As a result, demand for the labor and material needed to perform the repairs was at its peak and the contractor awarded sole-source or limited competition subcontracts that paid roofers excessive hourly rates. In another example, the contractor was paid $540 monthly per employee for cell phones. The contractor also purchased $4.1 million of meals and services that "should have" cost $1.7 million, and paid a markup on material and equipment of $7.2 million that increased proportionally to increases in material costs expended in performance. This type of contracting, a cost-plus-percentage-of-cost system of contracting, is prohibited by statute. We also identified about $8.2 million in unreasonable leases and material markups that should be recovered.

The Navy generally agreed with the report recommendations, reengineered its approach to contracting for emergency construction, and instituted controls in a

new contingency contract. The Navy also suspended payments to the contractor and was working with DCAA to determine the amount to recover from the contractor.

Wireless Local Area Network Services. The OIG reported that during the procurement of the Air Force Second Generation Wireless Local Area Network,[9] the contracting officer potentially limited competition by not defining the scope of work, and accepted supplies and services valued at $38.1 million without quality or quantity inspection by a Government representative. The contract, awarded as a firm-fixed price contract, was valued at $144 million in 2008. However, it operated as a cost-type time and materials contract, which placed all risk on the Department. Each Air Force site had an initial cost estimate for installation, but the contractor was paid for all costs to install the wireless network. At McConnell Air Force Base, the initial cost estimate was $1.23 million, but cost $1.54 million, or 25 percent more.

We determined that the contracting officer did not appoint a contracting officer representative or develop a quality assurance surveillance plan. The contracting officer signed acceptance forms that did not show a detailed list of supplies and services, but only showed contract line item, name, and amount. Thus, we paid for items without details of what was purchased. The contracting officer also allowed five contractor personnel (different contractor) at the project management office to function as the contracting officer representatives. The contractor personnel performed inherently governmental functions by making recommendations and observations, and preparing documents about how the contractor for the Second Generation Wireless Local Area Network performed. The contracting officer also allowed the contractor to bill a flat rate for a rental car for every contractor employee. At Patrick Air Force Base, the Air Force was

billed for a rental car for each of 14 contractor employees for about two months. We questioned about $800,000 in contractor travel cost billings.

The Director, Defense Procurement and Acquisition Policy agreed with our report conclusions and stated that the contracting chain did not provide adequate oversight nor checks and balances in the acquisition process.

Construction Support Services. The OIG reported[10] that the Regional Contracting Command-Bagram contracting officials accepted construction projects that required extensive rework by another contractor to be usable. The audit looked at 42 contracting actions for $1.9 million of construction. Two contract files were missing and 40 contract files lacked quality assurance surveillance plans and contracting officer's representative designation letters. The contracting personnel stated there was often a lack of qualified personnel available to serve as contracting officer representatives. Examples of rework performed include rewiring of troop housing units, reinstalling sewer lines for latrines, and repairing flooring that was installed improperly.

Capital and Direct Medical Education Overpayments. The OIG Contract Audit Followup Division, which reviews contracting officer actions taken in response to DCAA reports, determined that a TRICARE contracting officer used inappropriate contracting approaches and did not comply with the Federal Acquisition Regulation when he awarded a sole-source contract to identify Capital and Direct Medical Education overpayments.[11] The contracting officer failed to justify the contract award and did not properly consider overpayments that the DCAA had already identified, resulting in TRICARE paying unnecessary fees of up to $4.7 million. The TRICARE agreed to cancel the follow-on contract and instead use the DCAA to identify the overpayments at no additional cost to the DoD, resulting in estimated savings of between $7.5 and $10 million.

Navy Actions on Questioned and Unresolved Costs. Our Contract Audit Follow-up team also found that a contracting officer at the Navy's Shipbuilding and Repair facility in Groton, Connecticut, had violated the Federal Acquisition Regulation and DoD policy when she established final indirect rates before taking final action on $94 million in DCAA questioned and unresolved costs.[12] The same contracting officer improperly used prior-year sustention rates (representing the percentage of prior-year questioned costs agreed to by the contracting officer) to negotiate $1.6 million in DCAA-questioned costs instead of addressing the current-year questioned costs as required. We recommended that the Navy discontinue the use of these practices.

Improper Advance Agreement. Our Contract Audit Follow-up team determined that a Defense Contract Management Agency (DCMA) contracting officer had improperly entered into advance agreement to reimburse $950,000 in unallowable legal settlement costs to a contractor.[13] The contracting officer reimbursed the legal settlement costs despite receiving opinions from a DCMA attorney and the DCAA stating that the costs were unallowable in accordance with the Federal Acquisition Regulation. We recommended that DCMA recoup the $950,000 and prepare guidelines for entering into advance agreements that comply with regulations.

Maintenance Support Services. The Naval Audit Service reported[14] that ten time and material and labor-hour contracts at the Naval Air Systems Command either lacked quality assurance surveillance plans or documentation that surveillance had occurred. As a result, the Navy could not demonstrate that it received the $57 million of naval aeronautical support services in accordance with the contract. The Navy initiated corrective action in response to the report.

Engineering Support Services. The Air Force Audit Agency identified in a report[15] that there was inadequate contract surveillance and quality assurance on seven task orders performed in Iraq. The DCMA performed contract surveillance for the Air Force on the task orders. The task orders were for services such as engineering support and power productions. For six task orders, the quality assurance person did not have a copy of the task order. For three task orders, the commander did not appoint a Quality Assurance person to monitor contractor performance for at least 3 months after the task orders were awarded. The Air Force initiated corrective action in response to the report.

Logistics Support Services. The Army Audit Agency identified[16] that on a logistics support contract, contractor invoices were not adequately reviewed and validated before payment. The logistics personnel reviewing the invoices requested the contractor to provide supporting documentation for the invoices. The contractor did not comply. The Contracting Office did not respond to requests from the logistics personnel to request contractor documentation. Consequently, the invoices were paid without supporting documentation. The Army auditors identified $4.5 million in questionable costs and $432,000 in nonallowable costs. In response to the report, the Army Contracting Agency agreed to request the DCAA to review the contractor billing rates and to obtain the supporting documentation required to substantiate contractor invoices before payment.

Testing Requirements for Body Armor. We reported that First Article Testing for body armor purchased on Army Contract W91CRB-04-D-0040 was not consistently conducted or scored in accordance with the contract terms, conditions, and specifications.[17] During 21 first article tests conducted for the contract, the testing facility officials did not follow the contract purchase description and test plan requirements for fair shot determination, back face

deformation measurement, or plate size. Also Program Executive Office Soldier scoring officials had the opportunity to select certain plates for scoring while disregarding others. For three first article tests the contractor passed, the selection of certain plates for scoring resulted in the contractor passing the first article test when otherwise the contractor would have failed. We could not make a determination on a fourth test because of insufficient test data. For example, during one test, the Program Executive Office Soldier scoring official disregarded the results on a medium plate and instead scored an extra large plate. Had the scoring official scored the original medium plate that had a partial penetration on the first shot and complete penetration on the second shot, the contractor would have failed the first article test. We believe a Government representative should be present during the testing process to ensure the test plans are followed. However, we determined that a Program Executive Office Soldier official was only present during 4 of the 21 first article tests for the contract.

The Secretary of the Army agreed to identify and collect the ballistic inserts related to the questionable first article tests. The Secretary wanted to ensure that there can be no questions concerning the effectiveness of every soldier's body armor. The Army also stated that since June 2008, there has been a requirement for Government representation at all first article and lot acceptance testing. Also a three-tier scoring methodology was implemented in October 2008 to ensure scoring accuracy.

The Army and the U.S. Special Operations Command independently developed first article testing criteria for body armor ballistic inserts. The testing criteria differed significantly in the number of plates tested, the shot pattern, the environmental conditions, the type of tests and pass or fail guidelines. For example, the Army requires the contractor to submit 25 plates for first article testing and the Special Operations Command requires the contractor to submit 146

plates for Generation III first article testing. Based on testing results, the Special Operations Command can require submission of up to 480 plates for testing. With varied test criteria, DoD does not have assurance that its body armor provides a standard level of protection. The Director, Operational Test and Evaluation, agreed to shape a future test operations procedure for body armor that the DoD will use.

Criminal Investigation Examples of Contract Oversight and Administration. In the well-reported case of John Cockerham, the former Army major admitted to participating in a complex bribery and money laundering scheme while deployed to Kuwait. Throughout 2004 and 2005, Cockerham was responsible for awarding contracts for services to be delivered to troops in Iraq, to include bottled water contracts worth millions of dollars. By the time investigators became aware of Cockerham's illicit activities as a spin-off of another investigation, he had received or was promised more than $9 million in bribes in return for awarding contracts. The enterprise grew to involve over 30 people and implicated approximately 900 contracts and blanket purchase orders for all manners of goods and services. Clearly, better oversight of contracting officers and effective management and control of contract awards would likely have exposed such blatant corruption and contract exploitation.

In 2008, a former Kellogg, Brown, & Root (KBR) employee who worked in Afghanistan was sentenced to 26 months in prison and $216,000 in restitution for conspiring to receive bribes, making false statements, and filing false claims. KBR had a contract to provide support services to the U.S. Army at Bagram Airfield in Afghanistan, including unloading truckloads of jet fuel delivered by drivers hired by Red Star Enterprises. Certain KBR employees conspired to accept payments from drivers, who were selling their fuel to parties outside the airfield, in return for providing the drivers with false documents showing that the

truckloads of fuel had been delivered to the airfield. The defendant admitted to receiving bribes from several drivers in return for falsifying their paperwork. According to the indictment, more than 80 truckloads of fuel were diverted for sale outside the airfield between May and September 2006, involving more than 784,000 gallons of fuel valued at more than $2.1 million. Apparently, no oversight mechanism was in place to monitor and verify fuel deliveries, allowing such an extensive and overt theft of contracted material.

Finally, U.S. Army Major Theresa Baker was involved in two bribery schemes impacting DoD contracts in Iraq. In December 2008, she pleaded guilty to two counts of bribery and two counts of conspiracy. Baker received money and other items in return for providing sensitive contract information and fraudulently awarding contracts to the contractor. Baker also canceled contracts that were awarded to third-party contractors and fraudulently re-awarded them to the contractor. She then authorized the contractor to receive payments, which totaled more than $700,000, despite the fact that no goods were delivered nor any services performed. As with Cockerham, it is highly likely that such blatant graft and contract manipulation would have been discovered by proactive oversight efforts in its early stages.

INHERENTLY GOVERNMENTAL FUNCTIONS

The extensive reliance on the contractor support workforce has led to instances where contractors are performing inherently governmental functions. The Federal Acquisition Regulation defines inherently governmental as a function that is so intimately related to the public interest as to mandate performance by Government employees. These functions include activities that require either the exercise of discretion in applying Government authority, or the use of value judgments in making decisions for the Government. Additionally, these functions

involve interpretation and execution of the laws of the United States so as to bind it to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise. Examples include determining what services to order, administering contracts, and performing investigations.

Wireless Local Area Network Services. As previously mentioned, we identified that contractor personnel were used as contracting officer representatives for the Air Force Second Generation Wireless Local Area Network contract. We believe the interests of taxpayers are not protected when we have one contractor monitoring another contractor. During the same audit, we identified a potential Anti-Deficiency Act violation and, in a "For Official Use Only" draft report,[18] recommended that the Air Force perform a preliminary investigation to determine if a statutory funding violation occurred. The Air Force Materiel Command provided our draft report to a contractor and directed the contractor to perform the investigation. Contractors that perform an investigation of a potential violation of statute clearly breach the principles of inherently governmental functions. We requested that the Air Force terminate the contract for the investigation.

Insourcing Guidance. In July 2008, we completed a review of DoD Guidelines on considering civilians for new and contracted functions.[19] The review was mandatory by Section 324 of the National Defense Authorization Act for FY 2008. We believe that Section 324 provides the Department the flexibility to better manage its workforce and reduce costs.

The Deputy Secretary of Defense issued guidelines, and the Services are issuing supplemental guidance, on insourcing new and contracted functions. The statute[20] and DoD guidance permits insourcing of work that is performed by a contractor and:

- Has been performed by DoD civilian employees at any time during the previous 10 years;
- Is a function closely associated with the performance of an inherently governmental function;
- Has been performed pursuant to a contract awarded on a non-competitive basis; or
- Has been performed poorly, as determined by a contracting officer during the past 5 year period preceding the date of such determination because of excessive costs or inferior quality.

Our report captured some initial successful efforts in the renewed insourcing effort within DoD, which also included potential savings to the DoD. For example, as we stated in our report, the Army identified where actions were taken to insource 99 contractor positions to ensure inherently governmental functions are performed by Government personnel. In addition, for conversions to insourcing the function, the Army calculated that this action would save $4.8 million initially and $34.3 million by 2015.

Contractor Common Access Cards. Contractor common access cards permit contractor personnel access to Department installations, resources, and sensitive information. Our report on the contractor common access cards[21] identified that contractors could become Government sponsors and sponsors who left Government service may have been approving contractors to obtain common access cards. Once this was identified, the Department took action to ensure that contractors were no longer Government sponsors. We also determined that Government sponsors could not document the affiliation of an estimated 33,000 cards to a contract and did not have the card expiration linked to contract completion for an estimated 35,000 cards.

Also, Government sponsors approved an estimated 39,000 contractor employees for a common access card without verifying that required background checks had been initiated or completed. We also reported that about 40,000 contractors had common access cards that identified contractor personnel as having a government general schedule pay grade. Further, about 212,000 contractor personnel had email addresses that misclassified the contractor personnel as U.S. Government personnel. This misidentification is a potential security risk because contractors could misrepresent themselves both in person and on DoD networks to improperly obtain sensitive information. The DoD agreed with the report and was implementing corrective actions. However, the DoD did not provide an acceptable solution for the problem of contractors with improper DoD email addresses and we requested additional comments.

Inadequate controls have allowed contractors to use common access cards to steal DoD property. As previously stated, a DoD contractor used common access cards to gain access to the fuel locations and stole 10 million gallons of fuel in Iraq. The contractor obtained the common access cards by falsely representing to the U.S. Army that the drivers and escorts were employees of a DoD contractor when in reality, the individuals were not employees of any DoD contractor. Controls must be in place to ensure that common access cards cannot be used as a means to steal assets from DoD. Our continuing series of reviews of the controls in place over common access cards will help mitigate risks to the DoD.

ONGOING INITIATIVES

We are actively involved in aggressive audit planning for contracts in Southwest Asia and the DoD depots in the U.S. that support operations in Iraq and Afghanistan. We are also a member of the Panel on Contracting Integrity, and chair its subcommittee on Procurement Fraud Indicators. Further, our efforts also

include launching our fraud indicator website to assist oversight personnel in detecting indicators of potential fraud. The following highlight a few of our ongoing efforts.

Comprehensive Audit Plans for Southwest Asia. In November 2008, the OIG, working with its Southwest Asia Joint Planning Group, facilitated the most recent compilation and issuance of the Comprehensive Audit Plan for Southwest Asia, as required by the FY 2008 National Defense Authorization Act (P.L. 110-181) Section 842, "Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan." The plan includes audits of contracts and task orders for the logistical support of coalition forces in Iraq and Afghanistan. We have expanded the plan beyond the statutory mandate to show all the oversight work for Iraq, Afghanistan, and Southwest Asia in key issue areas such as financial management, systems contracts, and human capital for contract administration. The Plan includes the individual audit plans of the Inspectors General of the Department of Defense, Department of State, and the U.S. Agency for International Development; and the Special Inspector General for Iraq Reconstruction. It also includes the planned audit work of the Army Audit Agency, Naval Audit Service, Air Force Audit Agency, and DCAA. In total, the Plan contains over 650 planned or ongoing oversight projects that support the DoD efforts in Iraq, Afghanistan, and Southwest Asia. This includes audit work done at depots and other U.S. military installations in support of DoD Southwest Asia efforts.

Audit Plan for Spare Part Purchases and Depot Overhaul. The FY 2009 National Defense Authorization Act (P.L. 110-417) Section 852, "Comprehensive Audit of Spare Parts Purchases and Depot Overhaul and Maintenance of Equipment for Operations in Iraq and Afghanistan," requires a comprehensive plan for a series of audits related to contracts and task orders for

depot overhaul and maintenance of equipment for the military in Iraq and Afghanistan and spare parts for military equipment used in Iraq and Afghanistan. The statute requires the Army Audit Agency, Naval Audit Service, and Air Force Audit Agency, in coordination with the OIG, to develop the plan to audit equipment, maintenance, and spare parts. We are actively developing this plan with the Service Audit Chiefs.

Panel on Contracting Integrity. Section 813 of the John Warner National Defense Authorization Act for FY 2007 directed the Department of Defense to convene a panel of senior leaders, chaired by the Deputy Under Secretary of Defense for Acquisition, Technology and Logistics, to conduct reviews of DoD progress in eliminating vulnerabilities in the Defense contracting systems that allow fraud, waste, and abuse and affect Operations Iraqi and Enduring Freedom. The Panel established ten subcommittees to support the review of contracting integrity issues: current structure of contracting integrity, sustained senior leadership, capable contracting workforce, adequate pricing, appropriate contracting approaches and techniques, sufficient contract surveillance, contracting integrity in a combat/contingent environment, procurement fraud indicators, contractor employee conflicts of interest, and recommendations for change. The DoD IG representative is a member of the overall Panel on Contracting Integrity, a member of the subcommittee on Adequate Pricing, and is Chairperson of the Procurement Fraud Indicators subcommittee. The Panel identified 21 actions in FY 2008 to improve contracting processes and completed 20 of these actions during the calendar year. The Panel identified an additional 28 for implementation in calendar year 2009.

Fraud Indicators Website. In October 2008, we launched our "Fraud Indicators in Procurement and Other Defense Activities" website. The website is intended to be used by DoD auditors and others to assist in detecting fraud. The

website contains information related to fraud guidance, statistics, and resources; and best practices for auditors. In addition, the website has 40 scenarios and indicators in 10 major topic areas such as contracting/procurement, healthcare, base allowance and housing, and in-theater operations. To date, the website had nearly 6,500 viewers and can be found on our Internet website at http://www.dodig.mil/Inspections/APO/fraud/Index.htm.

CLOSING COMMENTS

Again, thank you for inviting us back to testify on contracting and outsourcing within the Department. Thanks to this Committee's support, we are dedicating more resources to provide oversight to tighten controls, strengthen processes, and expand our efforts in all of Southwest Asia. We will continue to work with U.S. law enforcement agencies to identify potential criminal activity for investigation and prosecution. We will also continue to work with the Department's leaders and Congress to correct systemic issues that undermine the Department's ability to effectively mitigate contract risks.

[1] *Writings of George Washington*, Government Printing Office, 1993, as cited in *History of Government Contracting*, Nagle, 1999.
[2] *History of Government Contracting*, p19, Nagle, 1999.
[3] Testimony before the Subcommittee on Acquisition and Technology, Committee on Armed Services, United States Senate, March 18, 1998, on Acquisition Reform.
[4] OIG, D-2009-046, "Procurement and Delivery of Joint Service Armor Protected Vehicles," January 29, 2009.
[5] OIG, D-2009-041, "Expeditionary Fire Support System and Internally Transportable Vehicle Programs," January 14, 2009.
[6] OIG, D-2009-032, "The America Supports You Program," December 12, 2008.
[7] OIG, D-2008-048, "Procuring Noncompetitive Spare Parts Through an Exclusive Distributor," February 6, 2008.
[8] OIG, D-2008-097, "Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract," May 23, 2008.
[9] OIG, D-2009-036, "Acquisition of the Air Force Second General Wireless Local Area Network," January 16, 2009.
[10] OIG, D-2008-119, "Construction Contracting Procedures Implemented by the Joint Contracting Command-Iraq/Afghanistan," September 29, 2008.
[11] OIG, D-2007-6-002, "TRICARE Contract Award for the Audit of Capital and Direct Medical Education Costs," October 11, 2006.
[12] OIG, D-2008-6-005, "Report of Actions on Incurred Cost Audits by the Supervisor of Shipbuilding, Conversion, and Repair, Groton, Connecticut," May 5, 2008.
[13] OIG, D-2007-6-010, "Reimbursement of Settlement Costs at Defense Contract Management Agency, Melbourne," September 28, 2007.
[14] Naval Audit Service Report N2008-0048, "Administration of Contracts with Labor Hours at Selected Naval Air Systems Command Activities," September 5, 2008.
[15] Air Force Audit Agency Report, F2008-0006-FC1000, "Air Force Contract Augmentation," June 9, 2008.
[16] A-2008-0151-ALO, "Logistics Support Contract, Fort Carson, Colorado," June 13, 2008.
[17] OIG, D-2009-047, "DoD Testing Requirements for Body Armor," January 29, 2009
[18] OIG, D-2009-036, "Acquisition of the Air Force Second Generation Wireless Local Area Network," January 16, 2009.
[19] OIG, D-2008-111, "DoD IG Report to Congress on Section 324 of the National Defense Authorization Act for Fiscal Year 2008, Review of DoD Guidelines on Considering Civilians for New and Contracted Functions," July 23, 2008.
[20] Chapter 146 of Title 10, United States Code §2463.
[21] OIG, D-2009-005, "Controls Over the Contractor Common Access Card Life Cycle," October 10, 2008.

Mr. MORAN. Well, thank you very much, Mr. Inspector General. I appreciate your testimony. I appreciate the work that you have done.

I was concerned in your more extensive testimony about the MRAPs. I saw that it appeared that we have paid for the same vehicle very substantially different amounts; for example, it has ranged from about $300,000 to over $1 million. Is this truly for the same vehicle, the difference in prices that we have been charged?

Mr. HEDDELL. Well, Mr. Chairman, there are a variety of vehicles that we have contracted for, and it is a little more complex than simply saying it was one particular kind of vehicle. In fact, that actually in a way is the problem, in that when the contracting process itself frequently ignored in this particular case the type of vehicle that we were contracting for. So you may have had, let us say hypothetically, five or six different kinds of vehicles, and we were just looking at whatever price the company was offering that vehicle for without regard to it being one specific kind of vehicle.

Mr. MORAN. Well, at one point it looks like the Marine Corps purchased 1,500 MRAPs and yet never asked for a quantity discount; paid exactly the same price as if they had ordered one individual vehicle. That is the kind of thing I was getting at. Is that what you have determined?

Mr. HEDDELL. Absolutely. In fact, with regard to the audit, one of two audits that we did regarding the MRAP, there was one instance involving nine different contracts. There were two problems with these contracts. One is that we never obtained the underlying pricing data in order to determine what a fair and reasonable price would be. The second problem is what you alluded to, and that is that we never asked for volume discounts from one contractor. And clearly in hindsight, we realize that those would have been available had they been asked for, and we know that in one case we very likely would have saved had we asked for the volume discount. We would have saved at least $45 million on that one particular contract.

Now, the two contracts that you are actually alluding to involved contracts that exceeded the maximum of 1,500 vehicles to be purchased in each of those. And the Marine Corps exceeded that in one case by 300 to 400 vehicles and in another case by as many as 2,800, and should have in fact, absolutely should have asked for a volume discount, but did not. So we do not believe that the Marine Corps has any assurance that the prices that they paid for those vehicles were fair and reasonable.

Mr. MORAN. There is just no particular relation between price and cost?

Mr. HEDDELL. That is correct.

Mr. MORAN. They are pricing whatever they can get away with.

Mr. DICKS. Mr. Chairman, on that point, was there a competition here? No competition?

Mr. HEDDELL. Competition in the sense that the vehicles that were offered for sale were different kinds of vehicles in that—for instance, let me put it in U.S. terms. Ford, Chevrolet, a Honda, a Saturn, and they were all different makes and models, and we

viewed those as one specific kind of vehicle without regard to model and the bells and whistles and whatever happened to be the best price; we looked at it as if it was all for the same vehicle. We didn't go to the trouble to obtain what we would call the underlying pricing data. For instance, we didn't know what it cost these companies to build those vehicles so that we knew where our foundation starting point was.

Mr. DICKS. If I could just follow up. What I was trying to get to, was there a competition by the services, the Marines or the Army, amongst various companies to build the MRAPs? Was this sole source?

Mr. HEDDELL. This was not sole source. There were five contractors that were bidding for these contracts. There ended up being nine contracts altogether. Am I correct on that, Mary?

Ms. UGONE. Yes.

[The information follows:]

The contracts were not sole-source. Nine contractors submitted proposals (bids), and nine contracts were awarded. Subsequent to contract awards, 2 contracts were terminated because their vehicles did not pass testing. In addition, the Government decided not to order additional vehicles from another contractor due to unfavorable automotive and human factors; and one other contractor could not meet contractual obligations and therefore was terminated. As a result, five contractors remained in the competition and are producing MRAP vehicles.

COMMON ACCESS CARDS

Mr. MORAN. Mr. Dicks, I think I will reclaim my time, because I would like for you to pursue that further. I think this is an important issue.

I wanted to raise one other issue and then turn it over to Mr. Young, and that is the matter of common access cards. People get cards that give them access to military bases and to Federal agencies. So this is a very important matter of security. But from what I understood from your report, these cards are issued by contractors, not by Federal Government personnel. And they determine who they issue them to and generally they issue them to employees of the same contracting firm first. So if we are looking at security on military bases and the like, it seems to me we could be compromising our security if the determination of who gets access is made by a contractor and not by the Federal Government.

Now, am I misreading this, or would you explain it further, Mr. Heddell?

Mr. HEDDELL. Let me clarify that, Congressman Moran, because we are very concerned about this and we have spoken with the Department about it. But let me clarify it a little bit and give a little bit of background here.

The Common Access Card and what we are talking now about is the contractor Common Access Card. This goes back to HSPD–12, the Homeland Security Presidential Directive, that established a mandatory government-wide standard for secure and reliable Federal identification. And out of that requirement, the Department came up with this card. And it began issuing these back in October of 2006. The Common Access Card is the Department's credential for obtaining physical and logistical access worldwide, not to mention—and also that includes southwest Asia, not to mention the fact that you can get Internet information access with it also.

It gives a person access to installations and to services such as dining facilities, welfare and recreation facilities, and various military exchanges around the world. It also, as I said, can give access on the Internet.

[The information follows:]

Common Access Cards were not created in response to HSPD–12, but were in use prior to the issuance of HSPD–12. However, a new generation of HSPD–12-compliant Common Access Card was issued by the Department beginning in October 2006, after the new requirement was established.

Now, what is significant about all of this is that as services are outsourced in these contracts, contractors who have a validated need to have access to our facilities, they apply for these. A government official, a government-employed official is responsible for overseeing the application and approving the application, and then the card is issued to the particular contractor.

Now, if these cards are not properly processed, if they are not controlled throughout their life cycle, they pose a potential national security risk, and that is why we are concerned about it. And what we have found in the work that we are doing—and we have done one audit which I can tell you about this morning and we are in the process of doing an additional audit, because we are so concerned about this—there are several things we found. But one thing we found is that in one instance, 303 out of about 10,000 Common Access Card sponsors, in other words, the government employees—they are supposed to be government employees that issue these—303 of the sponsors were in fact contractors who had the authority to issue these cards. So we found that when we looked at a sample of about 10,000. That means that these 303 contractors had the authority to issue these cards to other contractors, violating what is essentially an inherently governmental function and creating a national security vulnerability. We did inform the Department and they did deactivate these 303 accounts.

We also found in another random sample of 30 KBR employee Common Access Card applications that one of the KBR contractors was authorized to approve access card applications for KBR employees. In addition, we found that verification of background checks was not always being performed on KBR contractors. And this is very important because in order to get one of these cards, you have to have a background investigation conducted and it has to be certified as properly done by a government employee. It is my opinion that, as of July 2007, the Department of Defense did not have assurance that as many as 25,428 KBR contractors who were deployed in Southwest Asia had authorized access. That is my opinion based on——

Mr. MORAN. They got cards, but they didn't have authorization——

Mr. HEDDELL. No one at the Department can say with assurance that those cards were properly issued. Now, the reason for that, for the most part, is that the verification of the background checks for criminal history, et cetera, were not certified, not verified to have been done properly.

Now, we also have concerns about the possible misidentification of United States and foreign national contractors who have been issued these cards, because what we found is that almost 10 per-

cent of 421,000 contractor cards had a General Schedule designation on the card. And what that means is that that 10 percent were identified as U.S. Government employees when, in fact, they were not. So that is another concern of ours. And that 72 percent of 290,000 U.S. contractors and 93 percent of 3,500 foreign national contractors were misidentified as U.S. Government personnel in e-mail addresses, which is included on this card.

So these are significant concerns and we are concerned because of the lack of what we think are potentially extremely weak internal controls. We estimate that about 90 percent of 40,000 contractors with these cards have inaccurate or unsupportable expiration dates also. So in other words, we are concerned that even the expiration dates on these are not accurate, and we are also concerned that about 38 percent of 28,000 cards that have been revoked or terminated were never recovered. So there are a lot of cards out there that possibly have current—that are active and current that should have been turned in and canceled that were not.

Mr. MORAN. So 38 percent would be about how many?

Mr. HEDDELL. Thirty-eight percent would be about 7,000.

Mr. MORAN. Seven thousand that are still out there and should have been turned in, but in somebody else's hands. Thank you very much, Mr. Young.

[The information follows:]

Thirty-eight percent of 28,000 would be about 10,600. Therefore, approximately 10,600 cards are still out there and should have been turned in, but could be in somebody else's hands.

COMMON ACCESS CARDS

Mr. YOUNG. Mr. Chairman, this last point was very interesting, and let me follow up on that. Who has the authority to call in those cards and have them canceled or terminated or gotten out of the hands of the people that aren't supposed to have them any longer?

Mr. HEDDELL. Under HSPD–12, Congressman Young, the Secretary of Defense and his executive have the authority to—or the responsibility to establish a system of cards that are legitimate, and we have spoken with the deputy secretary about this. And I could tell that he was very moved and——

Mr. YOUNG. I get the feeling that nothing was done when you notified them.

Mr. HEDDELL. Well, at this point, that is one of the reasons we are doing a second audit because we—in fact, we are going to do an audit in southwest Asia and also in Korea because we want to look at what is happening more specifically on the ground, whether anything is in fact being done with these. So we also have suggested that one of the requirements of having these cards is that when you no longer are justified and validated to use it, it is a requirement that you should have to turn it in. It can be a pretty simple procedure, to be honest with you.

QUANTITY DISCOUNTS

Mr. YOUNG. Sir, you were asked earlier about quantity discounts, and your response was sort of disappointing because we don't get a benefit for quantity buys. What about a lot of the equipment we buy from our contractors, also sold to allies overseas interests, do

we get any credit for that? Or do they pay the same thing that we pay, or do they get a discount of some kind? Where do we stand on the foreign sales versus our own purchases?

Mr. HEDDELL. Well, I actually don't know the answer to that, Congressman Young. But, again, it seems to me just reasonable that if we buy a product and if we buy it in significant volume for our own people, that we should get some kind of a discount for that. Did I answer that as best as I could?

ACCOUNTABILITY OF WEAPONS

Mr. YOUNG. Let me go back to one issue that I mentioned in my opening comments. The 190,000 weapons that were unaccounted for in Iraq, I expect that someone has looked into that and investigated it. And I am just wondering—I see some heads shaking yes. And I am just wondering what we found out. Did we learn anything? Did we recover any of these lost weapons?

Mr. HEDDELL. I actually am very fortunate to have my Principal Deputy who is sitting behind me today, who actually led the team that went over and took a look at that. And the short answer is, yes, we think we have had some impact here. And you may want to take the opportunity to let my deputy speak.

We recently spoke with General Petraeus and that was one of the subjects we talked about, and General Petraeus knows the results of our first effort in terms of weapon accountability and has asked us to go back in, particularly now with regard to Afghanistan, but to go back in and confirm that accountability has improved.

But as I say, I have Mr. Gimble here, and he knows this subject in tremendous detail since he actually was on the ground. And I will be fine to allow him to answer your questions, with your permission.

Mr. YOUNG. Mr. Chairman, is that——

Mr. MORAN. Please. Again, you can identify yourself for the record, sir.

Mr. GIMBLE. I am Thomas Gimble, Principal Deputy Inspector General, of the Department of Defense.

The answer to the 190,000—there has been a lot of work done on that. That was originally reported to SIGIR and also GAO. And we took a team in led by General Kicklighter initially, to look at the processes in place on the ground in Iraq and to determine what kind of control and accountability of weapons. And what we found is there were not adequate policies and procedures in place to account for them. So we made the recommendations and Central Command issued the policies and procedures.

About a year ago, I led a team back in and we looked at control and accountability of weapons, going down to the warehouses, the depots, inventory, also sending teams out. Another part of this is how do you control or account for the weapons that we turn over to the Iraqi security forces, to look at those controls. We thought there was a great deal of progress being made in the—when arms in Iraq, to the country, that they are being accounted for. The processes are pretty much in place and working. There was a weapons cell put together.

There are actually criminal investigators to try to ascertain what happened to many of the 190,000 weapons. They have, in fact, determined that they were recovered. We have determined where some of the leaks were; for example, where the Glocks were leaving out of Baghdad Police College. The Iraqis had put together a number of very stringent controls for basic—like if a weapon is issued to a police officer and it turns up in the wrong hands and is recovered, or when it is not accounted for, there is a substantial cost, like $5,000 U.S., which is about a year's salary that they levy on that police officer.

So I personally went through two of the police colleges and did the inventories on the weapons that they had on hand. And in those 2 days that we were in Simone and Irbil, we had 100 percent accountability of the weapons that they had on hand, which I thought was good progress.

I would just offer up that we have done the same type of stuff in Afghanistan. We have a team scheduled to depart on a follow-up visit next week, going back in. One of the topics they will be looking at is control and accountability of weapons and munitions in Afghanistan.

Mr. YOUNG. Well, the situation is embarrassing, I would say, to probably all of us. And I know that many of us are called on to explain why we are paying for these things, and these situations develop. Anyway, Mr. Chairman, I know the attendance is good today and I know a lot of members have a lot of good questions so I will yield back.

Mr. MORAN. Thanks very much, Mr. Young. That is an ongoing concern. We are glad that some progress is being made, but we still have cause for concern. Mr. Dicks.

CONTRACTOR ACCESS CARDS

Mr. DICKS. On these cards, we have been working—my staff and I have been working on trying to understand how we get access to our defense bases in the United States. The problem at Fort Dix is one of—where people got in, and we find that there is just no understandable strategy between the services. And we can't find out literally who is in charge of this program inside the Department of Defense. They have different groups that are doing different things, DBIDS and different systems.

And I think it sounds as if what you are facing on the international scene, and with these cards, is just part of a total disaster. I have had at least seven or eight meetings in my office, bringing over all the people that were involved, trying to understand this. And we are still baffled by who, in fact, is in charge, how do we get them to do it—have proper security at these bases, some of which have nuclear weapons? And I mean, we are finding where we do get proper checking of the identification cards, that a lot of people are going on these bases who are not supposed to be, people with criminal offenses and other things. And we brought this to the attention of each of the services, and yet—it is very hard to ask questions when we have—thank you.

Anyway, can you give us any understanding of that?

Mr. HEDDELL. I think you make a very good point, Congressman.

Mr. DICKS. This is a problem right here in the United States.

Mr. HEDDELL. Keep in mind, I have been at the Department of Defense for 6 months, but I think based on my travels and having some of the same problems you just mentioned, I think one of the concerns might be a very decentralized system that has a lot of people at a very decentralized level that are controlling different systems and processes for gaining access. That is not an audit opinion; that is an observation of my own at this point.

And I think that is part of the problem that we deal with these contractor access cards. It is decentralized. There are a lot of people who have responsibility at different levels around the country, around the world; in some ways they develop their own policies, they determine—they hire the security forces, they train them on how they should review the identification of people that want access. They issue the access passes and cards in this case. And I think the system just simply needs to be tightened up and it needs to start at the top and work down. I think right now we are at the bottom working up.

Mr. DICKS. It would seem to me that we need to get the deputy to appoint somebody in charge of this. I mean, we still couldn't find out who, in fact, has the responsibility. We had brought in people from various—from the services, from DOD, and they really couldn't tell us who is in charge.

Mr. HEDDELL. That actually was our recommendation to the deputy secretary, that one person needed to take charge of this problem. And that was—in fact, that was probably our central recommendation.

CONTRACTING

Mr. DICKS. Let me ask you another thing. Is this just—are these—I mean, these contracts going out to companies to do work in the Department of Defense, outsourcing, is there any plan here or is this just done service by service and by Defense Department agencies without any strategy or understanding of the cost or anything? How is it—it looks very chaotic based on your testimony.

Mr. HEDDELL. Secretary Gates in fact testified on that very question in January of this year, and he stated that the Department, particularly with regard to the combatant areas, had no holistic or strategic plan for how it handles contracting. That was his statement and not—maybe not an exact quote, but I think it is fairly close.

And there are literally thousands of people making contracting decisions around the world. And our audits would indicate that we are not always considering important issues of pricing. We are not thinking about oversight and administration of the contracts. We are not thinking about the dangers of the issue of inherent government authority and accountability here. And in some cases, it is because there are not enough contracting officials. In some cases it is because, as you know, the volume and the dollar value of contracting has gone up so significantly over the years, over the last decade in particular, and the level of contracting officials has actually gone down or stayed the same.

Mr. DICKS. Well, the previous Chairman of the Armed Services Committee would go on the floor and say, "These are shoppers, we don't need these people." And now we find that we are understaffed

in terms of acquisition on the weapons systems, isn't that correct, and having enough program managers to properly manage these weapons systems?

Mr. HEDDELL. Well, I can't address a specific weapons system, but I think I can say generally that there are not enough skilled, able contracting officials to handle all of the high-dollar important contracting that is being done out there.

Mr. DICKS. Just one last quick—is there a difference—you talk about all these contracts where they are actually doing work that normally was done. That is different, isn't it, from acquisition of weapons systems? Those are two separate——

Mr. HEDDELL. There is contracting to purchase materials and services and contracting to purchase weapons systems. I mean, I am not sure I am following what you are getting at.

Mr. DICKS. What I am trying to get at is, we understand there is an acquisition group that works on each of the major weapons, the F–22, the C–17. These are huge contracts, okay? I am talking about all these service contracts where they are doing work that used to be done by government employees. Is that a different acquisition force that handles that?

Mr. HEDDELL. No. There are program managers for each major weapons acquisition, and those program managers are supposed to be knowledgeable and to be engaged and to follow those acquisitions all the way through from beginning to end. Depending on which particular acquisition you might be referring to, it would be hard to know—to say, well, one is good and one isn't. I think we are speaking in a general sense here that we have concerns because of the kinds of problems that we are identifying.

Mr. DICKS. Thank you, Mr. Chairman.

Mr. MORAN. Thank you, Mr. Dicks.

The reality is that the amount of contracting is almost three times what it was 8 years ago, and yet the number of acquisition officers is one half of what it had been. And that seems to be an underlying problem in terms of oversight and accuracy.

Mr. Frelinghuysen.

RECRUITING QUALIFIED PROCUREMENT OFFICERS

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman. Satisfy my curiosity. Does the IG for the DOD do any outsourcing?

Mr. HEDDELL. We do contract for auditors to help us with some of the work.

Mr. FRELINGHUYSEN. Your IT work?

Mr. HEDDELL. We do.

Mr. FRELINGHUYSEN. I just want to make sure if we are talking about organizations that are assignment pure, I would like to know.

Mr. HEDDELL. Absolutely. I think you will find that most——

Mr. FRELINGHUYSEN. My questions are going to focus on how we get qualified procurement officers. But I would just like to know that in your own portfolio we are not contracting out jobs that are inherently governmental. So can you——

Mr. HEDDELL. Excellent question. We at the Department of Defense do contract out for work that we do on the financial statement, for example.

Mr. FRELINGHUYSEN. For your specific office, I am talking about.

Mr. HEDDELL. That is correct, sir. And even though I am Acting Inspector General at DoD, I am also the Senate-confirmed IG of Labor right now. And I only mention that because at Labor, most of the work that we do on the financial statement is contracted out.

Mr. FRELINGHUYSEN. My time is limited. I just raise that issue.

I happened to see Joe Davidson's Federal Diary in the Washington Post yesterday. It was "Stimulus Contracts: Let's Avoid Another Katrina." I commend it to your attention. It points out, among other things, that answering the questions—this is how we—all the many contractors will have to deal with the stimulus package, he says, and I quote: "Answering any questions will fall to Federal staffers who work with the contractors. Government data shows that the procurement workforce, while increasing in recent years, remains short of the 67,885 that the Federal Acquisition Institute said that Uncle Sam employed in 1992." Somewhat apropos of the Chairman's comments.

And he goes on to say, "As of fiscal year 2007, the number was 61,434, with more than half of those in the Department of Defense." All of that within quotation marks.

I would like to focus—we had General Ross Thompson in here the other day and a lot of my questions had to do with education and training of Federal contracting personnel. How should the Department of Defense be going out and locating, recruiting and hiring, developing the needed professionals to do the job? And then you add in perhaps the disincentive to go to the war zone. What would you recommend that we should be doing?

Mr. HEDDELL. Well, you know——

Mr. FRELINGHUYSEN. Or if we are doing something now, how should we do it differently?

Mr. HEDDELL. This was also part of the work of the Gansler Commission. Clearly there is a lot that needs to be done here. But first I think you have to know what we are trying to get at here with our contracting. It is very simple. We are trying to purchase materiel and services that are safe, that have a high level of quality and performance, and that are provided in sufficient numbers and that are provided at a reasonable cost. Once we do——

Mr. FRELINGHUYSEN. I am all for that. But I want to know how we get the people on board that can do that. From your perspective, I know you have been on the job for 6 months, but——

Mr. HEDDELL. What I am saying sir, is that—I can tell you just in terms of recruiting, all right, but I think it is a bigger problem than that, and that is what I am getting at. From a standpoint of just getting the right people, you know, there are incentives. We need to go out and recruit people that have the skills that can do this kind of work. There are internship programs to get people into the government who are interested in this. This is not an area that is of great interest to an awful lot of people.

Mr. FRELINGHUYSEN. It is of interest to this Committee because we are focusing——

Mr. HEDDELL. But it isn't to young people coming out of college. And that is what I am saying.

Mr. FRELINGHUYSEN. So we are being thwarted from doing the very things we need to do to provide oversight because we don't obviously want——

Mr. HEDDELL. It is extremely important.

Mr. FRELINGHUYSEN [continuing]. Valuable equipment walking away.

Mr. HEDDELL. It is extremely important, sir. And we have to find programs and incentives: internships, journeyman programs, things that are going to cause young people coming out of college to have an interest in this kind of work, get them recruited.

Mr. FRELINGHUYSEN. Underlying your comments is the fact that you don't seem to be too optimistic about that happening, which is a nice way of saying it is a competitive environment out there and it is pretty difficult to get people to join up.

Mr. HEDDELL. That takes me back to where I started. The problem, in my opinion, if you sense a lack of optimism, it isn't that we can't find people or encourage people to do this kind of work, it is that we have to understand the need at the very top. We have to understand at the very top of our executive level of government why this is so important and what the dangerous ramifications are if we do not do a good job of contracting. We have been in——

Mr. FRELINGHUYSEN. General Thompson, I think—and maybe you are saying basically the same thing. You say we need to make sure that the people we are trying to put in these positions know that their job is considered to be valuable. It is a major contribution to our national security.

Mr. HEDDELL. That is correct. But the people doing the hiring, the people responsible for making the decisions have to—that is where it really starts. They are the ones who have to decide that it is important enough to have the right number of people and to have people that are qualified and to find ways to recruit them and then, once recruited, to keep them on board and to raise the status of this kind of work because I think—I think it is difficult——

Mr. FRELINGHUYSEN. Well, my time is limited. As you put your oar in the water, which is an opportunity you have been given today, you are in there pitching as IG, because obviously you came up with a whole slew of recommendations, and obviously in the war zone it is a particularly difficult task to get people that are willing, to quote, "volunteer," other than the military.

Mr. HEDDELL. Well, I think it can be done. We have allowed this to happen, unfortunately, over a period—I mean, this is a 230-year-old problem in our country. We have had——

Mr. FRELINGHUYSEN. It has recently gotten a lot worse.

Mr. HEDDELL. It has gotten a lot more expensive. And that is a factor of complexity. The more expensive it gets, the more complex it gets, and it goes to these very sophisticated warfighting systems that we purchase. And planning. Planning contingency planning years in advance, being prepared for the Southwest Asia event, knowing—unfortunately, we often focus as a government on personnel reductions, when in reality our management decisions should be based on sound, reliable, qualifiable analysis. And it is not. It is simply based on how do we reduce the workforce here or there.

Mr. FRELINGHUYSEN. Well, we have a new regime, so let us see what happens under new leadership.

Thank you very much, Mr. Chairman.

Mr. MORAN. Thank you, Mr. Frelinghuysen.

As the inspector general says, this has been around a long time, although it is a particularly acute problem now. Larger testimony cites how in the Revolutionary War, contractors were supplying General Washington's troops with meat that was full of stones and roots in order to make them look—make it look heavier and fuller. And the troops found the stones and roots in the meat. Isn't that true?

Mr. HEDDELL. That is correct, sir.

Mr. MORAN. So apparently this is not a problem that just cropped up but it is one that we need to do a better job of addressing.

Mr. Young says he forgot about that.

Ms. Kaptur.

CONTRACTED SERVICES

Ms. KAPTUR. Thank you, Mr. Chairman. I am very interested in the culture of the Department of Defense over a period of actually centuries. But if one goes back to World War II and we compare the amount of contracted services in World War II to, let us say, the first Persian Gulf War and today, what can you say about the culture of contracting in those eras? According to some numbers we have here in material that has been provided us, it states that today DOD's obligations on contracts rose from 47 percent of total budget in fiscal year 2000 to over half, 51 percent, in 2007. And then from that, it says, contract costs, service contracts, grew from 26 percent of that total to 27 percent.

I assume the difference between the service contract and obligation on overall contracts must be hardware contracts or something, as distinguished from service contracts?

Mr. HEDDELL. I don't know the answer to that specific part of your question, although I think I can address the broader——

Ms. KAPTUR. All right. But if one looks back at the amount of contracting, my sense is that only until recently have we had this level of contracted-out functions of the Department of Defense. What about World War II? Can you compare it to that era?

Mr. HEDDELL. I think that there—we must have faced very similar issues. If you remember, after World War—or maybe it was during—that the Truman Commission on Wartime Contracting, clearly they were looking at the very same issues, I think, that we are looking at today. Just different numbers and a different war.

Ms. KAPTUR. How difficult, Mr. Heddell, would it be for you to get me those numbers? I am just looking for a percent.

Mr. HEDDELL. I will certainly do my best to get you those.

Ms. KAPTUR. What about the first Persian Gulf War in 1991, about how many contracted services would we have had back then compared to——

Mr. HEDDELL. I will do my best to find those for you.

Ms. KAPTUR. I just need a number. And I am particularly interested in the contracted security forces. That is a number that I am extraordinarily interested in.

Mr. HEDDELL. There has been—in fact, I think that the National Defense Authorization Act asked the Department to tell it how many contractors it had in theater, and it has not been able to do that. But it has made efforts to begin to try and obtain that kind of data.

[The information follows:]

The Congressional Budget Office issued a report, "Contractors' Support of U.S. Operations in Iraq," in August 2008, which addressed these issues. The CBO report contains estimates of the number of contractor personnel presence during U.S. military operations. This report can be accessed at: *http://www.cbo.gov/ftpdocs/96xx/doc9688/08-12-IraqContractors.pdf.*

Ms. KAPTUR. Contracted security officers, sir, did you say.

Mr. HEDDELL. Well, any kind of contractors, whether they are contracting security officers, any contractors that we are hiring to go into theater. Or am I misunderstanding your question?

Ms. KAPTUR. Well, I am just interested in——

Mr. HEDDELL. You are talking about service contracting?

Ms. KAPTUR. As I understand the numbers—I am just trying to get simple numbers, okay? If we look at DOD and we look at all contracts, they now total over half your budget. Is that a correct statement?

Mr. HEDDELL. That, I believe, is correct.

Ms. KAPTUR. Right. If one were to go back to World War II and look at what percent of the total overall DOD expenditures were contracts, I would be interested in that number. I would be interested in that number for the first Persian Gulf War.

Mr. HEDDELL. We are going to try to get the answer. But I will tell you that because—I will be surprised because I don't think there is a current inventory that would give you that answer for today, much less in 1990 or in 1943.

Ms. KAPTUR. And I guess what has got me concerned is normally the recommendations that come to us are, well, because we have so many more contractors, now just give us more contract personnel and accountants to count those.

Well, my answer is, wait a minute, let's have fewer contracts, and maybe I will give you more contract auditing personnel. But if we cut back on the contracts, we don't need as many—I don't want to grow it. I don't want to grow it. I want to manage it.

Mr. HEDDELL. I mean, we know what has happened. We know that in the last 7 years, the value of contracts—well, in 2008 it was $390 billion, and that is compared to $155 billion in 2001. And, at the same time, the number of contracting officials to handle those has not kept pace. We know that.

Ms. KAPTUR. I understand. Those are very helpful numbers.

Mr. HEDDELL. What we don't know is how many contractors are out there.

Now, you know from the Army's testimony, I guess, General Thompson addressed this as what they—you know, they have gone from 10,000 contracting officials back—when was that, Mary? 1996 or 1997, I forget. Or, I am sorry, in the early 1990s from around 10,000 contracting officials to 1996 when they were down to 5,500. And it has stayed pretty level since that time. But the amount and volume of the contracts that they have overseen has gone up 331

percent. In fact, today the Army alone handles over $100 billion in contracts every year.

Ms. KAPTUR. I don't want to abuse my time here, but I am interested in the culture change at a department that contracts out over half of what it does. And I am especially interested in the culture of the security forces. We have not been able to pursue a line of questioning here as I want to regarding deployed contractors involved in security.

According to the numbers I have for overall military personnel as of January, there were 219,000 military personnel versus 259,000 contractors deployed to CENTCOM. All right, of those numbers, of those numbers, which are defined as security personnel? And how much of that is a culture change from what might have existed in the first Persian Gulf War and certainly from World War II?

I don't remember contractors in World War II carrying guns. I don't remember that.

Mr. MORAN. It is a good line of inquiry, Ms. Kaptur. I am not sure the Inspector General is going to be able to answer that completely.

But perhaps you could solicit an answer from someone in the Pentagon and provide it for the record.

Mr. HEDDELL. Yes, sir.

[The information follows:]

The Assistant Deputy Under Secretary of Defense for Program Support point paper, "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan" released February 2009, reported 12,907 private security contractor (PSC) personnel in Iraq and Afghanistan (9,218 Iraq and 3,689 Afghanistan) as of the end of the 1st quarter FY 2009.

Ms. KAPTUR. And we will provide specific questions to the record.

Thank you, Mr. Chairman.

Mr. MORAN. Excellent. Thank you, Ms. Kaptur.

Mr. Kingston.

EDUCATION TRAINING OF CONTRACTING OFFICERS

Mr. Kingston. Thank you, Mr. Chairman.

Mr. Heddell, on page 6 of your testimony, going back to the MRAP for a minute, you talked about, and I quote, "The current leading contracting officer could not explain how the price evaluation team concluded that prices were fair and reasonable." And then it went on to say, "The Marine Corps did not obtain volume pricing discounts from two contractors."

Now, it would appear to me that that is his job.

Mr. HEDDELL. Yes, sir.

Mr. KINGSTON. And so the question would be, what was his punishment for not doing his job?

Mr. HEDDELL. I don't have an answer to that, sir.

Mr. KINGSTON. Was he punished?

Mr. HEDDELL. I don't know.

Mr. KINGSTON. Is part of your recommendation to say, hey, you guys aren't punishing bad behavior and incompetence or neglect or however you want to classify it, call it?

Mr. HEDDELL. Mary, do you know? Do you want to shed light on that?

Ms. UGONE. I can shed a little bit of light on that.

There is a fundamental—and it goes back to what Mr. Heddell has stated. Our contracting officers, the skills of our contracting officers, when they are faced against negotiating these huge multi-billion-dollar contracts, they are not as skilled as they should be. That is part of the problem. Part of the problem is education and training, having a skilled contracting officer facing very, very competent negotiators on the other side of the table. That is one thing.

The second thing——

Mr. KINGSTON. I don't get that. Just a minute, if I could reclaim my time for a second, and then I will get back to you.

That doesn't make any sense at all. You know, we all laugh about how incompetent the government is. This—I mean, everybody here is beating up on private contractors, and rightfully so, but you are telling me that somebody for the Marine Corps that is sitting in the seat of being a purchasing officer, they don't do the obvious of a $306,000 to $1,089,000 difference and they don't question it? And then we say, "Oh, well, he is not trained"?

For example, Abu Ghraib, the general was fired who probably, you could argue, had very little to do with it except for the fact that it happened during his or her watch. I don't remember who the general was. But the reality is, you know, that is the message that you send, that it is your responsibility.

And it would appear to me that this contracting officer should have been potentially fired, certainly reprimanded, and so should his superior and his superior. And that is the way it is done in the field of active-duty combat, for example, or something.

So I am hear hearing from you, "Well, it is not his fault because he is not trained."

Ms. UGONE. I am not saying that, actually. I wanted to put it in a little context before I actually answered the specific question.

The Marine Corps didn't agree with us on our findings, and that is part of it, is that they believe that there was price competition and there was a disagreement about that as well. But the contracting officer—there are corrective actions that were undertaken with regard to this.

But I wanted to provide the context. And each individual program or contract has—or each contract has a contracting officer. We can find out whether or not this particular contracting officer had any kind of administrative action taken. But the response to our report was generally a good response. But the dilemma there also is the Marine Corps does not believe that there was, you know, necessarily a problem in the price competition area.

Now, we had to go to Mr. Shay Assad, the director of defense procurement, to weigh in on this. And he pretty much indicated that we—he concurred with our position.

So we can follow up for you and get additional information, but I wanted to provide the context, because this whole area of pricing is not a very easy area. It requires a lot of skill and training and attention at both the contracting officer level and also senior levels.

Mr. KINGSTON. I would like to know, you know, if there was punishment or what was the after action.

[The information follows:]

According to a responsible Marine Corps official, as of April 2009, they were unaware of any administrative actions taken against the contracting officer. The Marine Corps does not believe there was necessarily a problem in the price competition area.

And I want to—you know, going to page 8 a minute, you are saying here, "We recommended that the Marine Corps contracting officers be provided training on their authority and responsibility and that the assistant Secretary of the Navy"—blah, blah—"agreed with this recommendation."

And then on page 25, you say, "The statute requires the Army Audit Agency, Naval Audit Service, and the Air Force Audit Agency, in coordination with the OIG, to develop the plan to audit equipment, maintenance, and spare parts. We are actively developing this plan."

Both those statements seemed to be stating the obvious. And, you know, if this problem has been going on since George Washington and here we are saying, "We recommend that the Marine Corps contracting officers be trained on their authority and responsibility," oh, well, I feel better about government now. And I am not being sarcastic towards you, but, I mean, let's think about it in terms of stewards of taxpayer dollars. Why in the heck wasn't that the case last year, the year before, the year before, going back to General Washington? And, you know, here it is, the same thing on page 25, that "we are actively developing a plan."

And I am not pointing my finger at you. We are all responsible here. But, you know, if you went out prime-time and told this to the public, "I want you to feel a lot better about this because we are actively developing an audit plan," what the heck? I mean, I am sure in our individual offices, as would be the case with somebody who runs a shoe store, a bike store, or a barber shop, they are doing this kind of stuff every single day. Why in the world would the military culture start thinking that there was an option on doing audits?

Ms. UGONE. What you refer to on page 25 of the testimony is section 852, which was legislated by Congress for the service audit agencies to work with us, coordinate with us on a plan to look at depot maintenance. Because when we draw down, there is going to be an enormous amount of reset issues. Our depot maintenance capability, which is a whole other arena that we could probably talk about, they are a very complex issue.

So this audit plan is actually to be able to focus more accountability and oversight of what we know will be heavy contractor involvement, as well as in-house involvement, in depot maintenance. I mean, this is a huge area as we reset our equipment that return back from Iraq and also from the standpoint of the proper mix of what is going to be in depot maintenance. And that is an issue of proper mix of contractors and government employees.

So this audit plan, as Congress recognized, is an important piece of providing accountability over that side of the house.

Mr. KINGSTON. I appreciate it.

Mr. MORAN. The gentleman's time has expired. But I might mention, in this report, they do make the point that it has not just a matter of lack of quantity; it is also of quality. Many of the best government negotiators are scooped up by the private sector to

work on their behalf. And that is why we have a constant need for training, promotion, and enhancement of the quality.

Mr. KINGSTON. Absolutely.

Mr. MORAN. Mr. Boyd.

PROCUREMENT AND ACQUISITION

Mr. BOYD. Thank you, Mr. Chairman.

Panel, thank you for your service.

I think everyone here understands we have a serious problem in procurement and acquisition in our Federal Government. And probably everybody here understands that the Department of Defense is the worst abuser of that procurement system. And I think it is good that we try to understand what has happened in the past. It leads us to where we go in the future.

But I want to shift gears, if I might, Mr. Chairman, and talk about where we go in the future. And I know, relative to Mr. Frelinghuysen's line of questions and Ms. Kaptur's, we focused a lot on what has happen in the past.

And, Mr. Chairman, I know everybody here understands that, as Mr. Frelinghuysen said, we do have a new sheriff in town—I don't think you used exactly those terms, but something like that—and the new administration understands this issue and is focusing on it.

Now, there was a fiscal summit this week. And for those of you who weren't there, you only read the press clips, and you really didn't get into the guts of it. But there were five particular issues, five issues, that that fiscal summit focused on. The sexy ones are health care and taxes and budget reform and stuff like that. But the fifth one was procurement. You may not know that, but procurement and acquisition, Federal procurement and acquisition.

And the President put together a team across the political spectrum to deal with those issues. And Senator John McCain, sort of, headed that team. And so I want to make sure everybody understood that we are going to have an opportunity, as a legislature, to delve into this, because the administration clearly understands the gravity of this problem and will want to help solve it.

So, Mr. Chairman, I wanted to make sure all the Committee members knew that, and the Committee staff, that there will be ample opportunity to work on these kind of problems to improve the situation, not just look at what has been wrong in the past.

Now, my question for you, Mr. Heddell, is—I have two quick questions, and it won't take long. In the 2009 Defense Authorization Act, the director of the OMB was required to develop a single consistent definition of an inherently governmental function. Now, the director was supposed to address deficiencies with existing definitions and develop criteria that each government agency, each department, could identify positions that should not be contracted out.

In that act, in that law, he was given 1 year to report back to Congress on the new definition. Now, obviously, we have had a change in the OMB office, a change in the administration. Can you, do you have any information as to the status of that effort, the OMB's effort to help the heads of the agencies better understand which positions are inherently governmental? And what plans does

the OMB have in place to ensure a smooth transition of what has already been done?

Mr. HEDDELL. I can't answer that, sir.

Mr. BOYD. You can't answer that.

Mr. HEDDELL. No, sir.

Mr. BOYD. Okay. That is all I have, and maybe we could ask that of another expert, Mr. Chairman.

AUDITS AND INVESTIGATIONS

Mr. MORAN. Is it not true, though, Mr. Inspector General that you do have some survey work going on, there are some classifications that some agencies have used to determine what is an inherently governmental role? We are working on that, are we not?

Mr. HEDDELL. Well, it is something, Mr. Chairman, that, by virtue of our audit and investigative work for one thing, we are constantly addressing that issue when it comes up in our audits and investigations with the Department. So we know that they are constantly sensitized to our concern about that.

We know that the law—in fact, I think the laws are pretty clear on that. I don't know that there is even any need for any additional language in the law. If the law is followed, I don't think there is going to be a problem with regard to that matter of definition. I mean, I think it is fairly clear.

Mr. BOYD. Mr. Chairman, one quick follow-up question.

Do you know of any interaction or communication between the OMB office and the Department of Defense relative to this directive in public law in the Defense Authorization Act?

Mr. HEDDELL. No, sir, I am not personally aware of any. But there may have been. I don't know of any.

Mr. BOYD. Okay, thank you.

Thank you, Mr. Chairman.

Mr. MORAN. Thank you very much, Mr. Boyd.

Ms. Granger.

INHERENTLY GOVERNMENTAL

Ms. GRANGER. I am going to follow up on what Congressman Boyd asked about, and it is not the definition—and this is pretty simple, I am sure, for you. But, in making those decisions, this is going to be inherently a governmental position or contractor, then, in that comparison, we have looked at national security, we have looked at cost, we have looked at effectiveness, are we comparing, like, just paycheck to paycheck and say it is cheaper to have a contractor? Are we looking at all the benefits, all the entitlements? How do we make a comparison of the actual cost, at that point?

Mr. HEDDELL. Your question absolutely gets to the core of the entire problem, because we have thousands of contractor officials and executives out there that are purchasing materials and services, and there is no—we can't tell you what they are doing, how they are doing it, or when they are doing it. And we don't know what their motives are in terms of—for instance, we don't know if they really understand the definition of what is inherently governmental. We don't know what their motives are when they purchase.

I mean, for instance, Congressman Kingston asked the question, what has been done about this? But if a military official were sit-

ting here as a devil's advocate, they would say, "Look, we did our job. We got that material and those services out there on the front line as quickly as we could. It cost us, perhaps, but we got it out there. And we are saving lives by doing it."

This is not a simple issue, unfortunately. But what we have learned is that, no matter how expediently you think it should be done, it is not worth it to overlook the fiscal issues. Because every dollar that we lose is a dollar that doesn't go out there and support our troops.

There is a lot that we need to do to improve this whole process. And, as I said earlier, it is not a simple matter of making personnel decisions. It is a matter of balancing. It is a matter of making sound, reliable, quantifiable analysis of the entire issue regarding a particular product or service.

Ms. GRANGER. But as we are making a decision on that personnel, part of that has to be, what is the real cost of that person, whether that person is a contractor, whether that person is a government employee. And is that his disability or her disability, her retirement, her health care, are we looking at that? And is that consistent? I think the answer is no.

Mr. HEDDELL. I don't know. In fact, I will defer to Mary. She may be able to answer that a little better than I can. I don't know the answer to that question.

Ms. UGONE. Let me see if I can try and answer.

When we look at this inherently governmental function, if you look at the FAR, the Federal Acquisition Regulation specifies what is inherently governmental, and then they give examples of what is not inherently governmental. And I think there is an education and interpretation issue of what we don't think is inherently governmental.

Let me just give you an example. Assisting in preparing the statement of work. Well, how much is "assisting"? Assisting could be doing, doing all of it, doing the first draft; that is assisting.

So I think part of it is clearly an educational issue. I am not sure people understand what they mean with "inherently governmental." It could be easy just to say it is a decision-making process. But there are a lot of decisions we make.

So, if you look at the FAR, you could take what is not inherently governmental and put your own interpretation to it. And, you know, people in this room could probably interpret it many different ways. So I think that is a fundamental issue there, too.

And also I think the Department has recognized, by going back to insourcing, trying to find ways where it makes sense to bring those functions that really are inherently governmental, bring them back in. And that is through section 324.

And that is also, in answering Congresswoman Kaptur, is that there is no—when you really look at it and you look at the total picture, there is no inventory of services contractors. There is no inventory of how we are managing our contracts at this level. How are we managing our contractors? How do we manage the mix? What is the strategy? There is no strategy.

So, I think there are a lot of interrelated issues, inherently governmental, services contracting, pricing. If you look at these con-

tracting issues, they all interrelate—skilled workforce—they all interrelate.

I hope I answered your question.

Mr. HEDDELL. You know, if I can just add, the Department, on this whole issue of inherently governmental, I mean, does have a policy. And they, in fact, they list numerous examples of what inherently governmental is. I mean, they go way beyond the definition. They go down to the——

Mr. MORAN. So this goes to Mr. Boyd's question, as well, and Ms. Granger's. There is work done. It is not that they are mindless of the issue of the distinction. Excuse me for interrupting.

Mr. HEDDELL. No, I think that they fully understand it is an important issue. But I don't think that—I think every case is separate, sir. And whether they even consider the issue is maybe the first question. And then, if they do consider it, do they really understand what "inherently governmental" means?

And then I guess you might even ask, do they care? I am not sure I would go that far. I believe the Department of Defense does care. I just think it is a matter, many times, of just not knowing.

Mr. MORAN. Well, what the Army did in having the list that they made available was helpful because people could consult that, as to what would normally be considered inherently governmental. And then there is the issue of cost. If it is a short-term responsibility where you can hire somebody without having to pay them benefits and be responsible for them for the rest of their career, there is that economic consideration.

This is a very good line of questioning. Thank you, Ms. Granger.

Mr. Hinchey.

Mr. HINCHEY. Thank you very much, Mr. Chairman.

Mr. MORAN. We have three votes, but I think we can finish this up before we have to leave for the votes. But anybody that wants to should feel free to.

CONTRACT OVERSIGHT

Mr. HINCHEY. Thanks very much for your testimony and your response to these questions. It is a fascinating set of circumstances, and obviously a set of circumstances that has to be dealt with effectively.

Based upon the questions, you remind us that the corruption and incompetence involving military operations is not unique in the context of the last several years. It has happened before. But what we are dealing with now is also very serious and needs to be dealt with effectively.

One of the numbers, for example, that I understand is that the defense obligations and contract acquisitions increased from somewhere around $190 billion in 1997 to up to about $430 billion in 2007. But at the same time it went up, the people overseeing those contracts went down. More and more money is being spent, more and more money is being spent wastefully, incompetently, corruptly. And the number of people who are obligated and responsible to watch that stuff have been reduced significantly. It doesn't seem to be an accident; seems to have been done intentionally.

What are your observations about that and about the way it has been operated? And how many oversight employees do we have right now focusing on the seriousness of this issue?

Mr. HEDDELL. Well, I can't say that it has been intentional, Congressman.

Mr. HINCHEY. No, I am going to say that. You don't have to.

Mr. HEDDELL. But I can tell you that it is a serious, serious problem. I can tell you that, if this matter is not addressed, probably not just within the Department of Defense, I would bet government-wide, we are going to be in even more serious trouble. It has to be addressed.

We have to make very clear, very intellectual decisions regarding what we buy, what we are going to pay for it, and what it is going to do for us. And then we have to decide what is most important, because we don't have money to buy everything. But we clearly don't have enough contracting officials to do the work that is out there.

So it is either, don't buy as much, don't do as much contracting, or find more people that can handle it.

Mr. HINCHEY. So the problem, obviously, is in the context of funding, all the money that we have lost, all the money that has been misused, all the money that has been poured into people for whatever the reason, whether it was intentional or just sloppy.

But there is also a downgrade in security because of the way in which military operations have been manipulated and the way in which military materials have been lost.

Mr. HEDDELL. Well, we haven't even begun to talk about the fraud issue, which Mr. Beardall could address at great length, here today. That is a big concern of ours, also, because when you don't have controls, the opportunity for fraud is there. And we have many examples of that having occurred in recent years as a result of poor contract oversight.

Mr. BEARDALL. It is the sad truth, but that is what it is. And it gets worse and worse and more difficult.

And I think some of it goes back to the fundamental struggle with, how big of an army do you want to have? And that has been the issue, with the size of the military. And as you cut down the size of the military, where people used to do contract oversight—you used to have lawyers who were contract law specialists and those folks who are now getting paid better by contractors. It is that struggle where, once you are not doing it yourself, where you have controls, you have a very good structure in the military to oversee those things, and then you have to then farm that business out because your military is small, you will always then have: Now we are farming it out, and then you get to the question of what is inherently governmental. We wouldn't even have to ask that question if we had our own folks to do the work internally.

Mr. HINCHEY. If you make the military small because you don't want to engage in actually requiring civilians to come in and be involved in the military because you don't want to get that as a political issue, well, then you have created another part of the problem.

I just have one last question, if I may, Mr. Chairman.

In your written statement, you identify an important potential security risk. And you noticed that there are 212,000 Department

of Defense contractors with e-mail addresses. And that classifies them as government personnel. So they have access to huge amounts of information—not just information, a whole host of other things as well.

How serious is this? What has happened? What are some of the effects that have taken place? Have you had an opportunity to look into that, or is this something that we are going to have to do?

Mr. HEDDELL. We have only looked at the aspect of whether or not people who have this access have gotten security background checks done. Keep in mind that even if a person has access to information, there are levels of classification, and they would have to have additional access codes, et cetera, to gain that access.

Are we concerned? Absolutely. We still are concerned.

Mr. HINCHEY. Well, whatever recommendations you might have on that I think would be very important because of the insight that you have on it and the experience that you have had investigating it. And what needs to be done additionally, that kind of information would be very, very important to this committee and to the Congress generally.

Mr. HEDDELL. We are doing additional work in both southwest Asia and Korea. We will be. And we will make that one of the things that we will——

Mr. HINCHEY. Thank you very much.

Mr. MORAN. Thank you, Mr. Hinchey.

The Committee will want to be kept apprised of your progress on that. It is a very serious concern.

Ms. Kilpatrick.

COMMON ACCESS CARD

Ms. KILPATRICK. Thank you, Mr. Chairman.

I am scared to death, sitting here. I have heard what you said. I read your testimony last night. It is even more flagrant when I hear you give it. And thanks to you and your staff for being here and for your knowledge.

The Common Access Cards, first of all, did they start in 2006 or 2007?

Mr. HEDDELL. October of 2006. The current what is called the Common Access Card was implemented as a result of HSPD–12.

[The information follows:]

Common Access Cards were not created in response to HSPD–12, but were in use prior to HSPD–12. A new generation of the Common Access Card was implemented as a result of HSPD–12, and the Department began issuing the new HSPD–12-compliant Common Access Cards in October of 2006.

Ms. KILPATRICK. Right. I wanted to make sure I had the year right. It sounds like it is totally inoperable, a security breach, and anybody can get one.

Mr. HEDDELL. I would say this: As I said, we are concerned. We do not believe that the Department can provide full assurance that the people that are intended to have that card are in fact the ones who have it. So we do have concerns.

Ms. KILPATRICK. Major. I mean, that right there is a start. Because if we have contractors who are monitoring the contractors and giving fraudulent cards, and it sounds like, from what I read

last night and hearing you today, it is out of control and unable to monitor in its current state.

Mr. HEDDELL. Well, it is potentially much greater than just a matter of the issue of inherently governmental.

Ms. KILPATRICK. Right. It is much broader. It is much broader than that.

Mr. HEDDELL. It is a potential national security issue, and we are concerned.

Ms. KILPATRICK. So, should we be handling it? If you tell me it is being handled and we know it is out of order and you have turned that over and Pentagon are now addressing that—can you tell me that today?

Mr. HEDDELL. No, ma'am. That is why we are beginning two new audits, one in southwest Asia and one in Korea, because we are following up to determine what the new status of this is.

Ms. KILPATRICK. Okay. I know what you do, and you do it well. I don't know if it is Congress's responsibility or our Chairman—and I love how our two Chairmen work together—that we have to do something with this. And it is not acceptable to this Rep, and I am sure it is not to any of the congressional people sitting here.

You alluded to the KBR employee. And this is another fraudulent thing. I guess they are contractors; most KBRs are.

Mr. HEDDELL. Well, the KBR staff around the world have these contractor Common Access Cards issued to them, yes.

Ms. KILPATRICK. And they also issue cards, some of them.

Mr. HEDDELL. Well, we found in use—we did a sample of 30, and we found that one KBR employee had the authority to issue other KBR employees——

Ms. KILPATRICK. It has to be centralized somewhere, and I would rather that be a governmentally inherent responsibility rather than a contractor doing it.

Mr. HEDDELL. It is not just a preference, it is a requirement. It has to be a government employee to authorize or sponsor the issuance of that card. It cannot be a contractor.

Ms. KILPATRICK. In this particular case, the employee worked in Afghanistan. He was sentenced to 26 months in prison and a $216,000 restitution. After receiving the gas, according to your comments this morning, receiving it, selling it back, making the bribe, taking—I mean, it is like six layers. And all he got—I want him in jail longer, first of all, and I want him to pay back all the money. So it seems like the military court was too lenient, because it is an example to continue the fraud and abuse.

Mr. BEARDALL. It was the Federal district court.

Ms. KILPATRICK. He must have known the judge.

Mr. HEDDELL. If it were a court-martial, it would be a lot more than that.

Ms. KILPATRICK. Okay, then somebody has to say that. Somebody has to say that. That is a very light fine, from what I read last night and you reinforced today in your opening comments.

I still want to believe we have the best military in the world.

Mr. HEDDELL. I think we do.

Ms. KILPATRICK. That things happen, and from time to time we will have to correct them. But all the IGs that do your work, it is up to the Congress and the Executive Office to take action. This

that I have been reading in the last 24 hours is very troubling to me. I commend you for the work you do.

Mr. Chairman, I am not sure where it goes from here. And I heard all the comments from my colleagues this morning. This is very serious. I don't know how you can fight two wars, and we are about to expand in Afghanistan and do all this stuff, and have all this going on.

If a contractor—and we already know, I would rather have government employees. I want a larger military if that is what it takes. I don't know where it came from; shrink the military, cut off the monitors and hire all the contractors. It is very dangerous. And I think we have to fix it sooner rather than later.

Thank you for your testimony.

Mr. MORAN. Thank you, Ms. Kilpatrick.

I think the committee staff is planning on having an extensive section of the report on the bill dealing with this subject area. So any member of the committee who would like to contribute to that, I would hope they would.

Mr. Dicks had a quick question, and then Mr. Kingston if we still have time.

Mr. KINGSTON. I will pass.

Mr. MORAN. Okay. Fine, Jack. Thanks.

ACQUISITION PERSONNEL

Mr. DICKS. Let me ask you a question. When we were talking about the personnel for the acquisition, in some departments I understand that they have a private contractor with a Web site—and I think DOD does this—to bring in the personnel. Is that correct?

So it would seem to me to be an inherently government function, you know, the hiring of personnel to do acquisition, is being done through a contractor and a Web site. Is that correct?

Mr. HEDDELL. I am not aware of that, sir. It may be correct. I am not aware of that.

[The information follows:]

The Director of Defense Procurement responded that he was not aware of any use of a private contractor with a website for hiring acquisition personnel.

Mr. DICKS. Yeah, I think that is something you might want to take a look at.

Also, the whole question on personal service contracts, I don't know if you got into that.

Mr. HEDDELL. We have. Well, I mean, we have done work in that area.

Mr. DICKS. Are we reversing that? Apparently, they went beyond the legal authority to do this to services, and now we are talking about insourcing some of this.

The other thing I would just point out, you know, under A–76, they should be using the A–76 process, which I think they are not doing, under pressure. And can you talk about that?

Mr. HEDDELL. I can tell you that we have completed audits where we felt that there was a strong appearance of violating the personal services contracting rules. And, in fact, one was an audit that we recently did, and although I am pretty familiar with it, I

think it might be worth it to have Mary explain that, if you have a moment. It is an interesting audit, and it goes to your question.

Ms. UGONE. Personal services contracts, as I am sure you are aware, Congressman Dicks, is not the preferred method. And, in fact, I think it is not legal, except in certain circumstances there are waivers for that. And that is a situation in which we are having a government employee directly supervising contractors to the point where it is a daily ongoing supervision.

We had "America Supports You," an audit report that we issued that had to do with it. And we did not go as far to say it was personal services, but it had some of the characteristics of a personal services contract, which is verbal direct communication to the contractor of how to proceed, what to do. And that does trouble us, from that standpoint.

We have not done a significant amount of work in personal services contracting, but the area that we are focused—and it is part of the overall services contracting area. I think the whole area of services contracting is an area that needs additional focus, because it is for services. It is not like your traditional, you know, you buy an end item and you have a deliverable that you can actually touch and feel. Services contracting is a lot more problematic, where you are actually having some sort of service done that you may not necessarily touch and see and feel.

And so I think that, absolutely, personal services contracts we should not be using. And, in fact, if we are, they are illegal except under certain waivers circumstances.

Mr. DICKS. Do we have any idea on numbers of these personal services contracts?

Ms. UGONE. We don't even have any idea of the number of services contracts that we have. In fact, that is what the—I think it was section 807, which Congress had asked that the Department implement. And so there is a phased approach. I think the Army is supposed to be identifying an inventory in two phases, and the other services kick-in in, I believe, 2010, yes, fiscal year 2010, and then other defense agencies will kick-in in 2011 to report to Congress an inventory of services contracts. We don't even currently have an inventory right now.

Mr. MORAN. Mr. Dicks, we are out of time in the vote. We are all going to have to run up there, unfortunately.

This has been a very good hearing. We thank you very much. I have some questions that I will submit for the record. Any other member who does, as well, will get them answered for the record.

Thank you very much, Mr. Inspector General, and your very competent staff. Thank you. Your colleagues were very good, as well.

[CLERK'S NOTE.—Questions submitted by Mr. Moran and the answers thereto follow:]

ADVANCE COMPETITION NOTICE

Question. Numerous defense industry representatives have discussed with me the importance of the Government providing industry with greater advance notice of when an existing contract (i.e. re-compete with an existing incumbent contractor) or a new contract (i.e. new start with no incumbent contractor) acquisition is to take place so that it can align and allocate business development capture and proposal resources to targeted procurements.

What is your perspective of the job the Department of Defense does today at providing industry with such advance procurement notices, which maximizes the potential for competition, thereby resulting in reduced Government cost and are there opportunities for improvement?

Answer. During the past five years, we have issued 31 reports that have addressed sole source or directed source awards. We have found that sole source awards have occurred because of poor acquisition planning rather than the urgency or uniqueness that have been cited as the need for a particular source. We have also found problems with advance notice to contractors on multiple award contracts. Contracting officers have limited the amount of time for contractors to respond to solicitations for proposals or have cited inappropriate exceptions to competition to select a particular contractor.

SOLE SOURCE CONTRACTING

Question. One area of contracting concern is sole source contracts.

Does the Department of Defense know how many active sole source contracts there are by name, contract #, the period of performance, the contract amount, the company awarded the sole source contract, the last time the contract was competed, and the sponsoring organization and their FAR rationale for the sole source contract award?

Answer. The Federal Procurement Data System (FPDS) captures a variety of information about DoD as well as other Federal contracts. Similar information is also reported on the USAspending.gov website. For instance, in FY 2008, a query of DoD contract dollars by competition type shows that of $383 billion reported, only $131 billion was fully and openly competed. The remaining contract awards were based on more limited or no competition.

APPROPRIATE OVERSIGHT

Question. It appears that in many federal agencies, both within and outside of DoD, greater and greater emphasis is being placed on the seamless and rapid obligation of appropriated funds. This transactional focus manifests itself when acquisition management systems have been subsumed into the agency's overall financial management solution. I am concerned that the strategic importance of acquisition management (e.g. contract writing) systems and the required checks and balances that these systems historically have provided have been diluted tremendously since they are now considered by many to be simply a "back office" non-core feeder system to the financial management system.

Please comment on what is being done to reinvigorate the necessary checks and balances and the strategic importance of acquisition management systems to combat waste, fraud and abuse, and maximize the benefit that each taxpayer dollar is being spent wisely and in compliance with federal law and regulation?

Answer. We have issued a number of reports that have cited problems with attempts to rapidly award procurements. Our audits have found that urgent awards are often improperly justified. Additionally, the Panel on Contracting Integrity has taken on a number of contracting initiatives designed to improve the contracting process and reduce the risk of fraud, waste and abuse. The Panel established 10 subcommittees, to include (1) the current structure of contracting integrity, (2) sustained senior leadership, (3) capable contracting workforce, (4) adequate pricing, (5) appropriate contracting approaches and techniques, (6) sufficient contract surveillance, (7) contracting integrity in a combat/contingent environment, (8) procurement fraud indicators, (9) contractor employee conflicts of interest, and (10) recommendations for change. The Panel identified 21 actions for implementation in FY 2008 to improve contracting, and has identified 28 new actions for FY 2009.

ROLE OF THE DOD IG IN CONTRACTING

Question. There is some concern in the contracting industry that DoD IG staff are now performing more roles during contract negotiations between contractors and the GSA. Specifically, that these DoD IG advisors are not participating in negotiations with rather than GSA contracting officers.

What is the proper role of the DoD IG in instances where contractors are negotiating GSA schedules contracts with the GSA?

Answer. My office has no role in negotiating GSA schedules between GSA contracting officers and contractors. The GSA IG has primary oversight of GSA contracting actions. Over the past several years, the DoD IG was mandated to perform joint reviews with the GSA IG of interagency direct and assisted contracting actions using DoD funds. These audits have looked at contract actions that have already

been awarded and while we may have looked at issues related to the award of these actions, none of our work was done during the actual pre award phase for these actions.

CLEARED PERSONNEL

Question. One of the impediments to processing contracts and execution of those contracts in a timely manner is the availability of cleared personnel, both within the acquisition and contracting force for the government and with the contracting industry.

Can you comment on the challenges that the current clearance process presents to our contract management and execution?

Answer. The clearance process has become mired due to the failure of federal agencies to rely upon clearances processed by other federal agencies. This inability and several other inefficiencies are being addressed through the development of a federal strategy to improve the accessibility of federal investigative records. The Repository Reform Implementation Team is working with the Office of Personnel Management and the Joint Reform Team to remove obstacles to developing a fully automated, end-to-end capability, which processes record requests and record responses in optimal time. This would apply to reports of background investigations and federal records of Executive Branch agencies requested in support of those investigations. While the team's long term goals will be accomplished by automation, short term goals will be accomplished by agency accountability and incrementally increasing performance standards.

[CLERK'S NOTE.—End of questions submitted by Mr. Moran. Questions submitted by Ms. Kaptur and the answers thereto follow:]

Question. I am interested in the evolution of the culture of contracting within the Department of Defense and its changing nature over time and its impact on the "Espirit de corps" within the U.S. military.

Answer. The DoD IG does not have a body of work to use as support for responses to these questions. As such, in response to Representative Kaptur, we utilized three publications that are in part responsive to her questions.

- Congressional Budget Office report, "Contractors' Support of U.S. Operations in Iraq," released August 2008 *(http://www.cbo.gov/ftpdocs/96xx/doc9688/08-12-IraqContractors.pdf)*
- Assistant Deputy Under Secretary of Defense for Program Support point paper, "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan," released February 2009 *(http://www.acq.osd.mil/log/PS/docs/5A_Feb2009.doc)*
- Special Inspector General for Iraq Reconstruction report, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," released October 30, 2008 *(http://www.sigir.mil/reports/pdf/audits/09-005-fpdf)*

What was the total number of contractors during World War II?

Answer. The Congressional Budget Office report, "Contractors' Support of U.S. Operations in Iraq," released August 2008, estimated that during World War II there were 734,000 contractors and 5,400,000 military.

Question. What was the number of contractors during the Persian Gulf War?

Answer. The Congressional Budget Office report, "Contractors' Support of U.S. Operations in Iraq," released August 2008, estimated that during the Gulf War there were 9,000 contractors and 500,000 military.

Question. What is the current number of contractors in the wars in Iraq and Afghanistan?

Answer. The Assistant Deputy Under Secretary of Defense for Program Support recently reported that as of the end of the 1st quarter FY 2009 there were approximately 259,400 contractor personnel working for the DoD in the USCENTCOM AOR, broken down as shown in the following chart:

Iraq	148,050
Afghanistan	71,755
Other USCENTCOM	39,616
Total	259,421

Question. What were the responsibilities and assignments of contractors during those two conflicts?

Answer. The aforementioned reports do not address the responsibilities and assignments of contractors during those two conflicts, and the DoD IG does not have a body of work to address this question.

Question. What are the current contractor responsibilities in the current wars in Iraq and Afghanistan?

Answer. The Assistant Deputy Under Secretary of Defense for Program Support [ADUSD (PS)] recently reported the contractor breakdown by type of service provided in Iraq as of the end of the 1st quarter FY 2009. The contractor breakdown for Iraq is detailed below; the ADUSD(PS) report did not provide a similar breakdown for Afghanistan.

Construction	20,729
Base Support	80,931
Translator/Interpreter	9,268
Transportation	6,685
Security	8,380
Communication Support	700
Other	21,357
Total	148,050

Question. Has there been an expansion of the missions contractors are providing?

Answer. We cannot state for certain whether there has been an expansion of the missions of contractors. However, all contractor requirements are to be stated in the contract and any subsequent contract modifications. Accordingly, any expansion of contract requirements would be specified and approved by DoD.

Question. Provide a breakout by category of responsibility.

Answer. The Congressional Budget Office report, "Contractors' Support of U.S. Operations in Iraq," released August 2008, and the Assistant Deputy Under Secretary of Defense for Program Support point paper, "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan," released February 2009, list the following types of services as being provided by contractors in Iraq and Afghanistan.

- Professional, Administrative, and Management Support
- Construction of Structures and Facilities
- Fuels, Lubricants, Oils, and Waxes
- Subsistence (Food)
- Lease or Rental Facilities
- Maintenance, Repair, or Alteration of Real Property
- Utilities and Housekeeping Services
- Maintenance, Repair, and Rebuilding Equipment
- Research and Development
- Architect and Engineering—Construction
- Translator / Interpreter
- Transportation
- Security
- Communication Support
- Other

Question. Provide a breakout of contracts for contracted security forces.

Answer. The Assistant Deputy Under Secretary of Defense for Program Support point paper, "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan," released February 2009, reported the following distribution of private security contractors (PSC) in Iraq and Afghanistan as of the end of the 1st quarter FY 2009:

	Total	U.S. coalition	Third country national	Local/host country national
Total DoD PSC in Iraq	9,218	782	7,226	1,210
Armed DoD PSC in Iraq	8,701	727	6,909	1,065
Total DoD PSC in Afghanistan	3,689	15	23	3,651
Armed DoD PSC in Afghanistan	3,184	12	18	3,154

Question. Provide an analysis of Department of Defense and Department of State contracted security forces.

What are the total dollars spent by both Departments?

Answer. The DoD IG does not have a body of work to support a response to this question and we were only able to identify responsive information related to Iraq. The Special Inspector General for Iraq Reconstruction (SIGIR) in its report, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," released October 30, 2008, stated that as of September 2008, the obligations of reconstruction funds for private security contracts by agency in Iraq were as follows:

Fund source (in millions)	DoD	DoS	USAID
Multiple Funds Used for Contract	$712.0	$1,443.3	$493.8
Operations and Maintenance Account	1,150.1	0.0	0.0
Iraq Relief and Reconstruction Fund	310.7	422.4	127.1
Iraqi Security Forces Fund	244.1	254.5	0.0
Diplomatic and Consular Programs Fund	0.0	97.7	0.0
Economic Support Fund	67.6	0.0	14.7
Development Fund for Iraq (Iraqi funds)	71.9	0.0	0.0
Fiscal Year 2007 Supplemental	0.0	71.6	0.0
Seized Assets	16.8	0.0	0.0
Commander's Emergency Response Program	11.0	0.0	0.0
Iraq Freedom Fund	7.9	0.0	0.0
Fund Source Not Identified	331.2	0.0	105.1
Total	$2,923.3	$2,289.5	$740.7

SIGIR further reported that as of September 2008, obligations for private security services by agency in Iraq were as follows.

Security service (in millions)	DoD	DoS	USAID
Multiple Services Provided	$962.9	$1,875.4	$314.7
Static	893.4	414.1	108.5
Convoy	185.9	0.0	0.0
Personal Security Detail	163.3	0.0	7.4
A & P Advice and Planning	17.7	0.0	0.0
Escort	1.8	0.0	0.3
Security Service Not Identified	698.2	N/A	309.8
Total	$2,923.3	$2,289.5	$740.7

Question. Who were the contracted security forces?

Answer. The DoD IG does not have a body of work to support a response to this question and we were only able to identify responsive information related to Iraq. The Special Inspector General for Iraq Reconstruction in its report, "Agencies Need Improved Financial Data Reporting for Private Security Contractors," released October 30, 2008, provided the following chart for Total Obligations for Contractors with Direct Contracts or Subcontracts for Private Security Contractors (PSCs) by U.S. Agency since 2003 (in $ Millions):

Contractor name	Direct	Sub	DoD	DoS	USAID
Blackwater Worldwide	7	2	$27.740	$1,147.020	$31.290
Aegis Defence Services LTD.	19	2	798.621	0	0
DynCorp International LLC	10	3	31.428	659.220	0
Triple Canopy, Inc.	35	0	106.932	422.233	0.291
EOD Technology, Inc. (EODT)	295	0	328.665	0	0
Sabre International Security	25	3	225.816	0	58.666
Special Operations Consulting-Security Management Group (SOC–SMG)	35	2	271.856	0	0
Agility Logistics	23	0	183.030	0	0
Unity Resources Group	0	2	0	50.000	92.951
ArmorGroup	22	7	91.558	0	46.088
Erinys International	3	8	108.159	0	0
Sallyport Global Holdings	0	3	0	0	101.526
Global Strategies Group	7	1	83.797	0	0
Garda World	0	4	0	0	74.701
Kroll Associates, Inc.	2	2	8.969	0	38.386
MVM	21	0	38.382	0	0
US Investigations Services (USIS)	10	0	35.511	0	0
Vance Global	0	1	0	0	31.255
Falcon Group	8	0	29.289	0	0
Hart Group	4	1	26.264	0	0
Olive Group FZ LLC	13	8	17.603	0	0
Control Risks Group	8	3	17.213	0	0
Custer Battles	1	0	16.840	0	0

Contractor name	Direct	Sub	DoD	DoS	USAID
CSS Global, Inc.	112	0	15.016	0	0
Total Defense Logistics	13	0	12.710	0	0
Iraqi Contractor #4	0	1	0	10.800	0
Reed Incorporated	8	0	9.235	0	0
Universal Security	86	0	8.523	0	0
Edinburgh International	2	2	4.989	0	0
Raymond Associates	5	0	4.944	0	0
BLP	1	0	4.185	0	0
Rover Global Services, Ltd (RGS Logistics)	46	0	3.883	0	0
ISI Group	1	3	3.838	0	0
Securiforce International	73	0	3.408	0	0
SAL Risk Group Ltd.	63	0	1.861	0	0
American-Iraqi Life Support Solutions	1	0	1.614	0	0
Sandi Security Company	1	0	1.575	0	0
Panalpina	0	1	0	0	1.137
Blue Hackle Middle East	3	25	0.904	0	0
Overseas Security & Strategic Information	2	0	0.781	0	0
Threat Management Group	2	0	0.500	0	0
BH Defence	1	0	0.179	0	0
Iraqi Contractor #1	0	1	0	0.119	0
Iraqi Contractor #3	0	1	0	0.054	0
Tetra International LLC	3	1	0.053	0	0
Iraqi Contractor #6	0	1	0	0.047	0
Iraqi Contractor #2	0	1	0	0.034	0
Danubia Global	1	0	0.010	0	0
Iraqi Contractor #5	0	1	0	0.008	0
Peak Group Inc.	1	0	0.005	0	0
Cochise Consultancy Inc.	1	0	0	0	0
ECC International (ECCI)	1	1	N/A	0	0
Operations Support Technologies	1	0	N/A	0	0
OSSI-Safenet Security Services	2	9	N/A	0	0
Janusian Security Risk Management Ltd.	1	0	N/A	0	0
Paratus World Wide Protection	1	0	N/A	0	0
Pesh—Kurdistan Army	1	0	N/A	0	0
Pilgrims Group Ltd	1	0	N/A	0	0
Iraqi Contractor #28	0	0	N/A	0	0
Askar Security Svcs	2	14	N/A	0	0
Ronco Consulting Corporation	1	0	N/A	0	0
Innovative Technical Solutions, Inc. (ITSI)	2	0	N/A	0	0
Rubicon International Services	1	0	N/A	0	0
Safe Security Limited (SSL)	1	0	N/A	0	0
Babylon Gates	1	0	N/A	0	0
TOIFOR	12	1	N/A	0	0
Ellis World Alliance Corp. (EWAC)	1	0	N/A	0	0
Britam Defence, Ltd.	1	0	N/A	0	0
Burhan Security Services	2	0	N/A	0	0
Wamar International, Inc	0	0	N/A	0	0
Whitestone Group, Inc.	1	0	N/A	0	0
Greystone Ltd	0	1	N/A	0	0
Centurion Risk Assessment Ltd	1	0	N/A	0	0
Lakeshore Engineering Svc, Inc.	1	0	N/A	0	0
Iraqi Contractor #7	0	1	N/A	0	0
Unity Logistics and Security	1	0	N/A	0	0
DS Vance Iraq	1	0	N/A	0	0
Total	.....	.....	$2,525.890	$2,289.530	$476.290

Question. What is the breakdown by nationality of individuals employed by contracted security forces in Iraq and Afghanistan?

Answer. The Assistant Deputy Under Secretary of Defense for Program Support point paper, "Contractor Support of U.S. Operations in USCENTCOM AOR, Iraq, and Afghanistan," released February 2009, reported the following distribution of private security contractors (PSC) in Iraq and Afghanistan as of the end of the 1st quarter FY 2009:

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Question. Between 1997 and 2007 there has been a 331 percent increase in the amount of dollars awarded to contractors.

What has been the increase in the number of contractors during that time?

Answer. The DoD IG does not have a body of work to support a response to this question. However, information on contractors is available at the USAspending.gov website. A query from this website shows that in FY 2008 there were 85,891 parent companies, and in FY 2000 there were 29,361 parent companies.

Question. Please provide a list of all current Department of Defense contractors.

Answer. The USAspending.gov website has a search function to obtain a list of contractor parent companies by agency, specifically the DoD. The list of current DoD contractor parent companies can be printed from the site.

Question. On page 5 of your written testimony you write, "We saw no comprehensive efforts by the Department to oversee or manage the growth, costs, profits, or fees for services contracts. In just the last decade, the value of services contracting more than tripled."

Who in the Department of Defense is responsible for such oversight and management? Who should?

Answer. The Under Secretary of Defense for Acquisition, Technology and Logistics is responsible for oversight and management and we believe this is the appropriate office.

[CLERK'S NOTE.—End of questions submitted by Ms. Kaptur. Questions submitted by Mr. Murtha and the answers thereto follow:]

INSPECTOR GENERAL ACTIONS TO IMPROVE CONTRACT OVERSIGHT

Question. On March 31, 2008, the Inspector General issued a Growth Plan for Increasing Audit and Investigative Activities, as required by the fiscal year 2008 Defense Authorization Act. Under that plan, the IG will add 481 full-time positions to its Audit, Investigation, Policy & Oversight, Intelligence, Administration & Management, and other staff by the year 2015. The Defense Appropriations Subcommittee has supported this planned growth by providing the DoD IG with an additional $63 million over the past two years:

Fiscal Year 2008: +$24 million
Fiscal Year 2009: +$24 million
Stimulus 2009: +$15 million

Mr. Heddell, how many staff have you hired with the additional $63 million provided to the IG by the Committee in the last two fiscal years?

Answer. We increased our staff by 132 personnel over the last two fiscal years, from 1,398 at the end of FY 2007 to 1,530 as of April 13, 2009, to include:

- 51 auditors;
- 23 investigators;
- 8 intelligence-related positions;
- 7 dedicated GWOT-related positions;
- 10 personnel in a new office of Special Plans and Operations;
- 4 personnel in a new Office of Professional Responsibility;
- 10 conversions of contracted IT positions;
- 1 ombudsman position; and
- 18 positions in administrative and support functions.

In addition to our current strength of 1,530, we have authorized a total of 1,704 positions for FY 2009, to allow us to expand by up to another 174 positions by the end of this fiscal year.

Question. Can you provide specifics about how additional staff has enabled the IG to improve contract oversight?

Answer. The additional staff has been used to bolster our mission effectiveness in priority oversight areas. Some of the additional Audit positions have been used to augment our overseas presence in Southwest Asia to "get more boots on the ground." We have also augmented our staff at headquarters and established new field offices to provide coverage in areas where our coverage was limited in the past,

and to focus our resources where they are most needed. For example, within Audit, our additional staff is performing oversight of the controls over contractor common access cards within the Department, including controls over common access cards provided to contractors in Southwest Asia and Korea.

The additional funding was also used to establish the Special Plans and Operations component. Its work to date includes assessments of the accountability of weapons, ammunition, and night vision devices; foreign military sales; building the logistics and medical sustainability base for the security forces of Iraq and Afghanistan; and the train and equip mission for the security forces of Iraq and Afghanistan. Finally, the additional personnel allowed Defense Criminal Investigative Service (DCIS) to deploy six additional agents for 6-month rotations to Kuwait, Iraq, and Afghanistan. This increase places more investigators on the ground to conduct investigations of fraud, waste, and abuse of DoD funds in the Southwest Asia area of operations. Similarly, we increased agent strength in the U.S. as stateside agents also support OIF and OEF efforts by investigating criminal activities in the U.S. as well as supporting investigations that occurred in Southwest Asia to ensure conclusion and prosecution.

Question. Do you have a plan in place to increase the number of auditors and investigators working in Afghanistan to support the growth in contracting there that will follow the expected increase in U.S. force levels?

Answer. We do have a plan in place for increasing our oversight presence in Afghanistan. In December 2008, I met with and received the endorsement of the Commander, U.S. Central Command, to expand our footprint in Southwest Asia, including Afghanistan. Overall, we plan to increase our permanent presence to 36 (an additional 15 persons) in Southwest Asia. In Afghanistan, our goal is to have 12 permanent personnel for a total of 8 auditors (growth of 5) and 4 agents (growth of 2). DCIS has already increased its presence in Afghanistan by one agent for a total of three on the ground, and anticipates the fourth agent by the end of FY 2009.

Our current personnel work out of our field office on Bagram Air Base, which we established in June 2007. In February 2009, we sent senior personnel to Afghanistan to brief the command on our growth plan and negotiate office space for future field offices in Kandahar and Camp Eggers. We plan to adjust our deployed strength as the DoD mission in Afghanistan grows and we can better ascertain the requirement for oversight personnel.

Question. Are the majority of the new staff relatively junior, or are you finding experienced auditors and investigators who can hit the ground running?

Answer. To ensure that we obtain a cadre of experienced staff for our priority efforts, such as oversight of Southwest Asia operations, we generally emphasize recruiting experienced, Government personnel (current or retired)—both Federal and DoD—as well as retired military members. For example, when establishing our Special Plans and Operations component, we acquired several experienced, retired Government oversight personnel as well as an Ambassador with experience in Iraq/Afghanistan transition programs. Our DCIS teams consist of a mix of junior and experienced agents, with every team consisting of at least one senior experienced agent. We have found that the experienced recruits augment our existing, experienced staff and our junior staff, to create an effective balance in support of our Southwest Asia oversight efforts.

Question. Are you competing for talent with DoD agencies, such as the Defense Contract Audit Agency and the Defense Contract Management Agency, who are also trying to beef up their contract oversight staff?

Answer. Yes. In addition to competing for auditors with DoD agencies, such as the Defense Contract Audit Agency and the Defense Contract Management Agency, we also compete with the DoD Service Audit Agencies, other Federal Inspectors General, as well as the private sector, CPA firms, and businesses to attract and retain talented staff to support our oversight mission. And while having to compete with other federal law enforcement agencies for talent is a normal occurrence, our DCIS has no trouble recruiting and retaining special agents.

FEDERAL EMPLOYEE VS. CONTRACTOR MIX

Question. Over the period 2000—2007 (the most recent year actual financial data is available) spending on services contracted from the private sector grew by 98 percent in constant dollars while spending on total civilian personnel compensation grew by 13 percent.

However, there has been no study to establish the appropriate mix of federal and contracted personnel.

Mr. Heddell, Do you think DoD has thought about its workforce holistically in order to determine the right balance of federal and contractor employees in performing DoD missions?

Answer. The Secretary of Defense testified in January 2009 that DoD has not thought holistically or coherently about the use of contractors, particularly when it comes to a combat environment. Additionally, GAO recently conducted an assessment to determine the sufficiency of the Department's acquisition workforce and its efforts to improve its workforce management and oversight. GAO Report 09–342, "Additional Actions and Data Are Needed to Effectively Manage and Oversee DoD's Acquisition Workforce," March 25, 2009, found that DoD lacks critical department-wide information to ensure its acquisition workforce is sufficient (including the right number and appropriate mix of civilian, military, and contractor personnel) to meet its national security mission.

Question. How does DoD define a proper balance between federal and contractor employees? How should they?

Answer. As previously mentioned, GAO issued a report in March 2009 that states, "DoD lacks critical department-wide information to ensure its acquisition workforce is sufficient to meet its national security mission. First, in its acquisition workforce assessments, DoD does not collect or track information on contractor personnel, despite their being a key segment of the total acquisition workforce. DoD also lacks information on why contractor personnel are used, which limits its ability to determine whether decisions to use contractors to augment the in-house acquisition workforce are appropriate. Second, DoD's lack of key pieces of information limits its ability to determine gaps in the acquisition workforce it needs to meet current and future missions. For example, DoD lacks information on the use and skill sets of contractor personnel, and lacks complete information on the skill sets of its in-house personnel." GAO made recommendations aimed at improving DoD's management and oversight of its acquisition workforce, including the collection of data on contractor personnel. DoD concurred with three of the recommendations and noted that implementing the other requires careful consideration.

Question. Mr. Heddell, if DoD in your view is not defining the proper balance, what steps should DoD take to better assure a balance between federal and contractor employees in meeting DoD mission needs?

Answer. The first and most important step is to determine (1) what workforce mix (civilian, military, and contractor personnel) currently exists, and (2) what the appropriate workforce mix should be. Once the appropriate balance has been established, the budget needs to be aligned in support of the appropriate workforce mix.

Question. Has DoD done mission analysis and/or a study of roles and missions that includes consideration of the role that contractors should play?

Answer. GAO found that in its acquisition workforce assessments, DoD does not collect or track information on contractor personnel; lacks information on the use and skill sets of contractor personnel; and lacks complete information on the skill sets of its in-house personnel. However, Secretary Gates stated during an April 6, 2009, press briefing, "there is broad agreement on the need for acquisition and contracting reform in the Department of Defense. There have been enough studies. Enough hand-wringing. Enough rhetoric. Now is the time for action." The Secretary concluded this statement with a final recommendation to overhaul how defense organizations are staffed and operated with regards to contractors versus full-time government employees.

Question. Do you share the concern that there has been an erosion of federal personnel control within the DoD?

Answer. Yes, we share the concern of the Secretary of Defense that the correct mix of military, DoD civilian, and contractor personnel was not thought out holistically. However, on April 6, 2009, the Secretary of Defense announced key decisions that he will recommend to the President with respect to the fiscal year 2010 defense budget, to include a recommendation that will have a significant impact on how defense organizations are staffed and operated. Under this budget request, the Department will reduce the number of support service contractors from the current 39 percent of the workforce to the pre-2001 level of 26 percent and replace them with full-time government employees. The Secretary stated that the goal is to hire as many as 13,000 new civil servants in fiscal year 2010 to replace contractors and up to 30,000 new civil servants in place of contractors over the next five years.

Question. Do you share the concern that there may be an over reliance on contractors?

Answer. Contractor support has become an integral part of today's execution of DoD's mission. However, with this comes a greater risk that contractor's roles infringe on areas that are inherently governmental. I highlighted an example of this during my testimony on February 26, 2009; specifically, I described an incident in

which a contractor, rather than the military or other DoD entity, was responsible for issuing Common Access Cards, which allowed the holder to gain access to DoD facilities world-wide creating a national security issue. As such, we agree with the Secretary of Defense's recommendation as part of his FY 2010 budget to reduce the number of support service contractors and replace them with full-time government employees; specifically, up to 30,000 new civil servants in place of contractors over the next five years.

GROWTH IN CONTRACTOR PROVIDED SERVICES

Question. DoD's obligations on contracts rose from 47 percent of the total budget in fiscal year 2000 to 51 percent in fiscal year 2007 (according to the 2009 President's Budget). Of the contract costs, service contracts grew from 26 percent of the total budget billion in 2000 to 27 percent in 2007.

The GAO recently testified to this Committee that the transition to contractor provided services was in no way the result of a strategic decision but was a piecemeal response to downsizing that occurred despite increasing workload. Have you seen any strategic thinking on this issue from DoD?

Answer. We agree that the reliance on contractors to support DoD's current mission was not the result of a strategic or deliberate process but resulted from thousands of individual decisions to use contractors to provide specific capabilities. Additionally, the Secretary of Defense testified in January 2009 that DoD has not thought holistically or coherently about the use of contractors particularly when it comes to a combat environment.

Question. Does DoD have clear policy guidance on contracted services?

Answer. In addition to the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement, DoD continues to clarify and issue new guidance on aspects of service contracts in response to findings in our audit reports and other information.

Question. Where in the Pentagon do you believe service contract policy should emanate from?

Answer. Because spending for services accounts for such a large portion of the Defense budget, policy should emanate from the highest levels of the Department. Specifically, the Under Secretary of Defense of Acquisition, Technology and Logistics is responsible for establishing and publishing polices and procedures governing the operations of the DoD Acquisition System and the administrative oversight of defense contractors. In addition, since policy should be based on informed decisions about the balance of in-house versus contracted resources, policies should include senior officials responsible for personnel and human capital decisions.

Question. Should contract service policy be a function of a human capital plan?

Answer. It appears it would not be possible to appropriately evaluate the Department's needs to contract for services without having coordinated such an assessment against a human capital plan of overall DoD resource considerations.

Question. Does DoD have a human capital plan?

Answer. Yes, the Department does have a Civilian Human Capital Strategic Plan.

OMB CIRCULAR A–76

Question. The Executive Office of the President's policy on the performance of commercial type activities, OMB Circular A–76, states:

"The longstanding policy of the federal government has been to rely on the private sector for needed commercial services." Further DoD has not defined or measured the value it seeks from contract service dollars, in part because the roles of contractors are not fully known or defined.

Mr. Heddell, it seems that federal policy encourages contracting out of services, rather than determining the correct balance between federal and contractor personnel. Do you agree?

Answer. We do believe that contracting out of services has been encouraged. Commercial Services Management (formerly Competitive Sourcing) has been a President Management Agenda item for the past 8 years. It was also encouraged through OMB Circular A–76 for years without a study by DoD on the proper balance.

Question. Is there any evidence that once a government activity has been outsourced to the private sector that there continues to be savings to the taxpayer?

Answer. In our opinion, the savings are questionable. Examples of questionable A–76 Competitions include:

- In an audit of the DFAS military retired and annuitant pay A–76 competition, we identified a $30 million error in the in-house cost proposal, which caused the Government to lose the competition to the contractor. We are currently conducting an audit looking at the contractor's costs.

• In an audit of the Navy San Diego Public Works Center environmental services A–76 competition, the contractor won by proposing rates that were lower than the rates the contractor actually charged once he began work on the contract.

We have a competitive sourcing strategic audit plan, and plan to look at A–76 cost savings in the future. However, the recent Congressional direction to freeze further competitions may alter or delay our planned oversight. We will continue to monitor the guidance and efforts to determine what oversight can be performed and be of value given the potential changes to the overall efforts in the Department.

Question. The previous administration held the assumption that using contractors in place of federal employees will yield cost savings. Does DoD, in making decisions to contract for services, have sound decision-making processes to ensure that savings will result from using contractors to meet a mission requirement? If not what should be done by Congress to get DoD to put such safeguards into place?

Answer. DoD Instruction 1100.22, "Guidance for Determining Workforce Mix," implements policy for determining the appropriate mix of manpower (military and civilian) and private sector support necessary to accomplish Defense missions consistent with applicable laws, policies, and regulations. However, GAO found in past oversight efforts instances where converting functions from the Government to the private sector was actually more costly. GAO Report No. 09–041, "Improved Analysis and Cost Data Needed to Evaluate the Cost Effectiveness of Performance Based Logistics," December 19, 2008, gives several examples where contractor support costs are greater than in-house maintenance costs. For example, the report states that FA–18 E/F contractor support would be $400 million more expensive than Government support over the next 28 years.

Question. Is there evidence that services provided by the private sector are in any way inherently less costly than the public sector?

Answer. It would not be appropriate to generalize regarding cost effectiveness; each comparison should be done on a case-by-case basis to ensure best value for the government.

COMPETITIVE SOURCING

Question. The DoD IG issued a report on January 13, 2009 that the Defense Department is studying the outsourcing of nearly 9,000 civilian jobs. The IG report was ordered by Congress to evaluate whether the Pentagon is holding jobs competitions under orders from the Office of Management and Budget. The fiscal year 2008 National Defense Authorization Act (P.L. 110–181) prohibited OMB from ordering DoD to hold the competitions. The IG concluded the Defense Department's jobs competitions were not being done under orders from OMB but the report said some jobs competitions were being done under pressure from senior Pentagon officials and that the competitions were hurting morale and fueling turnover of staffs in some cases.

Mr. Heddell, please summarize the finding in the January 13, 2009, DoD IG report that senior Pentagon officials pressured the Military Services to compete 9,000 jobs with the private sector.

Answer. As of the April 22, 2008, date of our interim report, only the Army was feeling extreme pressure from the Office of the Secretary of Defense (OSD) to conduct public-private competitions. However, as of December 15, 2008, the date of our final report, the Army was no longer receiving pressure from OSD to conduct public-private competitions.

Question. Did you find inappropriate influence to compete government jobs with the private sector?

Answer. No, we found no evidence of inappropriate influence to compete government jobs. As of the December 15, 2008, date of our final report, DoD competitive sourcing officials and headquarters-level competitive sourcing officials for the three Military Departments all stated that they were not directed by and did not feel any pressure from the Office of Management and Budget (OMB) to conduct public-private competitions. Major Command and Budget Submitting Office competitive sourcing officials agreed with the statements made by headquarters-level officials, and stated that the pressure to conduct public-private competitions was not directly from OMB or OSD, but from the chain of command.

Question. If so, who was it that exerted inappropriate influence?

Answer. We found no evidence of inappropriate influence to compete government jobs.

Question. What is the impact on morale?

Answer. During our audit, installation-level officials within the three Military Departments raised many concerns about the competitive sourcing process, including

staffing. Most of the officials we spoke with expressed concerns about the strain public-private competitions place on their workforce and the ability to meet their mission. They stated that because a public-private competition puts a person's livelihood at risk, it causes angst among the workforce and in turn, management of that workforce becomes very difficult. Also, many employees look for and accept other employment opportunities before the completion of the competition, which creates vacant positions. Officials stated that it is difficult to hire new employees during an ongoing competition because most qualified personnel do not want to take a temporary position. At a time when much of the workforce is eligible for retirement, positions under public-private competitions add to the difficulty of hiring, training, and transferring knowledge to a younger workforce, which creates a struggle to maintain an adequate workforce to meet the required level of performance.

DEFINITION OF INHERENTLY GOVERNMENTAL

Question. The Office of Management and Budget's Office of Federal Procurement Policy advocated "competitive sourcing" during the last Administration. Competitive sourcing requires that federal government work that is not "inherently governmental" go through a public-private competition.

There have been numerous media reports that illustrate how private contractors have been hired to perform contract oversight functions that were traditionally reserved for federal employees. The GAO found that of 52 major weapons programs, over 45 percent of the program office staff were private contractors.

In the 2009 Defense Authorization Act (Public Law 110–417), the OMB Director was required to develop a single consistent definition of an "inherently governmental function." The Director was supposed to address deficiencies with the existing definitions and develop criteria so that the head of each department could identify positions that could not be contracted out because they exercise an inherently governmental function. The Director was given one year to report to Congress on the new definition and put forward any legislative recommendations as may be necessary.

What is the status of the OMB Director's effort to help the heads of the Agencies better determine which positions are inherently governmental and cannot be contracted out?

Answer. We are not aware of the current status of OMB's efforts. The OMB could provide the best answer to this question.

Question. What plans does OMB have in place to ensure an orderly transition of the existing work to the new administration?

Answer. We are not aware of OMB's plans. This question would be best answered by OMB.

INHERENTLY GOVERNMENTAL FUNCTIONS

Question. An inherently governmental activity is an activity that is so intimately related to the public interest as to mandate performance by government personnel. These activities require the exercise of substantial discretion in applying government authority and/or in making decisions for the government.

• For example, in March of last year, the GAO found that 42 percent of the Army's contracting center of excellence was staffed by contractors. In other words, contractors were making decisions on government contracting.

• In another example, the OSD Comptroller had contracted for the development of budget justification of the fiscal year 2008 supplemental funding request.

Inherently governmental functions are not to be performed by contractors. Within the Department of Defense, are there any private contractors performing inherently governmental functions?

Answer. We have identified instances of outsourcing inherently governmental functions. For example, we identified that contractors were used as contracting officer representatives for the Air Force Second Generation Wireless Local Area Network contract. We believe that the interests of taxpayers are not protected when we have one contractor monitoring another contractor.

Question. Do you believe that the DoD should provide a clearer statement of what constitutes inherently governmental functions?

Answer. The Federal Acquisition Regulation (FAR) defines inherently governmental functions, not DoD. However, the definition is interpreted differently and inconsistently by different people at different agencies. As such, GAO has recommended that the DoD provide a clearer statement regarding which positions are inherently governmental.

Question. Do you believe that there needs to be greater attention on the types of functions and activities that should be contracted out and which should not?

Answer. Yes, the Department needs to pay greater attention to the types of functions that should be contracted out and provide training to acquisition, contracting, and human capital officials for appropriately contracting out personnel services.

Question. What are the dangers in relying on contractors for inherently government functions such as program and financial management, intelligence analysis, and policy making?

Answer. As GAO reported, the closer contractor services come to supporting inherently governmental functions, the greater the risk of contractors influencing the government's control over and the accountability for decisions that may be based, in part, on the contractor's work. We believe this may also increase the risk that contractors can inappropriately influence government decisions to provide the contractor a financial windfall, all of which may result in decisions that are not in the best interests of the government and the American taxpayer. Over-relying on contractors could also lead to increased vulnerability of fraud, waste, and abuse (i.e. organizational conflicts of interest might arise if an employee of a contractor recommends an action that would benefit the contractor in a future procurement).

Question. The line separating contractor from government employee can be blurry and not well-defined on work that closely supports inherently governmental functions. The Army has undertaken a review of contracted positions and has discovered that inherently governmental functions are often performed by contractors. Do you believe that this may be the case in the Navy and Air Force as well?

Answer. This is certainly a possibility. The inventories that the Navy and Air Force will be compiling in response to Section 807 of the FY 2008 National Defense Authorization Act, "Inventories and Reviews of Contracts for Services," should assist them in determining whether they have inappropriately contracted out inherently governmental functions.

Question. What factors should DoD consider when making a decision to use contractors to meet mission needs and what tradeoffs are involved in considering such factors?

Answer. The factors and tradeoffs vary depending on the mission and the needs of the requiring activity. However, whether a function is inherently governmental, cost/benefit and human capital considerations should be part of the process.

PERSONAL SERVICE CONTRACTS

Question. A personal service contract is when the government obtains the services of specific person by contract, rather than by direct hire. It is legal in only a few specific instances, for example when the need for services is short term or intermittent. However, GAO has testified that the DoD may be using these contracts more expansively than intended.

Mr. Heddell, personal service contracts are legal for very limited circumstances. Do you believe that DoD confines its use of personal services to only those that are legally allowable?

Answer. Not in all cases. DoD is required to comply with the Federal Acquisition Regulation in relation to the use of personal service contracts. However, we have identified concerns regarding the appearance of a personal service contract in the America Supports You Program, and GAO has reported concerns with the use of personal services contracts by the Army Contracting Command.

Question. Mr. Heddell, could you comment on DoD's use of personal service contracts?

Answer. DoD is required to comply with the Federal Acquisition Regulation in relation to the use of personal service contracts. However, we have identified concerns with the use of a personal service contract in the America Supports You Program, and GAO has reported concerns with the use of personal services contracts by the Army Contracting Command.

Question. Mr. Heddell, how does the work that contractors perform differ from the work that civilian employees perform?

Answer. Contractors can not perform tasks that require either the exercise or discretion in applying government authority, which should be performed by government employees.

Question. How do government ethics rules apply to personal service contractors? Do the personal conflict of interest safeguards apply to personal service contractors?

Answer. Contractor employees, including those performing personal service contracts, are not subject to the same laws and regulations that are in place to prevent conflicts of interest among federal employees. As examples, 5 C.F.R. Part 2635, "Standards of Ethical Conduct for Employees of the Executive Branch," and the Joint Ethics Directive, DoD 5500.07 (November 29, 2007) do not apply to contractor

employees. Similarly sections of Title 18, United States Code are only applicable to Government employees (207 and 208).

There are certain laws and regulations applicable to both federal and contractor employees (i.e., 18 U.S.C. 201—Bribery or 41 U.S.C. 423(a) and FAR 3.104–4—protection of procurement-related information). Specifically, contractors are bound to follow "ethical rules" set forth in the FAR and DFARS (i.e., Part 3, "Improper Business Practices and Personal Conflicts of Interest," Part 9.2, "Qualification Requirements," Part 9.1, "Responsible Prospective Contractors," Part 9.4, "Suspension and Debarment and Ineligibility," Part 9.5, "Organization and Consultant Conflicts of Interest," and Part 9.6, "Contractor Team Arrangements"). Perhaps most importantly, the FAR was recently amended to require that if the value of the contract is expected to exceed $5,000,000 and the performance period is 120 days or more, the solicitation and the contract shall contain FAR clause 52.203–13 [1], "Contractor Code of Business Ethics and Conduct." That section requires the contractor to have a code of conduct and business ethics, and to provide a copy of that code to each employee engaged in performance of the contract. It does not set forth specific requirements for what the code shall address.

Question. How can the Congress compel DoD to limit the use of personal service contracts to only those few unique circumstances where they are legal?

Answer. The Congress should not have to compel DoD because DoD is obligated to follow the law and the rules delineated in the Federal Acquisition Regulation on the use of personal services contracts. As such, DoD is drafting guidance with regard to this matter in response to Section 831, "Development of Guidance on Personal Services Contracts," of the FY 2009 National Defense Authorization Act.

GUIDELINES ON CONSIDERING CIVILIANS FOR NEW AND CONTRACTED FUNCTIONS

Question. The National Defense Authorization Act for Fiscal Year 2008, required the Under Secretary of Defense for Personnel and Readiness (USD[P&R]) to develop guidelines and procedures to ensure that consideration is given to using DoD civilian employees to perform new functions or functions that are performed by contractors—and required the DoD IG to review implementation.

Mr. Heddell, In July of last year, the DoD IG reported on the actions underway within DoD to in-source new and previously contracted functions. Would you give a general description of on DoD's in-sourcing efforts?

Answer. DoD issued guidelines and procedures on in-sourcing new and contracted functions on April 4, 2008. As of March 13, 2009, an official from the DoD Office of Program Analysis and Evaluation stated that the directive-type memorandum for the Full Cost of Manpower Business Rules was submitted for formal coordination and the review was expected to begin the week of March 23, 2009. Also, the costing software contract was awarded and the contractor was developing a timeline. We have not conducted any follow-up work to determine if there has been any progress on DoD components beginning in-sourcing actions under Section 324.

In addition, on April 6, 2009, the Secretary of Defense announced key decisions that he will recommend to the President with respect to the fiscal year 2010 defense budget, to include a recommendation that will have a significant impact on how defense organizations are staffed and operated. Under this budget request, the Department will reduce the number of support service contractors from the current 39 percent of the workforce to the pre-2001 level of 26 percent and replace them with full-time government employees. The Secretary stated that the goal is to hire as many as 13,000 new civil servants in fiscal year 2010 to replace contractors and up to 30,000 new civil servants in place of contractors over the next five years. Finally, the Secretary stated that he would also recommend overhauling the acquisition workforce by converting 11,000 contractors and hiring an additional 9,000 government acquisition professionals by 2015—beginning with 4,100 in fiscal year 2010.

Question. The Under Secretary of Defense for Personnel and Readiness (USD [P&R]) was to develop in sourcing guidelines. Did, the USD (P&R), Dr. Chu, comply?

Answer. Yes, DoD complied. On April 4, 2008, Deputy Secretary of Defense England issued the in-sourcing guidelines and procedures prepared by the USD (P&R).

Question. Mr. Heddell, this Committee heard testimony from the Army earlier this month on their in sourcing efforts. What, if anything, have the Navy and Air Force done?

Answer. As of the July 23, 2008, date of our report, the Air Force and Navy had not in-sourced functions under Section 324 of the 2008 National Defense Authoriza-

[1] Unless the contract is for the acquisition of a commercial item or will be performed entirely outside the United States.

tion Act. We have not conducted any follow-up work on the in-sourcing efforts of the Air Force and Navy since our final report was issued.

Question. What do you recommend to the Navy and Air Force?

Answer. As of the July 23, 2008, date of our report, the Air Force and Navy had not in-sourced functions under Section 324 of the 2008 National Defense Authorization Act. We have not conducted any follow-up work on the in-sourcing efforts of the Air Force and Navy since our final report was issued. Therefore, we cannot make recommendations to the Navy and Air Force until we have determined through our follow-up efforts what actions the Navy and Air Force have taken under Section 324 of the 2008 National Defense Authorization Act.

ANNUAL INVENTORIES AND REVIEW OF CONTRACTS FOR SERVICES

Question. The National Defense Authorization Act for Fiscal Year 2008, required The Secretary of Defense to submit annual inventories of contracted services beginning in 2008. The Army has largely completed an inventory. However, due to "the magnitude of the task . . ." the Air Force and Navy cannot complete inventories until 2010.

Mr. Heddell, Why can't the Navy and Air Force submit the required annual inventories of contracts for services?

Answer. DoD is not currently capable of tracking all service contracts. We are not aware of one DoD system that exists to fully capture the required information of Section 807 of the 2008 National Defense Authorization Act. Additionally, some contract information is tracked manually, making reporting even more difficult.

Question. Is it fair to assume that if the DoD cannot provide an inventory of contracted services that it also cannot do meaningful oversight and management of contracted services?

Answer. While DoD cannot provide an inventory of contracted services and some contract information is tracked manually, we cannot assume that meaningful oversight is not occurring.

Question. How can the Congress force greater visibility of the contracted services workforce?

Answer. I believe the Congress has provided the Department with the tools necessary for greater visibility. As GAO testified earlier this month, "DoD needs to ensure that existing and future guidance is fully complied with and implemented. Doing so will require continued sustained commitment by senior DoD leadership to translate policy into practice and hold decision-makers accountable."

Question. How can Congress compel better management and oversight of contracted services?

Answer. I believe the Congress has provided the Department with the tools necessary for better management and oversight. As GAO testified earlier this month, "DoD needs to ensure that existing and future guidance is fully complied with and implemented. Doing so will require continued sustained commitment by senior DoD leadership to translate policy into practice and hold decision-makers accountable."

CONTRACTOR OVERSIGHT

Question. In 2007 more than half of DoD's budget was obligated on contracts. Of the contract costs, 27% of the total DoD budget was spent on service contracts. Despite this very significant percent of DoD resources, DoD does not know how many contractors and subcontractors are employed, or what their average salary is. The responsibility for acquiring services within DoD is spread among individual military commands, weapon system program offices, or functional units on military bases with no central oversight.

Does the Department have the ability to report on the number of contractors and subcontractors that they employ and their compensation costs?

Answer. While certain databases such as the Federal Procurement Data System can provide information on awards to contractors, we are not aware of any system that can report the number of contractors, subcontractors, or their compensation costs.

Question. Has DoD considered or planned what part of the workforce increase should be dedicated to contract oversight?

Answer. My understanding is that each Military Department and Defense agency should provide its own oversight or include the Defense Contract Management Agency in the oversight process. We are not aware of a DoD-wide plan for oversight resources.

Question. Mr. Heddell, the DoD can report for both military and civilian employees the number of employees, the pay costs, and the total compensation costs. Why doesn't DoD track the number of contractors and their compensation costs?

Answer. In response to Section 807 of the FY 2008 National Defense Authorization Act, DoD is required to submit annual inventories and reviews of contracts for services. The Deputy Under Secretary of Defense for Acquisition and Technology has issued implementing guidelines and stated that, because of the magnitude of the task of conducting inventories and reviews for all service contracts, DoD will implement this in phases. The Army will submit an inventory in FY 2009, the Navy and Air Force in FY 2010, and all Military Departments and Defense Agencies in 2011. We believe this effort will provide DoD greater visibility over contractors and their compensation costs.

Question. Mr. Heddell, given that DoD does not know or track contractors' average salaries, how can DoD make an informed decision on obtaining "contractor" VS. "in-house" services—if the "unit costs" can't be compared?

Answer. DoD cannot make fully informed decisions if unit costs cannot be compared.

GANSLER COMMISSION REPORT

Question. In the November of 2007, a commission headed by the former Undersecretary for Acquisition during the Clinton Administration, Dr Jacques Gansler, found a number of key failures of the Army's contract system which contributed waste, fraud and abuse. The Commission examined business processes, the acquisition workforce, and contract management and made 22 specific recommendations for the Army and 18 for the Office of the Secretary of Defense. On December 14, 2008 the Secretary of the Army reported on the status of implementation of the Commission recommendations.

Mr. Heddell, Do you believe that the Army has implemented all of the actions called for by the Gansler Commission on Expeditionary contracting?

Answer. Based on our interaction with the Army and work in this area, we believe the Army is actively implementing or addressing the recommendations made in the Gansler report. In addition, the Army testified in February 2009 that they completed actions on 21 of the 22 specific recommendations from the Gansler report. The remaining recommendation—to increase the contracting workforce by 400 military and 1,000 civilians—will require additional time by the Army to ensure the quality and quantity of workforce is obtained.

Question. How would you grade the Army expeditionary contracting now?

Answer. As stated above, the Army is actively implementing or addressing recommendations to improve expeditionary contracting, but it is a work in progress and will take time.

Question. Mr. Heddell, the Gansler Commission recommended that Army increase the status and size of the Army acquisition workforce. What's been done and what is still needed?

Answer. The Army testified in February 2009 that they are pursuing growth of their contracting workforce by 446 military and 1,191 civilians. The Army further testified that about one-third of those numbers is the planned growth in each of the next three years.

Question. Mr. Heddell, the Gansler Commission recommended that the Army elevate the authority for acquisition issues within the Army. How has the Army done this? What obstacles did the Army face?

Answer. The Army established a 2-star billet to head the U.S. Army Contracting Command and obtained five additional general Army officer billets for acquisition; one of which will head the recently established Expeditionary Contracting Command. The Army needed the authority provided in the FY 2009 National Defense Authorization Act to create the billets.

DEPLOYED CONTRACTORS

Question. DoD has extensively used contract support in the conduct of Operations Iraqi Freedom and Enduring Freedom. Deployed contractors continue to outnumber deployed U.S. military personnel. As of January, 219,000 Military personnel versus 259,000 contractors were deployed to CENTCOM.

Mr. Heddell, DoD continues to deploy huge numbers of contractors. Currently 259,000 contractors are deployed to the CENTCOM area of responsibility. Would you comment on the consequences of having more contractors than military personnel in CENTCOM area of responsibility?

Answer. While we cannot express a suitable ratio for the number of contractors compared to military members in an area of operations, we can state that contractors deployed to the CENTCOM area of responsibility should be performing necessary work. In addition, for the contracted efforts in the CENTCOM area of responsibility, it is imperative that the number of contractors, type of contract vehicle,

scope of the contracted efforts, and complexity of the effort be considered to ensure that the appropriate level of contract oversight is also maintained in the area of operations.

Question. How does the CENTCOM commander control the number of contractors in his area of responsibility?

Answer. Joint Publication 4–10, "Operational Contract Support in Joint Operations," October 2008, provides overall guidance to support the CENTCOM Commander on contracting and contractor management in his area of responsibility. The joint publication defines key personnel involved in the contracting process and includes checklists to support the Commander with proper contractor planning. The Contracting Support Plan Checklist covers the key requirements associated with orchestrating and managing contracting efforts in a joint operations area, including a requirement to ensure that there are adequately trained Contracting Officer Representatives and Contracting Officer Technical Representatives to assist in managing contract performance. The Contractor Integration Plan Checklist covers the key requirements associated with managing contractor personnel in a joint operations area and providing Government-furnished support, when such support is required.

In addition to the Joint Publication, the CENTCOM Commander should consider what magnitude of contractor efforts are sustainable, will most likely achieve the desired outcomes, and are feasible given the operational environment in his area of responsibility.

Question. Are there any particular lessons from the extensive use of contract support in Iraq that DoD must consider as Military forces are increased in Afghanistan?

Answer. DoD must consider that increased utilization of contractors requires additional oversight on the part of the military and civilian DoD components to ensure that contractors comply with relevant contractual requirements and refrain from engaging in fraudulent activity. Contractor oversight personnel must be properly trained and deployed timely and in adequate strength to ensure proper oversight. Our summary report of challenges impacting Operations Iraqi Freedom and Enduring Freedom reported by major oversight organizations from FY 2003 through FY 2007 identified specific problems in contract management, logistics, financial management and other areas, which should all be considered before contracting functions in Afghanistan.

DoD's Panel on Contracting Integrity

Question. Panel on Contracting Integrity identified areas for improvement all of which focus on acquisition workforce issues. Areas that the Panel identified are reinforcing the functional independence of contracting personnel, filling contracting leadership positions with qualified leaders, determining the appropriate size of the contracting workforce and ensuring that it has the appropriate skills; and improving the planning and training for contracting in combat and contingency environments.

Mr. Heddell, this Committee is interested in DoD's progress in addressing the problems of the acquisition workforce based on the work of DoD's Panel on Contracting Integrity.

What should this Committee be looking for from DoD to ensure that DoD keeps focused on taking actions to resolve the long-standing problems of DoD's acquisition workforce?

Answer. During 2008, DoD made significant progress in establishing the framework to assure functional independence of contracting personnel, Separation of Duties of senior acquisition and contracting leaders, and leveraging of contracting officer training. In addition, DoD has begun a workforce-wide competency assessment of 22,000 civilian and military contracting professionals, and the Secretary of Defense stated in a press conference on April 6, 2009, that his recommended fiscal year 2010 defense budget is aligned to support the Department's acquisition reform goals by increasing the size of defense acquisition workforce, converting 11,000 contractors, and hiring an additional 9,000 government acquisition professionals by 2015 beginning with 4,100 in FY 2010. The Committee should expect periodic updates from the Department on the implementation of its initiatives.

Question. What factors should DoD consider when making a decision to use contractors to meet mission needs and what tradeoffs are involved in considering such factors?

Answer. The most important consideration when determining whether contractors should be used is whether it is essential that the function be performed by government personnel (i.e. inherently governmental functions). Once it is decided that a contractor could do the work, there are a number of tradeoffs. One consideration is

how well can the work be defined? If it can be well-defined, fixed price contracting would be appropriate to put the risk on the contractor and reduce the need for surveillance. If the work cannot be well-defined, some form of cost-type contract will likely be used, which puts more risk on the government and requires more use of government personnel to oversee the work. Other considerations include whether multiple contractors are available to do the work or only one contractor. Multiple contractors would allow for competition and require fewer resources for pricing the contract. Whereas, detailed pricing evaluation would be needed in a sole source situation.

Also, DoD needs to consider from recent wartime contracting experience that it continues to have insufficient resources to monitor contractor performance in an expeditionary environment. The inability to enforce contract requirements and monitor contractor performance remains a critical DoD problem because DoD lacks the trained resources to award, monitor, and ensure that contractors provide services needed by the warfighter.

DEPOT MAINTENANCE

Question. Nearly a year ago GAO testified that the DoD lacks the assurance that corps logistical capabilities were being maintenance as needed to ensure timely and effective response to national defense emergencies and contingencies (as required by 10 U.S.C. 2464). However, the DoD continues to outsource much of these core depot maintenance functions.

Mr. Heddell, the DoD is required by law to have an in-house depot maintenance workforce able to respond to national defense emergencies.

Do you believe that DoD has sufficient numbers of in-house personnel to meet all core maintenance functions to respond to national emergencies?

Answer. This is a continuing challenge for the Department. We agree with the GAO testimony that DoD lacks the assurance that core logistics capabilities were being maintained as needed to ensure timely and effective response to national defense emergencies and contingencies. We will continue to assess DoD's progress in this area through our reviews of the Department's efforts related to depot overhaul and maintenance of equipment, spare parts, and in-house overhaul and maintenance of military equipment for the forces in Iraq and Afghanistan.

Question. Mr. Heddell, do you agree that current DoD policy encourages the use of contractor logistics support?

Answer. Yes. Current law encourages that at least 50 percent of all depot work may go to contractors. Data shows that for FY 2009, about $16 billion of $32 billion of depot work is planned for contracted depot work.

Question. If so, are we in danger of not having sufficient in-house technical expertise?

Answer. Yes, that is why we believe the Department must assess its needs and skills requirements to determine the proper mix of military, civilian, and contractors in its workforce.

SIZE OF FEDERAL CIVILIAN CONTRACTING WORKFORCE

Question. DoD downsized the defense contracting workforce without ensuring that it retained an adequate in-house workforce with the specific skills and competencies needed to accomplish the DoD contracting mission.

The Committee understands that from 1997 to 2007 obligations for contracts and acquisition increased from $190 billion to $429 billion per year, while the DoD acquisition workforce which oversees contracts and acquisition was downsized significantly.

In your opinion, is the current DoD acquisition or contracting workforce adequate to the task in terms of number of employees and the skill level of those employees?

Answer. No. Several internal DoD panels, such as the Panel on Contracting Integrity and the Gansler Commission, have found or acknowledged the fact that the present DoD Acquisition workforce is insufficient to fully meet wartime contract award, monitoring, and performance oversight functions needed by the warfighter.

Question. How does the DoD contracting workforce compare with the contracting workforce at large private sector companies, in terms of the number of workers and the skill level of those workers?

Answer. I cannot comment on the quantity or skill level of the private sector contracting workforce; however, a Defense Acquisition University study published in early 2008 on Acquisition Structures and Capabilities found:

- The Acquisition, Technology, and Logistics (AT&L) workforce is the most experienced in DoD (Fifty percent of the AT&L civilian workforce has more than 20 years of experience);

- The AT&L workforce is highly educated, with 74 percent of civilians having bachelor's or advanced degrees; and
- Sixty-six percent of the AT&L workforce is certified, and 50 percent meet or exceed their position level requirements.

Question. In your opinion, is the current DoD acquisition or contracting workforce adequate to the task in terms of number of employees and the skill level of those employees?

Answer. No. Several internal DoD panels, such as the Panel on Contracting Integrity and the Gansler Commission, have found or acknowledged the fact that the present DoD Acquisition workforce is insufficient to fully meet wartime contract award, monitoring, and performance oversight functions needed by the warfighter. In addition, Secretary Gates acknowledged during an April 6, 2009, press briefing that "there is broad agreement on the need for acquisition and contracting reform in the Department of Defense." The Secretary stated that he would recommend overhauling the acquisition workforce by converting 11,000 contractors and hiring an additional 9,000 government acquisition professionals by 2015—beginning with 4,100 in fiscal year 2010.

CONTRACTING MANAGEMENT PERSONNEL

Question. DoD has acknowledged that it faces significant workforce challenges that if not effectively addressed could impair the responsiveness and quality of acquisition outcomes.

The Department of Defense workforce of contracting officials is losing many of its most talented and experienced personnel to retirement. In some cases the talent that remains does not match up well with the types of services to be contracted.

How does the DoD go about finding, recruiting, hiring, and developing the needed contracting professionals? What should be done differently?

Answer. My office has long been concerned about the need to maintain a trained and experienced acquisition workforce in DoD. We have not performed any analysis of the Department's hiring practices and have not offered any specific recommendations to the Department on how it could improve its recruiting policies and procedures.

Question. What are the career education and training progressions for DoD contracting personnel? What should be done differently?

Answer. The Acquisition, Technology, and Logistics (AT&L) Workforce Desk Guide provides the DoD AT&L Education Training and Career Development Program requirements. The intended audience is the acquisition and contracting workforce and provides information about certification, qualification, and tenure requirements.

Question. As private contractors increasingly are intertwined into the work that civilian personnel perform in managing contracts, how can the DoD ensure that private contractors have adequate skills to meet the demands of the work?

Answer. As a contract management requirement, DoD must have metrics in all contracts and hold contractors accountable for their performance.

Question. How do you rate the DoD contracting workforce in achieving the appropriate levels of skill certification?

Answer. GAO issued a report in March 2009 that states that the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) "not only lacks information on contractor personnel, but also lacks complete information on the skill sets of the current acquisition workforce and whether these skill sets are sufficient to accomplish its missions." The report further states that AT&L is conducting a competency assessment to identify the skill sets of its current acquisition workforce, and that while this assessment will provide useful information regarding the skill sets of the current in-house acquisition workforce, it is not designed to determine the size, composition, and skill sets of an acquisition workforce needed to meet the department's missions.

Question. How is the new training program for military non-contracting officers intended to affect contract management and oversight in forward areas?

Answer. It is intended to improve management of contracts because non-contracting personnel will be aware of contract oversight requirements.

NEEDED IMPROVEMENTS TO THE ACQUISITION WORKFORCE

Question. For years numerous high level panels of experts found that the acquisition workforce must be improved by filling contracting leadership positions with qualified leaders, determining the appropriate size of the contracting workforce and ensuring that it has the appropriate skills; and improving the planning and training

for contracting in combat and contingency environments. Most recently the DoD's Panel on Contracting Integrity made recommendations.

Mr. Heddell, this Committee is interested in DoD's progress in addressing the problems of the acquisition workforce based on the work of DOD's Panel on Contracting Integrity.

What should this Committee be looking for from DoD to ensure that DoD keeps focused on taking actions to resolve the long-standing problems of DoD's acquisition workforce?

Answer. During 2008, DoD made significant progress in establishing the framework to assure functional independence of contracting personnel, Separation of Duties of senior acquisition and contracting leaders, and leveraging of contracting officer training. In addition, DoD has begun a workforce-wide competency assessment of 22,000 civilian and military contracting professionals, and the Secretary of Defense stated in a press conference on April 6, 2009, that his recommended fiscal year 2010 defense budget is aligned to support the Department's acquisition reform goals by increasing the size of defense acquisition workforce, converting 11,000 contractors, and hiring an additional 9,000 government acquisition professionals by 2015—beginning with 4,100 in FY 2010. The Committee should expect periodic updates from the Department on the implementation of its initiatives.

Question. What factors should DoD consider when making a decision to use contractors to meet mission needs and what tradeoffs are involved in considering such factors?

Answer. The most important consideration when determining whether contractors should be used is whether it is essential that the function be performed by government personnel (i.e. inherently governmental functions). Once it is decided that a contractor could do the work, there are a number of tradeoffs. One consideration is how well can the work be defined? If it can be well defined, fixed price contracting would be appropriate to put the risk on the contractor and reduce the need for surveillance. If the work cannot be well defined, some form of cost-type contract will likely be used, which puts more risk on the government and requires more use of government personnel to oversee the work. Other considerations include whether multiple contractors are available to do the work or only one contractor. Multiple contractors would allow for competition and require fewer resources for pricing the contract, whereas detailed pricing evaluation would be needed in a sole source situation.

Also, DoD needs to consider from recent wartime contracting experience that it continues to have insufficient resources to monitor contractor performance in an expeditionary environment. The inability to enforce contract requirements and monitor contractor performance remains a critical DoD problem because DoD lacks the trained resources to award, monitor, and ensure that contractors provide services needed by the warfighter.

Question. It seems that "blue ribbon commissions" come to nearly the same conclusions on what must be done to improve the acquisition workforce. What inhibits these recommendations from being implemented?

Answer. Primary factors include funding and a trained, available, professional workforce (i.e. available personnel). Also, the "tone at the top" needs to show a continued commitment.

TYPES OF SERVICE CONTRACTS

Question. Some types of contracts are:

- Cost Reimbursement—Utilized for acquisitions when uncertainties in contract performance do not permit costs to be estimated with sufficient accuracy:
  - Cost Plus Award Fee (CPAF) Cost Plus Incentive Fee (CPIF)
- Fixed Price—Optimal for acquiring commercial items or other supplies/services with reasonably definite functions or detailed specifications:
  - Firm Fixed Price Fixed Price Incentive

We often hear of apparent waste and abuse associated with sole source contracts. What other types of contracts are available for providing services?

Answer. Other than sole source contracts, there are competitive contracts. However, you may be referring to the types of contracts included under Federal Acquisition Regulation Part 16, where there are many different variations of fixed-price and cost-type contracts.

Question. What are the advantages and disadvantages of each type and how frequently are they used?

Answer. Cost-reimbursement contracts are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract. Cost type contracts place more

risk on the Government and require close supervision to oversee performance and costs.

Firm-fixed-price contracts provide for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties.

Fixed price and cost type incentive contracts have many varieties, which include fixed fees, incentive fees and award fees. For FY 2007, cost type contract actions accounted for about $100 billion, which represents about a third of the contract expenditures for FY 2007.

Question. Is "Best Value" contracting more difficult to accomplish than "Lowest Cost" contracting?

Answer. Best value contracting involves more considerations than lowest cost contracting so it would be more complicated and probably more difficult. The contracting officer is required to evaluate technical as well as cost considerations in making the selection. Despite the difficulties, we support the best value contracting process because cheaper is not always better.

COMMON ACCESS CARDS

Question. Your testimony points out that the DoD had contracted out the inherently governmental function of issuing Common Access Cards which permits the card holder to enter military bases and access certain official information.

Did someone in the U.S. Military give KBR authority to decide who would receive Common Access Cards.

Answer. The Army Materiel Command (AMC) and the Deputy Under Secretary of the Army for Business Transformation (DUSA–BT) are responsible for monitoring the CAC life cycle at the KBR Deployment Processing Center. Because the KBR contractors were receiving CACs for work under contract to AMC, AMC was responsible for CAC approval, revocation, and recovery.

An Under Secretary of Defense for Personnel and Readiness [USD (P&R)] Memorandum required the use of the Contractor Verification System (CVS), manned by a Trusted Agent (i.e. a Government sponsor), for approving all contractors for CACs and did not authorize the continued use of the DD Form 1172–2. However, AMC officials believed they had a waiver to this policy because they received an e-mail from the Defense Enrollment Eligibility and Reporting System/Real-time Automated Personnel Identification System (DEERS/RAPIDS) Project Office within the U.S. Army Human Resources Command. This e-mail stated that AMC could continue using the DD Form 1172–2 to authorize CAC issuance and that an official waiver from USD (P&R) was not necessary. According to my Office of General Counsel, the U.S. Army Human Resources Command had no authority to waive a policy issued by the USD (P&R).

DoD IG Report No. D–2009–05, "Controls Over the Contractor Common Access Card Life Cycle," October 10, 2008, recommended that the Commander, AMC mandate the use of CVS at the KBR Deployment Processing Center and appoint Government employees to sponsor KBR contractors; AMC concurred with this recommendation. Further, we recommended that the Adjutant General, U.S. Army Human Resources Command inform the DEERS/RAPIDS Project Office that it is not permitted to waive DoD policy unless explicitly delegated that authority. The Adjutant General agreed, stating that corrective action has been taken to ensure that the Project Office complies with DoD identity card issuance policies and procedures.

Question. If so, who was that person?

Answer. The U.S. Army Human Resources Command DEERS/RAPIDS Project Office (for additional information, see response to Question #72).

Question. When was the decision made?

Answer. The e-mail referred to in the response to Question #72 was sent on Tuesday, March 27, 2007.

Question. Has anyone been reprimanded for this decision to hand over the CAC vetting process to KBR?

Answer. The Adjutant General, U.S. Army Human Resources Command stated that corrective action has been taken to ensure that the Army DEERS/RAPIDS Project Office complies with DoD identity card issuance policies and procedures. The Adjutant General also stated that the Army DEERS/RAPIDS Project Office has been notified that any deviation from DoD policy will not occur without prior coordination and approval from the Office of the Secretary of Defense.

Question. Are KBR employees still approving CACs independent of DoD review?

Answer. DoD IG Report No. D–2009–05, "Controls Over the Contractor Common Access Card Life Cycle," October 10, 2008, recommended that the Commander, AMC mandate the use of CVS at the KBR Deployment Processing Center and appoint Government employees to sponsor KBR contractors. In a response to a draft of this report, AMC agreed, and stated that they would ensure compliance and use CVS by September 1, 2008. AMC also stated that as of October 29, 2008, the Army had assigned a Government employee as the Trusted Agent Security Manager within the acquisition center and was in the process of hiring an additional person to assume the responsibility of the alternate Trusted Agent Security Manager by November 10, 2008. Those Trusted Agent Security Managers would be responsible for assigning Trusted Agents to oversee the KBR contract via CVS. We have not verified whether AMC's corrective actions have been implemented.

Question. If no formal DoD decision was made to give KBR authority to issue CACs, has anyone from KBR been held accountable for overstepping their approved role in granting the cards?

Answer. As previously mentioned, AMC officials believed they had a waiver to the USD (P&R) policy requiring the use of CVS because they received an e-mail from the DEERS/RAPIDS Project Office authorizing the continued use of the DD Form 1172–2 to authorize CAC issuance. AMC has since stated that they would ensure compliance and use CVS by September 1, 2008, and assign Government employees to oversee this process by November 10, 2008. We have not verified whether AMC's corrective actions have been implemented.

Question. If KBR did not have DoD approval to decide who would receive CACs, were DoD personnel in the field aware that KBR employees were issuing the cards in violation of their contract and DoD security guidelines?

Answer. As I mentioned during my testimony on CACs earlier this year, one of the reasons we are doing audits in Southwest Asia and also in Korea, is because we want to look at the impacts of weak controls over CACs "on the ground." As a result, one objective of our follow-on audit of the Controls Over the Contractor Common Access Card Life Cycle in Southwest Asia is to ensure the proper use of the Common Access Card by contractors.

Question. If DoD personnel were aware of KBRs routinely circumventing security protocol, have any of them been reprimanded or punished for allowing it to take place?

Answer. See the response to Question #75. In addition, DoD IG Report No. D–2009–05, "Controls Over the Contractor Common Access Card Life Cycle," October 10, 2008, recommended that the Commander, AMC, verify that KBR contractors undergo background checks that meet Homeland Security Presidential Directive 12 and Federal Information Processing Standard 201–1 requirements prior to issuing these contractors CACs, and maintain evidence of these background checks. AMC agreed and explained procedures that they will implement to verify that KBR contractors undergo background checks.

Question. Is there any discussion of rebooting the program and issuing new Common Access Cards to appropriate military and non-military personnel and making the old CACs obsolete?

Answer. DoD IG Report No. D–2009–05, "Controls Over the Contractor Common Access Card Life Cycle," October 10, 2008, recommended that the Commander, AMC, implement procedures to recover CACs from KBR contractors when the cards are expired or no longer needed. AMC agreed and explained procedures that they will implement to recover contractor-issued CACs. Additionally, we recommended that the USD (P&R), the Under Secretary of Defense for Intelligence, and the Assistant Secretary of Defense (Networks and Information Integration)/DoD Chief Information Officer: a. Designate within 90 days the lead organization responsible for immediately developing and implementing a recovery plan for contractor CACs showing improper pay grades and e-mail addresses; and b. Implement the recovery plan for contractor CACs showing improper pay grades and e-mail addresses. The USD (P&R) agreed and stated that their office is the lead proponent for CACs, and the plan for CAC recovery is to let current CACs be revoked and expire according to the normal card life cycle, which will be completed in conjunction with improvements to policy and issuance processes. The Under Secretary of Defense for Intelligence and the Assistant Secretary of Defense (Networks and Information Integration)/DoD Chief Information Officer also agreed and stated that they would work with the USD (P&R) to implement a recovery plan.

[CLERK'S NOTE.—End of questions submitted by Mr. Murtha.]

TUESDAY, MARCH 3, 2009.

PSYCHOLOGICAL HEALTH AND TRAUMATIC BRAIN INJURY PROBLEMS

WITNESSES

ELLEN P. EMBREY, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR FORCE HEALTH READINESS AND PROTECTION

BRIGADIER GENERAL LOREE K. SUTTON, M.D., DIRECTOR, DEFENSE CENTERS OF EXCELLENCE FOR PSYCHOLOGICAL HEALTH AND TRAUMATIC BRAIN INJURY

INTRODUCTION

Mr. MURTHA. The meeting will come to order.

Let me welcome Ms. Embrey and General Sutton to the committee.

And let me acknowledge Nick Buoniconti. He used to play for one of those teams other than the Steelers. You know, I got my Steelers tie on.

You notice that, Nick?

But he has been very involved in research with spinal cord injury. He has done a marvelous job there, and we appreciate the work that he has done.

But we appreciate the work that you two have done.

A couple years ago, this Committee realized, because we visited the hospitals so often, that we had real problems with PTSD and brain injuries. And we put $900 million in. And we want you to talk about how you spent that money, talk about how important it was. And then we put $1 billion, I think, for PTSD, I think, last year.

I was just out to Fort Carson, and every place I go, suicide rates are up. Homicide is up. Divorce rates are up. So we have got a lot of problems, and much of it comes from PTSD. In a book that a doctor friend of mine gave me, "War and Medicine," they talk about, it is going to cost, they quote, "the trillion dollar war," and say it is going to cost $660 billion to treat PTSD after the Iraq war. I don't know if that is accurate, but certainly we are certainly going in that direction with the amount of money that we are spending.

And the sooner we get to it, the better off we are; everybody that I have talked to. But to give you an example, I was at one of the bases not long ago, and the commander certainly recognized the problem. But in talking to some of the enlisted men in a private conversation, one was telling me that he was in Iraq, and this fellow said he was going to commit suicide. And he said, well, here is a rifle, go out and shoot yourself. You know, that is not the way we want to handle it. And yet it will take a long time for that to get down to the NCO level.

The other thing that I noticed is the quality, according to them, is much less than it was. We have a tendency, those of us that have been there, to say the ones coming in now aren't as good as the old corps. But still we find that this is a real problem, according to them. They call them sugar babies and so forth. But what I worry about, if the quality has decreased, if we are facing people with a lot more psychological problems that come into the military just for the money or to get away to get a job, we are going to have more PTSD. And so it is something we have to really focus on.

And I know you folks are in the forefront, and we appreciate it. This Committee has been in the forefront of taking care of military medicine for a long time, and we have increased the money substantially year after year.

Ms. Embrey mentioned to me that she was pleased to see that her request for increase in research, for research, has gone up substantially, advanced research. I am glad to hear that, and we will look at it and maybe even put more money in if we can see that, if you can persuade us that it is necessary.

And you two are very persuasive, so we appreciate your appearing before the Committee.

And I ask Mr. Frelinghuysen if he has any comments.

COMMENTS OF MR. FRELINGHUYSEN

Mr. FRELINGHUYSEN. I thank you, Mr. Chairman.

This is an important hearing. And I am substituting for Congressman Bill Young, who I may say would very much associate, as would I, his remarks to those of the Chairman. I think your work here is important.

Let me, first of all, and I think we all pay tribute to those, obviously, who fight on our behalf in Iraq and Afghanistan, but to the remarkable work that physicians and medics do before you in fact, deal with the more substantial parts of working to make their lives sufficient and better. Really, what happens on the battlefield, compared to Vietnam, a remarkable transformation of health care and support.

But to you, General, I have read of your distinguished career; present at the creation of this new entity and have seen it through. And we are particularly proud of your work, your distinguished history of work in the military, and Ms. Embrey, as well for your work in this important area. I am very pleased that both of you are here, and we look forward to a productive hearing.

Mr. MURTHA. As Mr. Frelinghuysen said, Bill Young has been in the forefront of military medicine when he was Chairman.

And this is a bipartisan Committee. When we send a bill to the Full Committee, it is not changed. And when it goes to the floor, it is not changed. And it goes to conference, and we have some concessions and adjustments that we make, but as a whole, the bill that comes out of here pretty well is the bill that you will see at the end of the day.

But we appreciate your coming before the Committee and your dedicated work in the field of medicine.

And Dr. Embrey, if you will lead off.

SUMMARY STATEMENT OF MS. EMBREY

MS. EMBREY. Thank you, Mr. Chairman, Mr. Frelinghuysen. I thank you for the opportunity to bring you up to date on what the Department of Defense is doing to improve the quality of care for our warriors with psychological health needs or traumatic brain injuries.

We are very pleased to be here, and we thank the Committee, you especially, for the support that you have given us since the war began, and we very much appreciate it.

We are committed to ensuring that every warrior, especially those with psychological health or traumatic brain injuries, receives consistently excellent care across the entire continuum of care, from prevention, protection, diagnosis, treatment, recovery and transition; from the Department of Defense to the Department of Veterans Affairs or to the private sector.

In 2007, the Department of Defense embarked on a comprehensive plan to transform our system of care for psychological stress and traumatic brain injuries. The plan was based on seven strategic goals: first, to build a very strong culture of health leadership and advocacy for these two topics; the second was to improve the quality and consistency of care around the country, as well as in locations where we have personnel across the globe; third, to increase the timeliness and frequency and quality of care regardless of where the patient is located; fourth, to strengthen individual and family health, wellness and resilience; fifth, to ensure early identification and intervention for individuals who have conditions, as well as concerns, which are not the same thing; sixth, to eliminate gaps, particularly in the handoffs between physicians as they move from location to location; and lastly, to establish a very strong foundation of research, to address gaps and to build new technologies and therapies for these two topics.

Throughout 2008, as you will see in our statement for the record, we made significant progress towards achieving those strategic objectives. We established the Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury, of which General Sutton is the director. She is leading the effort to develop excellence in practice standards, training, outreach, research and direct care for those with mental health and TBI concerns.

We established clinical standards that incorporated lessons learned and best practices to improve the quality of care and introduced evidence-based care as the enterprise standard for acute stress disorder and PTSD and depression as well as substance abuse disorders.

To assess the likelihood of mild traumatic brain injury, we introduced a military acute concussion evaluation tool and published clinical guidelines for its management in field settings. We implemented a standardized training curriculum for medical providers, and we initiated a certification process for TBI programs at military treatment facilities.

To improve access to care, regardless of location, we funded additional mental health providers in contracts, as well as civilians. We are also seeking ways to embed military uniformed providers in our units in operational settings. We also implemented a policy that re-

quires first appointment access within 7 days for psychological health issues.

To strengthen resilience to psychological stress and traumatic events, we are implementing solid prevention and health protection policies, mitigating organizational risk factors and strengthening family wellness programs. To ensure earlier identification and intervention, we enhanced post-deployment health assessments and reassessments, modifying them to include information that helps us understand and early intervene problems as they occur. We are working to eliminate gaps in care as patients transition throughout the various systems or to different locations.

Lastly, we are establishing a strong foundation of research that will improve prevention, detection, and diagnosis, particularly for traumatic brain injury, and treatment.

Mr. Chairman, I would like to thank you again for your contribution. My comments are joint. A statement is provided for the record. We stand by to answer questions.

[The joint statement of Ms. Embrey and General Sutton follows:]

PREPARED STATEMENT

OF

ELLEN P. EMBREY
DEPUTY ASSISTANT SECRETARY OF DEFENSE
FOR FORCE HEALTH READINESS AND PROTECTION

AND

BRIGADIER GENERAL LOREE K. SUTTON, M.D.
DIRECTOR,
DEFENSE CENTERS OF EXCELLENCE
FOR PSYCHOLOGICAL HEALTH AND TRAUMATIC BRAIN INJURY

BEFORE THE

HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEFENSE

MARCH 3, 2009

NOT FOR PUBLICATION UNTIL
RELEASED BY THE
COMMITTEE ON APPROPRIATIONS

Mr. Chairman, Members of the Committee, thank you for the opportunity to bring you up to date on what the Department of Defense (DoD) is doing to improve the quality of care for our wounded warriors with psychological health needs and traumatic brain injury (TBI). We are pleased to be here.

Apart from ensuring our nation's safety and security, the DoD has no higher priority than to provide the highest quality care and support to our wounded, ill, and injured warriors and their families.

We are committed to ensuring that every wounded warrior, especially those with psychological health needs or traumatic brain injuries, receives consistently excellent care across the entire medical continuum. For TBI, this continuum includes diagnostic categories from mild TBI (also known as concussion) to moderate, severe, and penetrating TBI, including those with the most severe injuries. For both psychological health issues and TBI, it includes prevention, protection, diagnosis, treatment, recovery, and transition from the DoD to the Department of Veterans Affairs (VA).

In 2007, the Department embarked upon a comprehensive plan to transform our system of care for psychological health and TBI.

The plan was based on seven strategic goals:

- Building a strong culture of health leadership and advocacy;
- Improving the quality and consistency of care, across the country and around the world;
- Creating easy and timely access to care, regardless of patient location;
- Strengthening individual and family health, wellness, and resilience;
- Ensuring early identification and intervention for individual conditions and concerns;

- Eliminating gaps in care for patients in transition; and
- Building a network in which to leverage and/or direct medical and cross-functional research, including new and innovative treatments, technologies, and alternative medicine techniques.

Throughout 2008, we made significant progress toward achieving those goals, and we would like to tell you, briefly, where we are on each of them, and approximately how much was obligated for each in Fiscal Year (FY) 2008.

Leadership and Advocacy

First, leadership and advocacy. In November 2007, we established the Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury (DCoE). In partnership with VA, academia, and others, the DCoE will lead the effort to develop excellence in prevention, diagnosis, practice standards, training, outreach, and direct care for those with TBI and psychological heath conditions, and provide the nexus for research planning and monitoring.

Since its inception, the DCoE has focused its efforts on the development and continuous improvement of a patient-centered network dedicated to all issues related to psychological health and TBI.

Approximately $58.2 million was obligated for these efforts in FY 2008.

Improving the Quality of Care

To improve the quality and consistency of mental health care, the DoD and VA continue their partnership in a long-standing effort to develop and update clinical standards and guidelines, which incorporated lessons learned and best practices, and establish

evidence-based care as the enterprise standard for acute stress disorder, post traumatic stress disorder (PTSD), depression, and substance use disorders. Over the past year, the Clinical Practice Guideline for depression has entered into the final stages of revision, and we began revising the Guideline on PTSD.

The DoD introduced a new evaluation tool, the Military Acute Concussion Evaluation tool, to assess the likelihood of mild TBI, and published clinical guidelines for its management in operational settings. We initiated a certification process for TBI programs in medical treatment facilities, and worked with the United States Central Command (CENTCOM) to standardize the decision process for returning a Service member to full duty or to the United States for further treatment.

The Department also joined with VA to implement a standardized training curriculum on evidence-based psychotherapy for PTSD. We implemented training for medical providers on treatment of TBI. Altogether, we have trained more than 2,700 providers in evidenced-based treatments for PTSD and TBI.

To recognize the challenging diagnoses, and unique requirements, that can accompany psychological health and TBI wounds, the DCoE worked with the Intrepid Fallen Heroes Foundation to support their design of a new facility, the National Intrepid Center of Excellence (NICoE).

The new Center will provide an interdisciplinary team of clinicians and scientists dedicated to a holistic evaluation and treatment approach for service members with mental health and TBI conditions, and provide advanced diagnostics and comprehensive treatment planning for those whose mental health conditions or traumatic brain injuries are not responding to traditional methods. When the new Center is complete, we expect that there will be no finer care available in the country, or perhaps the world, for wounded warriors with these conditions.

In a similar manner, the DCoE, the National Institutes of Health (NIH) Office of Research on Women's Health (ORWH), and VA, cosponsored a meeting, in October 2008, to identify and explore the existing science on trauma spectrum disorders (such as PTSD and TBI) related to military deployment and, for the first time, addressed the question of how personal differences may impact an individual's response to treatment.

In January 2009, also for the first time, the DoD and VA cosponsored a conference on suicide prevention entitled, "Building Community Connections: Suicide Prevention for the 21st Century," to foster partnerships between suicide prevention experts in government, medicine, and communities. The conference, which featured a wide range of speakers, including psychological health experts, not-for-profit organizations, community leaders, survivors, mental health specialists, and chaplains, focused on four tracks: Clinical Intervention, A Multi-Disciplinary Approach, Practical Applications and Tools, and Research and Academics.

Approximately $32.6 million was obligated to improve the quality and consistency of mental health and TBI care in FY 2008.

Improving Access to Care

To improve access to mental health care, regardless of location, we funded additional mental health and other specialty providers, and implemented a policy that requires first appointment access within seven days for mental health concerns.

The DCoE initiated a telehealth network for clinical care, medication monitoring, support and follow-up for individuals with TBI or stable mental health conditions, including a number of Web-based applications that deliver real-time mental health services, and

telehealth-delivered services – especially important to those in rural and underserved locations – to improve and augment access for those concerned about stigma.

Approximately, $227 million was obligated to improve access to mental health and TBI care in FY 2008.

Strengthening Resilience and Reducing Stigma

To strengthen resilience to psychological stress and traumatic events, the Department is implementing solid prevention and health protection policies, including removing or mitigating organizational risk factors, bolstering resilience characteristics in our Service personnel, and strengthening family wellness.

To reduce the stigma associated with mental health issues, we mounted a pro-resilience and anti-stigma campaign, and established a number of effective outreach and educational initiatives. For example, we gained leadership support for the effort to increase "psychological fitness" through resilience building programs. We also eliminated the requirement to divulge combat-related mental health history on security clearance forms.

In November, 2008, with the assistance of the Service Vice Chiefs, DCoE began development of the *"Real Warriors, Real Battles, Real Strength"* campaign, which stresses the impact of war on Service personnel, and emphasizes that seeking help for psychological concerns is a sign of strength. Supporting initiatives have been implemented across the Services to target their individual cultures.

The DCoE also helped develop educational tools, including a project with the non-profit organization behind "Sesame Street," to produce more than 700,000 DVDs to help families, especially children, cope with deployed parents or loved ones. To date, more than 350,000 of these DVDs have been distributed.

One exciting initiative in this area is "SimCoach," a program currently under development that will allow warriors and families to electronically query top experts in psychological health and TBI, and discuss their injuries with their peers.

Specifically targeted to the Armed Forces younger population, SimCoach will combine the best of simulation, advanced gaming technology, artificial intelligence, and avatar-based computer interaction to encourage warriors and their families to initiate treatment or access educational resources, and to reduce the stigma associated with seeking psychological health care.

In FY 2008, approximately $32.2 million was obligated to strengthen resilience to psychological stress and traumatic events, and to reduce the stigma associated with mental health issues.

Caring for Patients in Transition

The DoD is working with its federal and private sector partners to eliminate gaps in care as patients transition through the various health systems, or to different duty locations.

For example, we recently established an assisted living pilot program in Johnstown, Pennsylvania to improve functionality and independent living after TBI. This program will provide valuable insight for replication in other areas where appropriate.

We also provided significant support to DoD/VA efforts to establish the Federal Care Coordination program and stood up a TBI care coordination system to integrate Federal, State and local resources.

Approximately $6.1 million was obligated to help eliminate transitional gaps in care in FY 2008.

Screening and Surveillance

To ensure early identification and intervention of mental health and TBI issues, the Department has enhanced post-deployment assessments and reassessments. Additionally, in July 2008, the Department began conducting baseline neuro-cognitive assessments on Active and Reserve personnel prior to deployment.

To facilitate the continuity of care for veterans and service members, we implemented a common DoD/VA post-deployment TBI assessment protocol, which will allow clinicians, across the enterprise, to collect and access the same information.

We designed and implemented the Mental Health Self Assessment Program, which offers Service personnel and their families the opportunity to identify their own symptoms and access assistance before a problem becomes serious. The self-assessments address PTSD, depression, generalized anxiety disorder, alcohol use, and bipolar disorder, and may be taken anonymously online, over the phone, or at special events held at installations. After completing a self-assessment, individuals receive referral information that includes services provided by TRICARE, Military OneSource, and VA Vet Centers.

Approximately $59.9 million was obligated for early identification and intervention of mental health issues in FY 2008.

Medical and Cross-Functional Research

Lastly, the Department is building a network in which to leverage and/or direct medical and cross-functional research that will enhance prevention, detection, diagnosis, and treatment of combat-related psychological health and TBI issues.

For example, at the direction of the Service Vice Chiefs of Staff and the Surgeons General, DCoE is preparing to sponsor an expedited, intramural (DoD facilities), multi-center randomized clinical trial of hyperbaric oxygen (HB02) therapy in chronic and mild-to-moderate TBI.

The study, which is in the advanced development phase, will answer important questions regarding efficacy in this population, including whether HBO2 therapy should be provided to service members when indicated. Currently, the study is awaiting Investigational New Drug (IND) registration by the Food and Drug Administration (FDA). Once FDA approval is obtained, we expect the study to be completed in about one year.

The DCoE also participated in blast mitigation studies through and with the United States Army Medical Research and Materiel Command, and is working with external groups, such research universities as the Massachusetts Institute of Technology and Virginia Tech, and the National Football League to explore new ways to mitigate the effect of blast and blunt trauma on our populations.

Together with ongoing research activities supported by the Joint Improvised Explosive Device Defeat Organization, and the Institute of Soldier Nanotechnology, we have learned a great deal about how to keep our service members safe before, during, and after physically traumatic events.

In addition, we initiated numerous research projects to enhance the diagnosis and treatment of TBI and psychological health conditions. Indeed, the DoD is now one of the world's leading sponsors of such research.

In FY 2007 to 2008, the Department executed more than $446.5 million in Research Development, Testing, and Evaluations appropriations to further science in the areas of TBI and psychological health, including:

- Basic research directed toward gaining greater understanding of the brain and how it works;
- Applied research to provide more in-depth knowledge of TBI and psychological health prevention, treatment, diagnosis, and recovery techniques;
- Advanced technology development to create new tools, technologies, pharmaceuticals and devices, and treatment protocols to improve prevention, diagnosis, treatment and recovery;
- Clinical trials to demonstrate the safety, toxicity, and efficacy of candidate pharmaceuticals, prototype medical devices, or protocols benefiting patients diagnosed with TBI or mental health conditions; and
- Complementary and alternative medicine approaches to the treatment of PTSD and TBI, such as yoga or acupuncture.

Mr. Chairman, the inspirational author Ralph Marston, tells us that "Excellence is not a skill. It is an attitude." Throughout the DoD, we have adopted an "excellence attitude" about psychological health and TBI and, as a result, we have made remarkable progress in advancing critical solutions to the problems they present for individuals and families.

Mr. Marston also reminds us that "It takes a long time to bring excellence to maturity." And, in that regard, he is also right – which means that, despite the progress, much work remains to be done.

We will continue to work to meet the needs of our Reserve forces, especially those in rural or underserved areas. We will continue to work with our private sector care partners to ensure the quality and consistency of care. We will continue to do more at the

policy level to adapt lessons learned and eliminate gaps in care for those in transition. And we will continue to aggressively seek new ways to expand our knowledge and improve our ability to care for individuals with these conditions.

The DoD greatly appreciates the Committee's strong support of America's Armed Forces, and the concern you have shown for their health and well being. We have made great progress thus far in meeting the challenges posed by psychological health problems and TBI, and with the Committee's continued help and support, we will do even more.

Thank you for the opportunity to bring you up to date. We look forward to your questions.

-END-

Mr. MURTHA. We talked earlier. Your statement is a joint statement.

Are you going to say anything, General Sutton?

SUMMARY STATEMENT OF GENERAL SUTTON

General SUTTON. Mr. Chairman, Mr. Frelinghuysen, good morning, and thank you so much for your support and comments.

I would just say that, sir, I join Ms. Embrey in thanking you for the privilege of being here this morning and to review what we have done this last year. We have come a long way since a little over a year ago and we started out with a title on a paper and passion in our hearts for this effort.

Since then, today, Mr. Chairman, I am proud to report, we have got five component centers. We have got a sixth center, the National Intrepid Center of Excellence. We have Dr. James Kelly, who just joined us from the University of Colorado. He will serve as a director. We have a network of 20 and growing sites. These are a mixture of the VA polytrauma centers, as well as military treatment facilities, as well as civilian facilities. Last month we opened up the pilot assisted living program in Johnstown, where we have three families and soldiers who are there recovering.

We have a number of training programs going on. We have trained over 2,700 providers. We have launched, together with the Department and the services, over 90 research studies, and we are continuing that process with the fiscal year 2008 supplemental and the CSI.

We also, sir, in the process of working with the vice chiefs to launch a public national educational campaign. Because we can do all of these other things, Mr. Chairman; we can become that open front door for the Department of Defense working with the VA for all issues related to these concerns, and we have done that. We can continue our unceasing efforts to grab next-generation solutions and bringing them here and now today. But fundamentally our challenge becomes that of transforming the culture, transforming the culture to one of transparency, resilience, accountability, candor, strength; one which supports individuals and their family members and recognizes that seeking support, seeking treatment, is an act of courage and strength.

And so, Mr. Chairman, we will continue our efforts. We look forward to addressing your questions. And of course, we are committed to bringing excellence in all things on behalf of those who are so deserving.

I would just close my opening comments, sir, with some wisdom from a great, great preacher who started out his life as a slave, and when looking back over the state of America at the end of his life, he said this, he said: We ain't where we want to be. We ain't where we ought to be. We ain't where we gonna be. But thank God we ain't where we was.

I look forward to your questions Mr. Chairman.

REMARKS OF CHAIRMAN MURTHA

Mr. MURTHA. Well, you gave me a couple of articles which we want to put in the record. And let me just read the titles of the

articles. A very poignant one was by Gabrielle Luera, L-U-E-R-A, and the other is by a survivor of the war. And to me, having been there, and one a Doonesbury cartoon, which I don't know if we can put the cartoons in there, but it is very poignant, products of people who know what it is all about in being at the war.

[CLERK'S NOTE.—Articles are located at the end of this hearing.]

But you mentioned the Intrepid. And Bill Young and I have talked about this, and we are committed to putting the additional money in, because we know the private sector, they have done so much so many places all over the world, and particularly in Fisher houses and so forth, that we are going to, we will put the $20 million in the supplemental. We will recommend it to the subcommittee, and we feel confident the subcommittee will agree to fund the equipment and so forth.

The Guard and Reserve, I know with the unit you have in Johnstown, you are addressing problems that the Guard and Reserve have. And it is one of the things that has worried us for a long time. I have had a number of people, and I have talked about it before, one had a foot amputated, and he was blinded, and he is struggling. In the early part of the war, we didn't do near as good a job as we are doing now. One young fellow lost both his hands and was blinded. So we have a lot of them that get lost once they leave. And the sooner we get to PTSD in particular, the better off we are.

And the work that has been done with prosthesis has just been absolutely amazing. In this war, in medicine, when you look back at the Crimean War and World War I, you see examples of how difficult it was for them to be rehabilitated versus the way we do it today. So it is like that former slave said, we aren't where we want to be, but we are going to get there, and we have got a ways to go, so I am impressed.

Now, one of the things I mentioned, General Mattis came to see me. He says that, at Pendleton, they have a new process of teaching the young people when they go to war about what it is all about before they get there with all the sights, sounds, and smells, and so forth. And I don't know if any medical people have looked at it, but I would be very interested if you would have somebody go out there and evaluate it from a medical standpoint to see if there is anything in addition we should do. I was supposed to go out there, and I just couldn't get out there to look at it. But he claims, and having been in Iraq himself for a long period of time, he claims that could be the best type of thing to harden the mental aspect of this thing before they go to war.

Two other points. One, transplants. I had some people in that said they could transplant hands. And I know that Dr. Embrey looked into it, and she feels that the cost is really expensive, and the rejection process is so onerous. But we are going to put some money in for that because we think we ought to do more research on rejection. I know sometimes the rejection medicine is so onerous that they feel like, well, I wish I hadn't gone through it. I know a lot of members finally say, well, take that leg off because it is causing such a problem or take that arm off because it is just not getting any better.

But we still think we ought to do research. So we will put extra money in. And if somebody wants to have a hand transplant or an arm transplant, you will certainly have that available. I know it is expensive, but I think that is the kind of stuff we need to do, especially if they lost both hands. And I have seen a number of them that lost both hands. And they are in good morale when they are in the hospital, but I know it has to affect them when they go home. But I appreciate the work you two do, because there are no better people to be in charge of this field than you two are, so we appreciate it.

Mr. Frelinghuysen.

TRAUMATIC BRAIN INJURY

Mr. FRELINGHUYSEN. Either one of you, when you talk, give us a few of the, or give the Committee a few of the statistics that relate to traumatic brain injury.

General SUTTON. Yes, sir.

What we are finding is we are finding that, of the continuum of traumatic brain injuries, which of course encompasses mild traumatic brain injury, or concussion, moderate and severe, of the over 8,000 troops that we currently have in our registry, between 80 and 85 percent of them fortunately are mild concussion. But that doesn't mean that we are not concerned about them. Clearly, much of our research is aimed at better understanding what the impact of blast injury is, for example, and the differences between the concussion that may be experienced on a football field versus that which occurs on a battlefield where you have such a mix of factors, the life-threatening stressors, the very real physical risks, the psychological risks, the morale, and the spiritual risks. When we bring troops back home and do the screening, we find that the incidence of traumatic brain injury, and again, most of these are concussion, because if they were moderate or severe, they would have come through our medical evacuation system where we keep our arms around them and then have a care coordination process for ensuring that we keep our arms around their needs as well as their families, but for those who come back with their units, it ranges between 10 to 20 percent of those who screen positive for concussion or mild traumatic brain injury.

This is very similar to what the RAND study, which used different methodology, earlier last year reported; when those individuals then get clinical evaluation, whether it be in the VA system or within our own military treatment system——

Mr. FRELINGHUYSEN. Can you make the distinction here? You know, I know that, according to the figures I have, of the 61,000 veterans that the VA has screened for TBI to date, 11,000, approximately 11,000 to 12,000, or as you said between 19 or 20 percent, screen positive for TBI. What is the hand-off between the active DOD and the VA? You know, we like the notion on this committee that the DOD and the VA are joined at the hip, but in reality, how are they co-joined?

General SUTTON. Well, sir, let me give you an example. During this conflict, DOD has already transferred over 1 million records, those post deployment health assessment records and postdeployment reassessment health records, so that the VA pro-

viders will have those records when they see troops. This a work in progress. But I will tell you that the hand-off, the linkage between DOD and VA, it is at the level that I have not seen in my 28 years in service. As an example of that would be the fact that when Secretary Peake first got into office last year, one of the first things he did was he sent one of his best and brightest psychologists, Dr. Sonja Batten, to become our deputy at the Defense Centers of Excellence. So this is an ongoing partnership that continues to grow and develop, broaden and deepen.

Ma'am, I don't know if you would like to add to that.

Ms. EMBREY. I would like to talk a little bit about how we engage with the Department of Veteran Affairs.

Back in 2007, the Deputy Secretaries of both Departments determined that we needed to get together and to develop common approaches for how we saw some of the challenges associated with psychological health and traumatic brain injury specifically. Together with the oversight of, and leadership of, the top leaders in both Departments, we embarked on a series of initiatives to include coming up with common protocols for how we screen and assess for traumatic, mild traumatic brain injuries. We have had a decade's worth of partnership on traumatic brain injury with the DVBIC, the Defense Brain Injury Center, Defense and Veterans Brain Injury Center, sorry. We have had a whole series of updated clinical practice guidelines and postdeployment health guidelines that we have developed in partnership with the VA, and we apply those to both of our health communities. So I would say that we have unprecedented levels of collaboration and sharing across the continuum of care.

Mr. FRELINGHUYSEN. Obviously, those that are severely, have severe traumatic brain injury are wholly embraced by both the DOD and the VA system.

But, obviously, there are obviously other soldiers besides the regular military, Guard and Reserve, who are under, have suffered concussions from IEDs. Well, what happens to, should we say, the citizen soldier who is not hospitalized, but let us say months down the road, and we have had plenty of discussion in here, what happens to that man or woman who might suffer psychological and certainly some symptoms of traumatic brain injury?

General SUTTON. Sir, I would note that the VA has completed a Herculean effort in contacting over 500,000 troops. These were troops who had gotten out of uniform or perhaps gone back to their communities as guardsmen and reservists before the screening had been implemented for TBI; contacted every one of those troops directly, gave them the information on how to enroll, checked in with them to see how they were doing, and made that personal contact that is so important. Every individual who gets treated at the VA gets screened, just as our individuals in the DOD get screened.

POST-DEPLOYMENT REASSESSMENT

Mr. FRELINGHUYSEN. There is a desire, obviously, of many men and women in the service to get far away from the trauma they experienced. And I am not talking about necessarily TBI but obviously the war environment. And I assume that what you are saying, you are giving them fairly high marks for the follow-up.

Ms. EMBREY. Sir, we use the same assessment tool. And in addition to that, the Department implemented a postdeployment reassessment 6 to 9 months following deployment. We engage the VA in that screening process for all service members, whether they are Guard, Reserve or Active Duty. And that is the time in which we evaluate how they are doing. It is the point in time where research tells us it is the optimum time to early intervene, especially for mental health issues. So we have partnered with the VA, and we conduct those assessment processes with the VA for the Guard and Reserve specifically.

General SUTTON. Sir, I know you will also be glad to know that, during this transition period, there has been no momentum lost with the actions of the Senior Oversight Committee that Ms. Embrey addressed. Just last week we had our first Senior Oversight Council meeting. It was chaired by Secretary Gates and Secretary Shinseki. I was asked to give a briefing on what the collaborative efforts are that are going on with the VA and DOD joined by Dr. Ira Katz specifically aimed at suicide prevention. I will say that the national lifeline, that 1–800–273–TALK, the VA has gotten over 100,000 calls on that, many of them from our service members who are either still active duty, Guard or Reserve. And we are working closely with our outreach center in all of the call centers to make sure that when an individual calls in, we have the right processes in place to make sure that we take care of their needs, get them back plugged into the system. And there have been over 2,000 clear saves already over the last 2 months.

Mr. FRELINGHUYSEN. That is great progress. Thank you both.

Thank you, Mr. Chairman.

SUICIDE RATES

Mr. MURTHA. Yet suicide rates are up.

General SUTTON. Yes, sir. This is an area that clearly is demanding our greatest efforts and focused urgency. We are focused, working on the far end of that continuum, to make sure that our service members are aware of the danger signs who know and know how to intervene. Each service has a program that is geared towards that end.

But we also know how important it is to get what we say to the left, to get to this side of writing the note or buying the weapon or giving ones prized possessions away, and to address all of those psychological health principles, both at the individual, family and community level, that will build resilience, that will foster posttraumatic growth, and yes will, good Lord willing, reduce our suicide numbers, which as you know, sir, in recent years, have gone up, within the Army at any rate.

EVACUATION OF THE INJURED

Mr. MURTHA. Well, you folks have done a magnificent job in this book that I quoted. In the American Revolution, 41 percent of the people died from injuries, and it goes, stays about the same; the Civil War, it went up to 56 percent; 37 percent World War II; 26 percent the Korean War. But it is now 11 percent in Iraqi Freedom.

Now, Afghanistan, and this is something that we need some advice on, we keep playing around with these helicopters which we

need to get these folks out. It is taking longer to get out in Afghanistan. So I would assume that is one of the reasons that the percentage of people who die from injuries or wounds is higher. So you folks need to—you know, the military keeps playing around with coming up with a helicopter that will work. We put $100 million in to fix the one up because it couldn't make a decision. We need a recommendation that you folks ought to get on them a little bit because you can see the difference there between the people in Afghanistan and Iraq; where they can get them out in a hurry in Iraq, and Afghanistan, for one reason or another, and I would assume it is because they don't have the ability to evacuate them as quickly as they would like.

Ms. EMBREY. Sir, if I can address that a little bit. I know the Secretary of Defense, Secretary Gates, and General Petraeus both have identified this concern and have specifically asked for a plan that distributes medical assets in such a way that we can respond more effectively as we expand operations in Afghanistan.

Mr. MURTHA. Doctor, we don't get a decision. We keep getting studies. That is the problem with the Defense Department. They study it to death. In the meantime, people are not making it because they don't have the equipment they need out in the field. That is the frustrating thing to me. It is like any decision over there; it takes them forever to make a decision. In this particular case, we have been in front of them in TBI. We have been in front of them in post-traumatic stress, all these areas. So you need to urge them a little bit to get better medical evacuation.

Mr. Visclosky.

PERIODIC HEALTH ASSESSMENT

Mr. VISCLOSKY. Thank you, Mr. Chairman.

Two lines of questioning. One is for individuals who do have a problem who have been injured. Do you have a concern? Is there a problem about identifying them before they leave service? And we have had this discussion in previous hearings about, hey, I just want to sign my papers, I am fine, I want to get out. And are we losing people? And do you have programs in place to do a better job to say, listen, there is no shame here; we want to help; we are not trying to force you out to deny you have got a problem. How are you dealing with that?

Ms. EMBREY. The Department of Defense recognizes that we need, it is part of our force health protection policy, and we are focusing on maintaining and sustaining a healthy and fit force. And we have set up several metrics to evaluate how healthy the force is and how deployable, medically ready they are to deploy. We instituted a series of assessments; some are required by law, some of which are appropriate to ensure that we are constantly evaluating the health and the fitness of a person to serve.

We do that throughout their career. We do it on accession. We do it every year at a periodic health assessment, and then prior to deployment, and following deployment twice, we evaluate the status of the health of the individual so that we can appropriately intervene and sustain a healthy force.

When individuals do not come forward, we figure these forced assessment processes allow us to maintain visibility. As an individual

separates, there is also a very elaborate separation physical process involving the VA to evaluate injuries that have occurred over a lifetime.

We have been evaluating a pilot to evaluate not only what an individual has suffered as a result of military service, but how compensable it might be from the VA perspective. We are doing that with the VA, with VA providers, so we believe we have improved the process significantly.

PROGRAMS FOR CHILDREN

Mr. VISCLOSKY. And what about children? Could you describe programs? And how do you identify which children may be having a problem? Is it through school programs.

General SUTTON. Yes, sir. Children certainly bear a good share of the toll on the wear and tear of deployment stress. We have a number of programs in place. The military family and life consultants working within the school systems; we partner with Military Child Education Coalition for example with their Living in the New Normal program. We have also invested in the National Child Traumatic Stress Network. The Uniform Services University is the military site for this national network that is working together to coordinate efforts to develop the research strategy, to collaborate and to identify, particularly building on the work of Dr. Steve Cozza, who, during his time as the chief of psychiatry of Walter Reed, really pioneered a lot of the research that has helped us better understand how to support children who are part of wounded warrior families, as well as now in a broader community-based effort, how can we reach out and give the support that is developmentally appropriate for children of military families, because we know now, eight years into this conflict, that for the children who were 6, 7, 8 years old when 9/11 happened, they are now in their teenage years. And there are different issues that affect them that we absolutely must continue to support them and their parents in addressing.

So a number of programs. For example, the Mr. Poe program. If you go to battlemind.org, they have developed a number of videos using real military families and children to illustrate some of the challenges as well as the strengths. We have partnered with Sesame Workshop, who has now issued the second of what will be a three DVD series. The first one is "Talk, Listen and Connect," focusing on the general deployment stress issues for families, giving them a way to talk about it and to make it approachable. The second one, which was launched last spring, focused in on the changes caused by deployments, both psychological, physical changes, and how families adapt to those changes. This spring, we will be launching the third in the series, which will address the issues of grief, trauma, and loss due to losing a parent.

So we are continuing to focus our efforts on communities, families. And we know that children, not only are they our armed forces of the future; they are our precious, precious treasure here and now. So we will continue our efforts in that regard, as well as continue to invest in the research which will help us to better understand their evolving needs.

Mr. VISCLOSKY. Any particular unmet needs you have that we can be helpful with, whether it is monetary or directive, to do a better job?

Ms. EMBREY. This Committee particularly has been extraordinarily helpful to us with the $900 million provided and then subsequent supplemental funds, as well as honoring and increasing our budget requests over the last year. We are challenged to make sure that we responsibly expend those dollars, and we are learning from the infusion of those dollars right now. I would say that you have helped us significantly, and we would like to report back to you in future hearings or briefings to let you know how we are doing with the money you have provided, which is significant.

Mr. VISCLOSKY. Thank you very much for your work.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Moran.

MENTAL HEALTH CARE

Mr. MORAN. Thanks Mr. Chairman.

And I want to thank Mr. Visclosky for raising the issue of the children. It is almost 3,000 children who have lost their parents in the war. I taught football, and I have coached football and taught a class at Fort Devens after college for awhile, and boy, you could immediately recognize kids' behavior based upon the status of their parents, either overseas or those who have lost parents and so on. We do need to extend that. But the first priority is what the Chairman put in the 2007 supplemental for mental health care, and that is the purpose of this hearing. It was $900 million. More than $1 billion has been provided now.

We were concerned last year that of that $1 billion, only about $53 million was actually obligated. I know that that has now been corrected, that there is a substantial amount of money that is going into the purposes for which it was intended and particularly looking at alternative means of providing mental health care, breaking from the tradition.

One of the problems I think that we have encountered is the military culture. As the Chairman and Mr. Frelinghuysen mentioned, it is contrary to the culture to acknowledge that you might have some kind of mental health concern, particularly PTSD, yet you tough it out. But that is counterproductive in terms of what we are seeing, and one of the contributing factors to the fact that suicide rates are twice what they are among the general population. One of the things we found is that almost half of military families are using what is called complementary medicine, integrative medicine, I guess that is the term that you now use, again, contrary to the culture. But they find that even meditation, yoga, all kinds of things that you never would have imagined in the last generation, is actually helpful in coping with the stress, the psychological problems that PTSD generates. Are you encouraging that, or are you running into any resistance?

General SUTTON. Thank you so much for that question, sir.

We are absolutely encouraging that. We, in fact, last spring, we published a request for proposals and were able to fund ten projects specifically focused on complementary and alternative forms of therapy, such as yoga, acupuncture, Tai Chi, facilitated

pet therapy. We are continuing that work. We know that in places like Fort Bliss, places like Fort Campbell, places like Camp Lejeune, as well as Camp Pendleton; and, sir, I did have a chance two weeks ago to meet with General Lehnert there at Camp Pendleton, and to review that program, which was actually initiated through a partnership through our top psychological health advisor Russ Schilling. And so we are looking broadly. We recognize that this is a moment in history that may not pass our way again, certainly not in this lifetime. And so we see ourselves in a position where through our efforts to transform military culture, we can perhaps even serve as a model for the Nation at large. To that end, we are working very closely with the Samueli Institute. Dr. Wayne Jonas, as you know, has been a real pioneer in this area. As well as with the RAND Corporation, this year now that we are in, within the next month, we are launching the initial phases of what we are calling the win-win network, the Warrior Wellness Innovation Network. This will be a series of pilot studies so that we can put program outcome metrics against some of these promising practices. Whether it be the ones that we have already mentioned or noninvasive neuromodulation, there are a number of different biofeedback products and social networking tools and Web 2.0 and 3.0 tools that really we are so excited about. For example, last fall, we launched our afterdeployment.org Web site, which now is getting 4,000 hits a month, providing tools, providing interactivity. We have invested in an Island on Second Life, and now we are working with the VA so that we can make this truly a seamless transition.

So, yes, sir, we will continue our efforts to both better understand the potential efficacy and use of these kinds of therapies, as well as to promote them as part of our culture of resilience, performance and wellness.

MILITARY ONESOURCE PROGRAM

Mr. MORAN. Well said.

I want to get in a couple of questions, so maybe you can address that as well. I want your colleague to be able to speak as well, General.

But I am also, there are two other things that I am concerned about. You can choose which ones to emphasize in your response. When soldiers call the hotline that VA has set up, some people have suggested that they are much more likely to talk, to listen, if the person on the other end has gone through their experience, is a veteran themselves. And while the hotline, that Military OneSource is a terrific program, I wonder if we shouldn't complement it with volunteers, veterans, who would be more than happy to do that, many of them, but it might encourage other veterans to be more likely to call, even though you have already gotten a lot of calls, I know that, and I understand you have saved maybe a couple thousand lives. But I would like for you to respond to that.

And then in terms of personnel, you had said that, actually we put into the language of the bill that you needed to hire more mental health providers; that for all the good intentions, unless you have got the mental health providers out there, you are very limited. I mean, you can do stuff on the Web and so on, but you really

need professionals dealing with PTSD victims. And clients, I guess I should say. Have you found them? Are you hiring them? And I don't know how you are doing it, because Public Health Service has a great need as well, and yet Public Health Service was supposed to provide the personnel that you needed to implement this program. So those are three things.

ALTERNATIVE MEDICINE/THERAPIES

And if you would like to, Ms. Embrey, maybe respond to the alternative medicine as well, because it is very important for us, if we are going to fund it, we have got to be able to show objectively that it does work.

Thank you.

Ms. EMBREY. Alternative medicine or alternative therapies are often not considered by the medical community nor medically reimbursable by insurance companies. Therefore, it is very important that we, and the Center of Excellence, do not "medicalize" some of these approaches and address these issues in ways that nonphysicians and that social workers and other folks that aren't certified per se can engage. Studying them and studying the metrics of their effectiveness is very important. We believe very strongly that our leaders and our commanders own this issue. We should not medicalize this. We should make it a part of their normal day-to-day living. An individual should view themselves as a person who is striving to stay fit and healthy to perform their mission, and fitness includes mind and body and spirit. Just as we send people to the gym to be physically fit, we need to create an environment where people can go to the psychological gym, and that we develop, through research, the tools that will work to strengthen our mental health. So that is in answer to your first question.

Mr. MORAN. Well put. Thank you.

Ms. EMBREY. And secondly, I think the idea that the Veterans Administration—the Department of Veterans Affairs—I am sorry, I am an old-timer, I keep thinking of VA as Veterans Administration, but it is the Department of VA.

Mr. MORAN. We do, too, so it is okay.

Ms. EMBREY. But I think the idea of having a veteran who understands is the whole concept behind the veterans centers that they stood up. I think that we are trying to embed and engage our line leaders and outreach and education for the very same reason, for our active duty service members. They are creating mechanisms within their units, within their commands and within their line structures that don't medicalize it, but help people understand the signs and symptoms and to recognize when medical intervention is appropriate and to refer them at that time without penalty, without penalty.

And then to answer your question, are we hiring folks? Yes, we are. Are we hiring enough? I don't think we could hire enough at this point. But I think we should give a lot of credit to the TRICARE community, our purchase care network. They have expanded their outreach to hire mental health providers to deal with our family members and beneficiaries, including retirees, who are affected and stressed by this environment as well. And they have hired more than 3,000 health providers in our network since last

year. The services have a target of hiring 1,000 providers by this point in time. They have actually been able to hire approximately 800 so far, so they are not as successful as they would like. We have several initiatives that are actually combining the energy of all of the services to have a single way so that they are not competing with each other and elevating the salaries. That is one initiative that we are taking to try to improve that national recruiting initiative.

And lastly, the Public Health Service is assisting us. They are required by law to recruit a cadre, a fairly large cadre of mental health professionals to deal with Katrina-like events, to be prepared to deal with that. We realize that if we had them on a string and they weren't being used, that that would be a problem. And so what we asked in a Memorandum of Agreement with them was to share those assets when they hired them to help us in our time of need. We had a landmark agreement to support that. And they are recruiting as best they can to meet our specific needs as they recruit to meet their objectives under the law.

Mr. MORAN. Thank you very much, Ms. Embrey and General Sutton. You are both very articulate, and I am glad you are doing what you are doing.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Frelinghuysen.

PERSONNEL SHORTAGES

Mr. FRELINGHUYSEN. Could you put a little meat on the bone? When Senator Dole and Secretary Donna Shalala did their work with the Wounded Warrior Program at Walter Reed, the Army was down 20 percent from its full complement of psychologists at that point in time. The Air Force was missing 17 percent of its 235 authorized psychologists. It only filled, I think, 11 of the 23 internship slots last year. And the Navy, which also provides, correct me if I am wrong, psychological services for the Marine Corps, was down 29 percent with only 87 of its 122 psychologists and nontraining positions on board. I know the figures are a little bit outdated. Where do we stand now?

General SUTTON. Sir, when the services came together as part of the Red Cell that Ms. Embrey led last summer, they identified what they approached their provider needs were going to be. And that was the roughly 1,000 additional providers that were identified, of whom approximately 80 percent have been hired at this point, thankfully a year, year and a half later.

I think the other question though that your question raises is the need for us to look at our uniformed provider population, the authorized slots. Because we know that with the needs on the home front as well as the needs on the battle front, that there has been a tremendous load, an operational and deployment load on our uniformed providers. And that is why, as we get the results back from the Center for Naval Analysis, the staffing study which we are currently working to complete at this point, we will be able to take a look from a risk-adjusted population health standpoint to look at the total complement of our team, both our uniformed providers as well as our government service civilian providers as well as our contract providers. So it is a team effort, but your question raises

a number of different important dimensions that we are continuing to pay attention to.

Ma'am.

Ms. EMBREY. I would like to also add that one of the other initiatives that Loree specifically has undertaken, excuse me, General Sutton has undertaken is to recognize that our military treatment facilities are not where all warriors need care. General Sutton has in her Center of Excellence established a specific center that is focused on telemedicine that will provide a fairly extensive network to use expertise that is resident in our system to provide consultative care in remote areas. This is particularly to address the issues of guardsmen and reservists who live in small towns who do not have access to the kind of expertise that is needed. She has a staff that is working those issues extensively and leveraging the already excellent networks that were established with the VA.

Mr. FRELINGHUYSEN. Thank you.

Mr. MURTHA. Mr. Bishop.

HYPERBARIC OXYGEN THERAPY

Mr. BISHOP. Thank you very much, Mr. Chairman.

And thank you so much for what you ladies do for our Defense health. PTSD and TBI are real challenges that we are facing with this Committee and our force. And you have indicated in your testimony that, well, let me just say that, because of the challenges we face, recruitment and retention of trained military personnel who are affected by TBI and PTSD is difficult. And the replacement costs, which this Committee has to be very concerned about, are very, very high. If you have got a pilot or a Special Ops person who suffers from PTSD or TBI, you are talking about hundreds of thousands of dollars per soldier to replace that particular personnel.

In your testimony, you talk about the fact that, in fiscal years 2007 and 2008, you executed research, development and testing in the areas of psychological health and TBI, including complementary and alternative medicine approaches to treating PTSD and TBI, and yoga, even acupuncture. My question to you, based on some information that I have recently seen, is, what has the Department of Defense done in relation to hyperbaric oxygen therapy treatment that has been used and which has been found to be extremely effective and economical in treating TBI as well as PTSD? There have been particular concerns where it has been tried and utilized and results were given, but TRICARE would reimburse the cost of the treatment. It is my understanding you can get any of those treatments for about $16,000 compared to hundreds of thousands of dollars to retain or to train and recruit new military personnel. So tell me about the hyperbaric oxygen therapy support that the Department has given and whether or not you are going to pursue that, whether or not you think it is something that we ought to pursue, and if it would give results, would you please.

General SUTTON. Thank you, sir, for that question.

Mr. BISHOP. And explain for those who may not know what that is, what that treatment consists of.

General SUTTON. Yes, sir.

Hyperbaric oxygen is a treatment that has been around for years. It has been used, for example, very effectively with wound

healing as well as divers, in terms of folks who have the benz. There are a number of different uses for which there is clearly sound evidence upon which to base that practice.

When it comes to traumatic brain injury, at this point, although there are some very promising case studies, we have not yet got the science in front of us that will allow us to move forward and establish this as a standard of care.

Now, having said that, we are as hopeful as anyone that this may be actually, may become a proven standard of care that we can use on behalf of our troops who are experiencing post-traumatic stress and TBI. We were looking forward to funding research, quality research. In fiscal year 2007/fiscal year 2008 Broad Agency Announcement, there was one study proposal that met scientific muster with our peer-reviewed process. We funded it; a preclinical animal study. We have also worked with Dr. Bill Duncan, who is here today; and his group, Dr. Harch at Louisiana State University; as well as Dr. Cifu, who is at Richmond; and Dr. Lynn Weaver at Utah, to name a few of the experts in this area. And we brought together, understanding that the research hadn't been done, and we didn't get the proposals that would have allowed us to move forward, we said, well, let us bring together the leading experts across the services, across the government and across the Nation. So early last December, we brought together approximately 60 individuals and spent 2 days immersed in this. The individuals who had done off-label work with hyperbaric oxygen brought their pilot study data. We were able to lay that out on the table. And the consensus was among that group that in fact there was enough information, there was enough data, enough evidence that would allow us to go forward to conduct a multi-site randomized clinical controlled trial. And so that is the course that we are on right now. We are working across those various studies that I mentioned in terms of the individuals who are using it for off-label uses at this point. And we are very eager to bring that data into the randomized control trial data. We are, at this point, compressing what is ordinarily a 12- to 18- or even 24-month cycle of study preparation and development so that we can launch with subject enrollment as early as this April and launch a multi-site randomized controlled clinical trial, so that within a year, we will have some definitive evidence that will point us towards what the safe and efficacious use for this modality may be.

Mr. BISHOP. Do you think it is very promising?

General SUTTON. It is very promising, sir.

Mr. BISHOP. Do you have the resources now that you need to move forward with it?

General SUTTON. We do.

Mr. BISHOP. There is nothing else that this committee needs to do too?

General SUTTON. Sir, we are, at this point, we have a meeting schedule with the FDA at the end of this month. They have been very helpful with us in helping us understand what the requirements will be. In this case, it will be for an investigational new drug registration. And we are moving full speed ahead on this without squandering any of the scientific rigor and safety and standards that, of course, are so important and part of the integrity

of any scientific research process. But nothing more needed from this committee. We have everything we need to move forward, and we are very much looking forward to the outcome of this study.

Mr. BISHOP. Thank you very much.

I understand that one of the people who participated in the pilot was a general who had brain injuries and had miraculous recovery as a result of this HBOT therapy and that it holds great promise for treating this. And it will save our government a lot of money in having to retrain people who are discharged, who are well trained, as a result of TBI and PTSD.

General SUTTON. Yes, sir. We are all united in that hope that we can do whatever it takes to bring relief, health and well-being to our troops who are suffering.

Mr. BISHOP. Thank you.

General SUTTON. Thank you.

Mr. MURTHA. Ms. Kilpatrick.

DEFENSE CENTERS OF EXCELLENCE

Ms. KILPATRICK. Thank you, Mr. Chairman.

And outstanding, as a new member of the Committee, outstanding, first, that there are women in charge. I am most impressed by that.

General, General Sutton, your passion, your understanding and really the rigor that you use in presenting yourself and the material is outstanding, to the both of you.

How long and how old is this Defense Center of Excellence?

General SUTTON. Ma'am, thank you for your kind comments and your words of support. The Defense Centers of Excellence opened its doors on the 30th of November in 2007. At that time, we had a receptionist, a phone number, a bank of empty offices, a part-time chief of staff and two contractors, thanks to Ms. Embrey's generosity. From that point forward, ma'am, we have evolved the concept. We have grown the five component centers that I mentioned. We have developed the design and concept of operation for the National Intrepid Center of Excellence, which will be the hub of our national and global network. We have also recognized the importance of broadening our focus. You will recall perhaps in the spring and summer of 2007, following the Walter Reed tragedy, there was a lot of focus on PTSD and TBI.

POST-TRAUMATIC STRESS DISORDER

Ms. KILPATRICK. And how long has that been defined as such? I mean, how old does it go back?

General SUTTON. Post-traumatic stress disorder was actually codified in the Diagnostic and Statistical Manual for the American Psychiatric Association in 1980.

Ms. KILPATRICK. It has been evolving ever since.

General SUTTON. But I will tell you, ma'am, and this is why it is so important for us to learn from history, is that we know from the beginning of time that these issues related to the adversity of war and post-traumatic stress, everyone is affected by combat. In fact, I would worry about an individual who, going down range and experiencing what our warriors are experiencing today, who would come back and say, you know, it didn't affect me a bit. Of course,

it does. In our own civil war, we talked about it then as "soldier's heart," which remains to this day my favorite phrase for those struggles. But of course, World War I, "shell-shock." World War II, "battle fatigue." More recently, combat stress and post-traumatic stress.

Ms. KILPATRICK. That is where I was kind of going. I have an uncle, a World War II veteran, mental illness, then came home looking fine but, for the next 60 years, was in and out of mental health hospitals and lived there for a couple of years; just died last year at 80-some years old, did not find it at first. He came back looking normal, but he obviously had battled something and lost his mind literally. I am happy to see the innovations and how we have moved forward on that.

I have one of my staffers here, who is Riley Grimes, who won the Purple Heart, won an award from the Purple Heart Association just recently for his work in this area, so he has been kind of updating me. He is a Marine himself, so he has a certain passion for that. So I want to appreciate you for that.

MULTIPLE DEPLOYMENTS

Ms. KILPATRICK. Tour of duty. And we keep hearing they keep going back again and again, some two, three, four-time deployment. I just last weekend was with Chairman Dicks in Washington State on a naval submarine, two of them, and one aircraft carrier, talking to young sailors, I am told, sailors not soldiers, sailors. And many of them have been out two or three times. With the number of suicides and what you discussed earlier with both TBI and PTSD, how does it all relate? How can we help with that? What needs to happen?

It comes back to me that we are short military. Contractors we talked about a little bit in this Committee, and we are going to talk about it more, and we have more now than ever before. Do we need—and this may not be your part, because I know you are healthy. With the shortages that we are seeing in the enlisted and the repeated tours of duties and TBI and PTSD, how does it all intertwine and relate?

General SUTTON. Thank you for that question, ma'am. It is a serious concern.

I think once again, looking back to our history, never in the history of our Republic has so much been placed on the shoulders of so few on behalf of so many for so long. And so there is an enormous challenge for us to both do some of the things that are already under way in terms of expanding and increasing the force strength as well as tailing back on the tour lengths. Those are certainly factors, risk factors that we are well aware of.

I think also there are the struggles—and you mentioned the Navy. The Navy and the Air Force, those troops who have been included as individual augmentees for units to go downrange and to do things perhaps for which they had not been trained initially, then they received training and go down as part of a unit but not their home unit. That also carries significant stressors related to it.

We know that in the history of warfare, actually, suicides themselves, the suicide rate typically during high-intensity warfare is

not adversely affected; and that makes some sense because when you are in high-intensity warfare, you are focused on a goal. Operations are very fast, very intense, very deadly at times certainly. But suicide doesn't seem to be affected adversely in those conditions.

We know that when it becomes a lower intensity and more protracted situation——

Ms. KILPATRICK. Like multiple tours of duty.

General SUTTON. Like multiple tours, like the kinds of stressors on families, like the physical, spiritual, psychological, and moral wear and tear over a protracted period of time, certainly that has its impact.

But I would like to also point out that while everyone is affected by combat, the majority of individuals do not go on to develop a disorder. The majority of folks who experience concussion or mild TBI completely recover from that injury and do well.

Now it is important for us to document it as we would any other injury, and it is important for us to monitor and evaluate to see, does this troop need to take a leave? Do they need to take a few days before they get back into the battle? And, of course, we have some of the same challenges that the civilian world does with high-school-football-age and college-age players who want to stay in the battle.

But those are all things that are important for us to continue to monitor, to act, to develop those programs while, at the same time, we ensure that we put the truth out in terms of the fact that most folks will actually do very well; and in fact many, despite the adversity of war, will go on to claim what has been termed now post-traumatic growth. That is to say that even, for example, the double-lower-extremity amputee that I spoke with last week at the Canadian Embassy who told me, ma'am, if someone offered to give me back my legs today, I wouldn't take them. I have grown so much in this experience. I know so much more about myself, my family, life, what my purpose is.

Individuals, despite the most adverse and ugly of situations, can develop a greater sense of purpose, of faith, of meaning, of connection to others. And so it is important as we go forward that we communicate accurately and balance not only the tough reality of war but also ensure that individuals understand that this is an experience like other traumatic experiences from which individuals cannot only bounce back but also grow stronger as a result.

Ms. KILPATRICK. Thank you.

Mr. Chairman, one more, based on what you just said.

So will we find in 5, 10 years RAND studies that show it is not the combat itself but maybe the tour of duties or duty that would cause the rates to increase?

General SUTTON. You know, those are all questions that, as we focus our longitudinal prospective studies now over the next 10 to 15 years, we will absolutely be able to understand more about those factors. Right now, what we know is that each of those factors has an additive effect, but we don't understand completely the relationship between them as well as the various factors that combine to make this such a tough experience for both troops as well as family members. And I must also recognize and I appreciate so

much the Committee commenting on the service and sacrifice of our health care professionals. It is just phenomenal.

Ms. KILPATRICK. Thank you.

Thank you, Mr. Chairman.

General SUTTON. And they deserve our care and concern as well.

Ms. KILPATRICK. Right. Thank you very much.

General SUTTON. Thank you.

Mr. MURTHA. Mr. Dicks.

HYPERBARIC OXYGEN THERAPY TREATMENTS

Mr. DICKS. I apologize for not being here for your testimony. I have another Committee that I Chair, and we are reviewing the conduct of the Department of the Interior this morning.

There are two questions I wanted to ask. One, I had some people come into my office. And I know you have discussed this, but I want to discuss it a little bit further, on hyperbaric oxygen therapy treatments. What they basically told me is that they are having great difficulty—that because the Surgeon General I think of the Navy somehow doesn't like this treatment or thinks this treatment, you know, has to be studied further, FDA, whatever—but there have been 16 instances where they use I guess an off-label prescription; and in all 16 of these, the people have been dramatically improved, in cases that were very severe. And this is with traumatic brain injury.

So if you have had 16 successes—and I think this is 16 for 16—why would we then go have a study? I mean, what I am concerned about—now General Corelli keeps telling me that we are moving out, that we are going to get something in the field. But I don't see that yet. Except I understand we are doing yoga and massage and things like this. To me, that seems as if a higher priority might be the hyperbaric oxygen treatment if it is really helping these people beyond these other things. I mean, I can't understand why it is, you know, that it is taking us so long to come to grips with this and to take action.

General SUTTON. Sir, thank you for your comments and your question.

First of all, let me just clarify, the Navy Surgeon General has been enormously supportive of this endeavor.

Mr. DICKS. I am glad to hear that.

General SUTTON. In fact, hosted a conference at his office last August. All of the Surgeon Generals. And in fact, the vice chief, the service vice chiefs—and you mentioned General Corelli, but all of the service vice chiefs have come forward and, in fact, are now serving as——

Mr. DICKS. So why are we going to study it? Why can't we just implement it and let people get this treatment?

General SUTTON. Sir, we brought together the 60 leading experts in the country to advise us on this issue. Because—yes, sir.

Mr. MURTHA. Sixteen people were treated, and sixteen people were successful? Is that accurate?

Dr. DUNCAN. Yes, sir.

Mr. DICKS. Who said, yes, sir, in the back? Are you a witness or are you public?

Dr. DUNCAN. I am a doctor.

Mr. DICKS. Okay. Well that is good. So you know about this, too.

Mr. MURTHA. Is that accurate or not accurate?

General SUTTON. I have seen some case reports——

Mr. MURTHA [continuing]. People know whether it is accurate or not?

General SUTTON. I have not seen 16 case study reports, but I have seen the five that Dr. Duncan has recently distributed.

Mr. MURTHA. Does Dr. Duncan work with you?

General SUTTON. He does not, sir. We certainly are colleagues.

Mr. DICKS. Who does he work with?

General SUTTON. I will let Dr. Duncan speak for himself.

Dr. DUNCAN. I am a pro bono lobbyist for the hyperbaric community to get these men and women treated as quickly as possible.

Mr. MURTHA. Factually, we know that 16 have been treated; and that is accurate?

General SUTTON. We do not know, sir. I have not seen that data. I will tell you that Dr. Jim Kelly, who was a member of the consensus group study, the group of experts that met in December, as was Dr. Duncan, when they looked at these promising case studies—and that is what they are. They are very promising.

Mr. DICKS. When was this?

General SUTTON. Early December of 2008, sir.

Mr. DICKS. That is 3 months ago.

General SUTTON. Yes, sir. When we came out of that conference, the consensus of those national experts was that, given these promising case study results, given the promising off-label uses for this modality, that the time is now ripe for us to proceed to what becomes the gold standard for scientific evidence. And this is an opinion that is supported by the leading experts across the Nation. We are being responsible scientists and leaders in this area.

Mr. DICKS. How did these doctors, these 16 doctors decide that they didn't need any further studies or analysis, that they could go forward and prescribe this and then have it work and yet we are still not—we are still not moving out on this? This is what is very frustrating to me.

Ms. EMBREY. Sir, off-label use, if the Department of Defense were to establish a policy to direct doctors to a standard of care that was off-label, not FDA-demonstrated in science and evidence——

Mr. DICKS. The FDA has approved this, by the way.

Ms. EMBREY. Not for this. The issue is we in the Department of Defense have a long-standing policy that we do not direct off-label practices without the evidence behind it. So any doctor can talk to their colleagues and make a judgment based on the particulars of that individual to use a therapy in an off-label way. For instance, aspirin for heart, you know, for heart, cardiac issues, that is an off-label use of aspirin. Although aspirin isn't a prescribed drug, but it is a simple way to understand it. The Department of Defense can't just make a policy to go do this since it is an off-label application.

Mr. DICKS. Even though it has worked.

Ms. EMBREY. Doctors can choose to do it on a case-by-case basis. But as a department policy, we cannot direct it as a standard of care without the evidence.

Mr. DICKS. All right. My time is running out.

I have another question. The other issue is——

Mr. MURTHA. Excuse me. Tell us what this is. Tell us what this encompasses, this process.

Ms. EMBREY. Well, FDA——

Mr. MURTHA. No. I mean, what is he talking about?

Mr. BISHOP. Hyperbaric oxygen therapy.

General SUTTON. Yes. Hyperbaric oxygen therapy involves a series of usually 40 to 60 treatments where an individual is exposed to increased atmospheric pressure of oxygen, and it is certainly closely supervised medically. It has been proven to be effective for conditions such as wound healing as well—infection as well as certainly when divers, for example, get the bends. The research, though, just simply has not yet been done to establish its use for TBI.

Mr. MURTHA. I want to know. You get in some sort of a——

General SUTTON. A chamber, yes.

Mr. MURTHA. Turn the atmospheric pressure up and adjust that and so forth, and it is closely monitored?

General SUTTON. Yes, sir.

Mr. BISHOP. They have increased oxygen, also.

Mr. DICKS. These off-label prescriptions were people with traumatic brain injury who, because of the treatment, were vastly improved and able to go back to their jobs. I mean, so I think it is worth—I am glad you are at least looking at it. It just takes so long. That is what is frustrating.

Mr. BISHOP. They also generated new nerves. Nerves that had been killed were regenerated in the brain.

Mr. MURTHA. Well, I have to take the side with the Defense Department. I argue with folks all the time about these things. But we want to make sure it is safe, because there are always effects that we don't recognize.

We were talking earlier, Norm, about transplants. And when you transplant a hand, it is something that they haven't done a lot of. But the rejection figure really causes a lot of problems. So we have got to be careful here.

But, from what I am hearing is, we certainly ought to move as quickly as we can studying this thing so that we know what we are doing.

General SUTTON. Absolutely.

WEB-BASED CLINICAL MENTAL HEALTH SERVICES

Mr. DICKS. If I could just finish up here. The other one I wanted to ask you about, our Committee last year in the report said to DOD, to establish and use a Web-Based clinical mental health service program is a way to deliver critical clinical mental health services to service members and their families, particularly in rural areas. Now, I know that—and I talked to General Corelli. I have talked to everybody about this. I know you sent out a request for information, and now you are going to have an RFP on this, and I have been told that a decision is going to be made on this by April. Is that correct?

General SUTTON. Actually, sir——

Mr. DICKS. I happen to think that for a lot of people who are fearful that there is going to be recriminations, to have a Web-Based system—I think you could even do this in country where they would be able to go back, talk to a psychiatrist and have it done privately and get the help that they need.

I think this—and especially for our Guard and Reserve people who aren't at like Fort Lewis or a base, this is another way of trying to reach out and help these people. And we see these suicide numbers going up, up, up, and yet again there—we put this in months ago, and we are supposed to get a report back on March 16. It is frustrating that we can't move this forward a little more expeditiously, because I think it is an idea that is at least worth studying, and we should do it as soon as possible.

General SUTTON. Sir, I completely agree with you, and I would like to inform you of some of the efforts that are already under way.

For example, Military OneSource, an individual can get counseling online, by phone or in person. The military mental health tool, which was launched last year, develops the ability for an individual in the safety and the privacy of their own home to be able to assess their mental health and to get linked up with those that can help them.

Last fall, we launched the afterdeployment.org. It is a Web 2.0, 3.0 socially interactive tool which likewise, again, is a Web-Based, stigma-free opportunity for troops to get help.

Destress, which is a program that was developed in partnership with Duke University and Dartmouth——

Mr. DICKS. Is this where the yoga comes in?

General SUTTON. No, sir. Destress is a Web-Based treatment program involving coaching and treatment for post-traumatic stress as well as depression.

We also have a training module that is available for providers, primary care providers; and we are embedding behavioral health providers in our clinics across the services and in concert with the VA.

All of this, sir, in addition to the request for proposal that is feeding off of the 23 submissions for information—there is a lot of interest in this area, and we share it. We are excited about it.

All of these efforts, sir, will serve as a down payment, if you will, for what I would say is possibly the most revolutionary project that we are endeavored in right now; and that has to do with the Sim coach. We are working with the Institute for Creative Technology in southern California as well as with Carnegie Mellon and DARPA. We are bringing the best of artificial intelligence, the best of neuroscience knowledge, the best of simulated conversation and expert technology and voice recognition to provide a coach, an avatar coach.

With this generation, virtual is as real as real is to us. That will provide that opportunity to have a coach that they can talk with who can bring in the most promising tools and practices and, yes, providers no matter where one is stationed.

And we have launched the SBIR on that. We have got four submissions. We are moving forward towards a Sim coach.

We will have as a down payment—yes, in the very near future we will have providers who troops and their family members can access online as well. Every avenue that we can possibly use to connect with our troops and their family members to provide them that help, that support, that compassion that they need, we are committed to providing.

Ms. EMBREY. Sir, I would also like to just clarify, too, out of the over $1 billion that this Committee has provided to us to study these topics, only $5 million was provided for the study of alternative medicine, such as yoga.

Mr. DICKS. Have you asked for a reprogram?

Ms. EMBREY. Well, it was also congressional direction to engage in study of alternative medicine for these topics. It was congressionally directed.

Mr. DICKS. This is where the yoga and the—what do you do with the pinpricks?

Ms. EMBREY. Acupuncture.

Mr. DICKS. Acupuncture, all that. What are the results? How is that working?

General SUTTON. Actually, sir, there is some very promising results. A couple of months ago Dr. Kelly and I had a chance to visit the Rehab Institute of Chicago where we funded some research, in this case looking at the efficacy of using acupuncture for sleep conditions. We know that sleep problems, it is the number one factor that affects our troops coming back. And of course when your sleep is not going well, nothing goes well over the long term. And pain management as well.

So in talking with that particular research group, one of the things that they are very hopeful about at this point, the preliminary findings are looking good. But the possibility is that we could—just as we have provided our frontline corpsmen and medics a tourniquet to be able to perform life-saving practices that will save lives for severely injured extremities, we are looking at the possibility of having a very basic acupuncture kit which could be used for sleep, for pain, if the research continues to support it.

Our own deployment health clinical center has done some of the pioneering work, looking at virtual cognitive behavioral therapy and its use for post-traumatic stress. Also, the use of yoga and acupuncture. We have got a program just up the road at the Deployment Health Clinical Center that has a 3-week regimen. They bring in referrals from all over the Department of Defense, folks who just aren't getting better where they are locally. And it is not clear why. We bring together the best of eastern medicine, the best of western medicine.

As one officer last spring testified here on the Hill, he said, I owe my life to this program, my family. We have had continued testimonials as well as rigorous science that have demonstrated the efficacy of some of these promising practices. So it is on that basis, whether it be hyperbaric oxygen or yoga or acupuncture or tai chi, we will continue to follow these promising practices and learn everything we can on behalf of our troops and their loved ones.

Mr. MURTHA. The $5 million we put in was to study whether alternative medicines were working, not for alternative medicine but whether it works or not, $5 million. You can spend any amount you

want to on alternative medicine. We said, study it and come up with a result.

Mr. Frelinghuysen.

THERAPEUTIC PROPOSALS

Mr. FRELINGHUYSEN. Just so I understand it, you serve as a clearinghouse. You should know that Members of Congress are visited by a variety of different constituents, university-based R&D, hospital-based R&D, which may not be university connected, the private sector with a variety of therapeutic proposals to deal with TBI. Just assure the committee that you are the general clearinghouse for such proposals here. I mean, the ingenuity that is out there is incredible, what people are coming up with. But you are the gatekeeper.

General SUTTON. It is absolutely phenomenal, sir. And as we have gone across the country and visited with the leading programs across the country, whether it be places like Mayo Clinic, Cleveland Clinic, UCLA, Stanford, Cornell, Kessler Institute, just these programs across the country who are doing just incredible work, much of the time in partnership with our own scientists, our own clinicians.

We are working right now, for example, with the NIH, their Center for Information Technology. We are signing a memorandum of agreement that will establish the same data analytic and storage infrastructure as was developed for autism. This will allow researchers around the country and around the world to have visibility of the knowledge as we reap it, as we harvest it from this research that will then advance and catalyze the development of effective treatments and approaches for our troops.

So we are absolutely joined at the hip with, for example, our consortium, our research as well as our clinical consortium, the leading minds not only in this country but around the world. So we are absolutely committed to continuing to develop those relationships, that network of networks, not just in this country but in places like Canada, like Great Britain, like Australia, Spain, any number of countries that we have already been partnering with.

I would also mention, sir, is that as important as the medical——

Mr. FRELINGHUYSEN. You are going to give your stamp of approval here?

General SUTTON. Oh, yes, sir.

Mr. FRELINGHUYSEN. This is obviously based on sound science medicine. There are a lot of interesting people that come into our lives, but we want to make sure that it is substantiated in a way that it has veracity, that it is truly effective.

General SUTTON. We adhere to excellence, yes, sir, in all things. And that means that we cannot squander, we cannot violate scientific rigor and integrity. So we will not do that. But we certainly will relentlessly pursue leading and advanced ways of treating, of diagnosing, of screening, of building resilience, of supporting our troops and their loved ones with a sense of focused urgency because we know time is not our friend.

Thank you.

Mr. MURTHA. One of the things we are still concerned about is there is a number of Wounded Warrior programs. We don't think

that you have proved to this committee, who funds these programs, that they are working.

We need you to give us some proof if there are gaps in the program, overlapping programs, are we spending money in areas where we shouldn't be spending it to—I am not convinced that—you know, it sounds good. You know, you can get up here and tell me apocryphal stories, but we want to see the proof. We want to see that these are working. Because if there is someplace else that we could spend the money, we would want to spend the money there.

The Congress is anxious to spend money in the places where it works. But, you know, many times when you get a name like Wounded Warrior, that sounds good. But, you know, there is a lot of programs in that category that we are not sure of that merit funding. So you need to show us about that.

The other thing, simulation out there, you said you looked at the simulation out there at Camp Pendleton. Do you think that it hardens the mind, it helps with their mental attitude when they go into combat?

General SUTTON. Sir, the evidence points to the fact that anytime that we can build resilience through the use of tough, realistic and, yes, dangerous training that as closely as possible approximates what a troop will encounter in battle, that will much better prepare them for that experience.

Mr. MURTHA. I want to you answer specifically. Does this help? Because General Mattis wants me to fund that. He wants me to recommend to the Committee we fund that and one at LeJeune. Does that help? That is what I am asking you. Does this particular program help toughen mentally the people going into combat?

General SUTTON. Sir, we have research that is undergoing right now looking at those specific programs. The preliminary results are promising. I will let you know in 6 months what my opinion is on proliferating.

Mr. MURTHA. We want you to let us know by May or June, because that is when we will be funding the programs.

General SUTTON. Okay, sir.

Mr. MURTHA. Any other questions?

Mr. Bishop.

PTSD SCREENING

Mr. BISHOP. Yes, sir.

Ms. Embrey, one of DOD's psychological strategic goals is to ensure early identification and prevention for individual conditions, but apparently this does not always occur. I have got two soldiers from my district who were not properly diagnosed on redeployment for PTSD, and they suffered relationally, that is, ended up in divorce. And they suffered professionally, ended up with some problems and ended up getting busted.

The issue seems to be improper screening at the local unit level. DOD has designed the National Intrepid Center of Excellence to deal with PTSD nationally. What is being done to rectify the issue of poor PTSD screening at the local unit level? And how can our troops who are suffering from PTSD and related mental health

problems be properly screened so that they don't suffer disciplinary actions, which are really a function of their PTSD?

Ms. EMBREY. I think that we have struggled to develop sensitive and specific assessment tools that allow us to understand through a dialogue of questions whether or not an individual is at risk and needs referral and intervention for PTSD and other traumatic stress. The challenge is is that some individuals are in denial or they choose not to answer the questions honestly; and, as a result, they make it through the accessment without referral.

So what we are trying to do is a double-pronged process, which is to address the issue through outreach with the line leadership. We learned that individuals respond well to traumatic stress with very strong leaders.

Mr. BISHOP. Can I interrupt you for a second? I have got an example right here where an individual says that on the 20th of January he approached his first line supervisor with an issue that he needed to see the chaplain, he was having mental issues, and he needed to be dealt with. All the way through—he was set up for an appointment. It was cancelled. He tried to make it through. He was rescheduled. It was set up. It was cancelled. All the way—and his next appointment is now set for March 9. He has not gotten the support that he needed on the unit level.

And that is to make my question short. But I have got a narrative here on what this particular soldier had to go through and still has not gotten his therapy. He has not gotten to talk to a therapist.

Ms. EMBREY. I misunderstood your question. I thought you were talking about our assessment process.

Actually, when an individual seeks care—there is emphasis from the very top of the department when a person approaches a commander for a referral. It may well be that the culture has not changed, and we need to further emphasize it further down the line and make sure that people understand that when people have identified a need that they are taken care of as quickly as possible.

MEDICAL HELICOPTERS

Mr. MURTHA. Let me just stress the last question here, the CSAR thing. I just saw a classified report. The staff went down and got me a classified report. You folks have to weigh in on this. We can't let the budget drive the number of medical helicopters we have. They don't want to announce the number they have because it is inadequate, in my estimation. But the amount of time it takes to get these people out of the field is absolutely unacceptable. So I wish you folks would look at it and then make a recommendation, to us in particular.

I went out to Nellis, and I was unhappy about—so we put $100 million into refurbishing the ones. The RFP fell by the wayside. Now Secretary Gates is himself involved. But sometimes they get sidetracked by numbers.

You folks are the ones that use it, and you folks are the ones who should make the recommendation. So I need to hear from you about the numbers you need and see if there is anything we can do.

It is a complicated problem. And with the altitudes they have, with the outposts that are so isolated, it is a much different situation; and the Afghans are a much more difficult enemy than the Iraqis. So we have got some real problems here.

But we appreciate your coming before the Committee, your dedication to the health of our soldiers.

The Committee will now adjourn until 10:00 Thursday, March 5.

Ms. EMBREY. Thank you.

General SUTTON. Thank you, Mr. Chairman.

[CLERK'S NOTE.—Questions submitted by Ms. Granger and the answers thereto follow.]

Question. Has the Defense Department estimated or studied the impact of OEF and OIF on local community health systems, and in particular the mental and behavioral health systems in regions where the military is growing the force? More specifically, the north Texas region?

Answer. Absolutely. The TRICARE Regional Office-South, with its managed care support contractor, Humana Military HealthCare Services (HMHS), has established the Warrior Navigation and Assistance Program (WNAP) to support Active Duty, Guard, and Reserve warriors in transition and their families with information and assistance with TRICARE programs. WNAP offers these beneficiaries person-to-person guidance and access to a new advocacy unit specially trained for the unique challenges that many warriors face as it relates to access to care or the need for information on all available resources. This includes the Military Health System, Veterans Affairs, and local community assets. Additionally, WNAP will also oversee education and assistance initiatives for civilian providers caring for warriors and their families.

In addition to WNAP, HMHS has partnered with ValueOptions to provide behavioral assistance and services to beneficiaries in the South region, which includes north Texas. They provide a behavioral health provider locator and appointment assistance line.

Question. One of the biggest challenges faced by the behavioral health care organizations in my region when trying to provide outreach and treatment is the lack of knowledge as to the number of soldiers in the region, specifically the reserve component, that need immediate access to behavioral health specialists. Is there a reason that non-military entities are not able to access information in the Millennium Cohort Study to assist in planning and delivering of behavioral health services? If not, why? Please explain.

Answer. We appreciate the outreach efforts of behavioral health care organizations in your region. The best and fastest way to help our beneficiaries is to have those organizations work with local military treatment facilities, the TRICARE Regional Office-South and the managed care support contractors for your region. Humana Military HealthCare Services has partnered with ValueOptions to provide behavioral health care. We expect all to work together to either provide or arrange for health care for our beneficiaries.

In response to concerns about the health effects of deployments following the 1991 Gulf War, Congress and the U.S. Institute of Medicine recommended that the DoD conduct prospective epidemiological research to evaluate the impact of military exposures, including deployment, on long-term health outcomes. The Millennium Cohort Study, the largest prospective health study in the military with more than 140,000 participants at present, meets this critical need. The Millennium Cohort Study is poised to provide critical information toward understanding the long-term health of future generations of military members, thus contributing to force health protection, a DoD priority. The DoD Center for Deployment Health Research currently shares non-patient specific information collected with non-DoD entities.

Question. How is the Department addressing behavioral health care needs in large rural areas that consist of diverse populations?

Answer. Our military treatment facilities, TRICARE regional offices, and our managed care support contractors work together to provide or arrange for care. For TRICARE Prime enrollees, they work together to provide the care within our written access standards, regardless of location. Because we understand that access to behavioral health services is a key component of TRICARE, we require our managed care support contractors to offer beneficiary assistance to Active Duty service members and Active Duty family members in locating behavioral health care providers and making behavioral health care appointments. We have asked our contractors

to provide a dedicated toll-free telephone number and have given them one of two ways to assist the beneficiaries.

The first way the contractor will provide telephone numbers of behavioral health care providers and call the beneficiary back within three days to see if the beneficiary was successful, and to offer any additional assistance needed. The second way, the contractor will establish a three-way conversation between the beneficiary, provider's office and the contractor. The contractor will only participate in this three-way conversation long enough to confirm the provider is willing to provide an appointment.

Question. How is the Department addressing behavioral health care needs in large rural areas based on reserve components?

Answer. The Department has implemented many programs for our Service members who reside in medically underserved areas and in particular to meet the mental health care needs of our Reserve members. We have been incrementally enhancing our capabilities from general medical support to niche programs designed to support the specific mental health challenges faced by the Reserve Component. Our vision is for a robust system of mental health support across the entire continuum of care. The following are highlights of different types of programs currently offered along this continuum.

Prevention/Pre-clinical:

(1) An example of an internet-based mental health tool is *afterdeployment.org*, online since August 5, 2008, which offers anonymous access. *Afterdeployment.org* addresses the concerns of Service members who do not seek in-person consultation for adjustment problems because of barriers to care and concerns about stigma. Its behavior-change strategies and educational materials span several content areas, including combat stress; conflict at work; re-connecting with family and friends; depression; anger; sleep problems; substance abuse; stress management; kids and deployment; spiritual guidance; living with physical injuries; and health and wellness.

(2) Another example of preclinical counseling support is Military OneSource. This is an internet-based Service member and family assistance program that offers personalized advice and support on many kinds of issues, such as relationship problems, spouse employment, and other mental health issues. Military OneSource offers the opportunity for Active Duty, Reserve, or National Guard Service members or their family members to speak to master's-level, credentialed healthcare providers or social workers on many topics.

Diagnosis and Care: One of the most mature programs available to the Reserve Component addresses both physical and mental health needs. TRICARE Reserve Select (TRS) is offered to qualified National Guard and Reserve members who are not otherwise qualified for TRICARE. It is a premium-based plan and offers coverage similar to TRICARE Standard and Extra. TRICARE Reserve Select allows the first eight behavioral health visits per fiscal year without prior authorization. TRS members may obtain this care from any TRICARE authorized mental health provider, but we encourage these members to use existing TRICARE network providers. Members choosing TRS are authorized to use military treatment facilities on a space-available basis.

Screening/Assessments: The Post-Deployment Health Reassessment (PDHRA) program is designed to identify and address health concerns, with specific emphasis on mental health, that have emerged over time following deployment. The reassessment is scheduled for completion before the end of 180 days after return from deployment so that Reserve Component members have the option of treatment using their TRICARE health benefit. The PDHRA is required for all Service members who have returned from operational deployment, including all National Guard and Reserve members, as well as those who have separated or retired following their return from deployment. The assessment includes questions on behavioral health and traumatic brain injury.

Transition: The Transitional Support Program (TSP) has been designed to bridge potential gaps in psychological health services that can occur during periods of transfer that are typical to Service members. The TSP uses an established behavioral health network with national networking capabilities and scope. Through the program, Transitional Support Facilitators provide a readily accessible (24/7), knowledgeable specialists for Service members who are seeking expert advice about mental health specialties, techniques, and modalities that are typically used in therapy, as well as direction in obtaining assistance and resources in their immediate area.

Question. It is my understanding that the Texas region is underserved and if that is accurate, can the coalition of behavioral health care providers led by University of North Texas Health Science Center work effectively with the Defense Center of Excellence?

Answer. We are always interested in learning more about new and innovative ways to assist Service members, Veterans, and their families. As to this specific program, it sounds promising and something the DoD would be interested in exploring. As a result, we will be in contact with them, and hope to set up a meeting where we can learn more about the program, and better determine whether it would be of benefit.

[CLERK'S NOTE.—End of questions submitted by Ms. Granger. Questions submitted by Mr. Murtha and the answers thereto follow.]

MENTAL HEALTH AND MILITARY FAMILIES

Question. Visits to military bases have confirmed the widespread nature of this problem. Declines in school performance and increases in disciplinary problems have surfaced at major bases throughout the country. For example, last year alone the Children's hospital here in D.C. had over 1,000 visits from children of military Service members, many of which were suffering from mental health problems. Getting information about the trends in children's illnesses related to the war would serve as an important basis for potential additional action by the Committee.

Of the amounts this Committee approved for PTSD and other mental health programs, how much have you dedicated for children's programs? What are there any notable trends in children's illnesses related to the war?

Answer: In addition to robust family support systems at installations and online, a step-up of $5,010,800 has been dedicated for children's programming, with $4,710,800 for Sesame Street programs and distribution of Sesame Street DVD's and online resources: (http://www.sesameworkshop.org/initiatives/emotion/tlc/). Videos were developed for children and adults covering: deployments, homecomings, and changes. In addition, specialized outreach materials and guides for using the videos were developed and distributed.

In addition, $300,000 went to the DoD Uniformed Services University of Health Sciences' Child Trauma Network organization and affiliations, supporting research into the effects of war on children. We have also allocated $320,000 for the "Signs of Suicide" school-based suicide prevention program in DoD middle and senior high schools and others with high proportions of military dependents.

Significant trends from 2003 to 2008 have been noted for child and adolescent use of DoD direct and purchased mental health care resources. There have been increases in inpatient bed days for both 0–14 and 15–17 age groups, as well as for ambulatory mental health visits in both age groups.

Historically most information about the effect of war on the children of Service members has been anecdotal and limited. DoD-funded research is underway to more precisely define the relationship.

Question. If so, what initiatives have been funded by the Department and what are potential future programs that should be considered?

Answer. In 2006, the offices of Health Affairs and Military Community and Family Policy jointly funded a specialized initiative to establish the United States military site of the National Child Traumatic Stress Network, based at the Uniformed Services University of the Health Science's Center for the Study of Traumatic Stress. This program develops knowledge related to military childhood experiences, develops effective public education materials, and expands and studies effective intervention strategies, all using a strength-based approach. The Center for the Study of Traumatic Stress conducts research, education, consultation, and training on preparing for and responding to psychological effects and consequences of traumatic events. Program scientists are recognized nationally for their expertise related to the health and well-being of military children and have published and presented extensively on the topic.

Signs of Suicide (SOS) is a school-based suicide prevention program that teaches adolescents how to identify symptoms of depression and suicidality, and how to respond effectively by seeking help from a trusted adult. The SOS program is the only school-based program proven to reduce suicide attempts in a randomized, controlled study. A future program in development will supply SOS Booster Kits to high school seniors to prepare them for mental health issues that may arise after graduation.

In order to address the mental health of adolescent and teen children of Service members, an online screening was added to the existing online Mental Health Self-Assessment Program to help parents assess their children for depression or suicidality.

Current research focuses on a comparison of the effects upon family members of a Service member who returns from deployment wounded versus those who were

not injured. Congressionally mandated research funding has been provided for research on the effects of deployments upon children. Research consortium centers (hubs) for psychological health, and traumatic brain injury are being established in three locations in the United States: San Diego, San Antonio, and Houston. Each will be affiliated with local study sites at major medical centers (spokes) across the country engaging the finest scientific minds to fill gaps in research, including research on families and children of Service members who deploy.

Sustained research will more completely characterize the near- and long-term effects of sustained war efforts upon our families, the effectiveness of enhanced preventive family support, and clinical interventions for those who experience severe distress and psychiatric disorders.

Question. What does research tell us about the effects of post-traumatic stress disorder (PTSD) on children of military members suffering from this disease?

Answer. Returning Service members may suffer from post-traumatic stress disorder (PTSD), depression, substance use disorders, or other mental health conditions that may have a significant impact upon their spouses and children. The extent to which this occurs has not been fully characterized for this war. Research regarding Vietnam veterans described negative impacts, including reduced family cohesion, interpersonal expressiveness, ability to problem-solve, and increased interpersonal conflict. Vietnam veterans have reported that the PTSD symptom of avoidance, in affiliation with co-morbid anger and depression, negatively affected their family functioning, while their spouses identified anger as the most damaging symptom. Thus, identifying and treating PTSD early may reduce the potential negative impact to families of struggling Service members and veterans.

Trans-generational effects of PTSD have been the focus of some recent research. These effects merit more study but cannot be directly inferred as relevant to the children of Service members with PTSD.

Due to more robust data systems now in place, the connections between Service member PTSD and adverse effects, such as child neglect and maltreatment, may potentially be better characterized during this conflict.

Question. Is there a correlation between child and spouse abuse and post-traumatic stress disorder (PTSD)?

Answer. Post-traumatic stress disorder (PTSD) is not directly related to child or spouse abuse, i.e., one is not always present with the other. However, they can occur together. The same can be said of substance abuse or depression, which are often seen with PTSD. All children of parents with mental health conditions have some effects—especially when the parent's condition is alcohol dependence, but others as well. Researchers have recently examined the impact of PTSD symptoms on family relationships, and on children in particular. Family members of individuals with PTSD may experience numerous difficulties. Children may experience cognitive or emotional symptoms related to witnessing their parent's symptoms (e.g., having difficulty concentrating at school because they are thinking about the parents' difficulties). However, DoD family and child-oriented initiatives focus on minimizing the negative effects on families and children of parental mental health issues in general, not only of PTSD.

Child and spouse abuse are indicators of a stressed family that needs help in coping with challenges. Child abuse, particularly neglect, also can be seen in times of high deployment, not necessarily with PTSD, but accompanying the demands of deployment and single parent families that are a part of deployment. Many DoD programs are in place to address these issues and there is ongoing attention to these family needs.

A study describing the characteristics of neglect for substantiated Army child neglect cases (2001–2006) is nearing completion to better understand the key factors that lead to these conditions by identifying:

- child, parent, and family-based risk and protective factors for child neglect cases;
- possible military community risk and protective factors for child neglect cases;
- civilian community risk and protective factors for child neglect cases; and
- family-based factors (marital/relationship problems, financial problems, substance use problems) and Service member injuries (including PTSD).

We anticipate the findings of this study will serve to help us develop programs to reduce risk and increase protective factors in our military families.

Question. Of the amounts appropriated for post-traumatic stress disorder (PTSD), could any of these funds be used to help children?

Answer. The Services and the TRICARE Management Activity are using part of the funding appropriated to PTSD to implement programs appropriate for children of Service members with PTSD and other mental health conditions to help them un-

derstand the changes they see in their parents. These programs will encourage their support and caring for their affected parent, and to identify ways to help them cope with the changes in the family dynamics that result. Additionally, by expanding the number of clinical providers for mental health conditions, including PTSD, there is more capacity to provide behavioral health services to beneficiary children.

DEFENSE CENTER OF EXCELLENCE FOR PSYCHOLOGICAL HEALTH AND TRAUMATIC BRAIN INJURY

Question. It seems that the Department's "Center for Best Practices" is a top-down solution to a bottom-up problem. Meaning, that the center was created not by "lessons learned" from soldiers or their families seeking care but by multiple outside panels comprised of retired military officers and former secretaries. While there is a need for a "Center for Best Practices" it may not address the immediate concern about increasing access to services for individuals.

What action, not PROCESS, have you taken over 3 1/2 years?

Answer. The Defense Centers of Excellence (DCoE) for Psychological Health (PH) and Traumatic Brain Injury (TBI) was established in response to the recommendations of seven panels and commissions, as well as to the FY 2008 National Defense Authorization Act (NDAA). In November 2008, the Department reported in detail on the responsibilities and actions of the DCoE in its report to Congress in response to FY2008 NDAA, Section 1624. DCoE addresses the spectrum of PH and TBI concerns of Service members with seven strategic goals:

Leadership and Advocacy. Reinforces the notion that taking care of Service members is a leadership responsibility by developing training and education programs, both career and just-intime, to raise leader awareness of PH and TBI issues and intervention opportunities.

Access to Care. Enhances the ability of Service members and their families to receive the resources they need—when and where they need them—by evaluating PH and TBI resilience requirements and making recommendations regarding future personnel, resources, and capabilities.

Quality of Care. Ensures the highest quality of care through research and evidence-based clinical practice guidelines and state-of-the-art therapies.

Resiliency Promotion. Focuses on preventing or mitigating PH conditions through research into risk factors and specific preventive techniques.

Surveillance and Screening Systems. Promotes consistent, effective PH and TBI assessment practices and new classification systems to enhance diagnostic capabilities.

Transition of Care. Ensures the successful, standardized transition between DoD, VA, and civilian health care systems.

Research. Fosters scientifically rigorous programs to address gaps in current knowledge regarding PH and TBI conditions.

The design and concept of operations for the National Intrepid Center of Excellence (NICoE), a component center of DCoE, is under construction in Bethesda, MD. NICoE began with Mr. Arnold Fisher's offer in September 2007 to build and equip the facility at the National Naval Medical Center in Bethesda using private funds. The facility is expected to open in the spring of 2010. DoD's plans to staff and operate the NICoE are complete to ensure the best care for Service members living with the effects of TBI or psychological health problems such as depression, anxiety and post-traumatic stress disorder. The NICoE concept is a "hub-and-spoke" model with the hub as the NICoE state-of-the-art facility in Bethesda offering diagnostic planning and treatment, along with research and education that would inform and elevate the levels of care in military and civilian healthcare sectors. The spokes in the model will be military medical treatment facilities and civilian centers around the country that partner with NICoE in caring for these injured Service members in locations near where they live. The NICoE Director has already begun the process of visiting treatment sites around the nation in an effort to identify those of high quality and willingness to partner in this important mission. Planning groups for the NICoE have involved both those with PH problems and TBI, and their family members, to get the most complete stakeholder input. The NICOE will add one more component of the DoD continuum of care that increases access to healthcare services for individuals.

Question. How many mental health professionals will see patients in the new Center?

Answer. The Defense Center of Excellence (DCoE) for Psychological Health and Traumatic Brain Injury will not see patients. However, the National Intrepid Center of Excellence (NICoE), one of the centers associated with the DCoE will see patients once it becomes operational. All of the 90+ staff members of the NICoE will be se-

lected for their experience in the diagnosis and treatment of human brain disorders from both the neurological and psychological perspectives. The needs of each individual patient referred will be assessed in a holistic fashion, taking into account their physical, cognitive, psychological, and spiritual well-being. There will be psychiatric, psychological, substance abuse, and chaplaincy services as well as neurological and neuropsychological assessment and rehabilitation with the full complement of occupational, speech/language, physical and recreation/art/music therapy.

Question. Will there be in-patient beds?

Answer. The National Intrepid Center of Excellence (NICoE) will be an outpatient facility, although housing for the Service members and their family members will be provided during the duration of their assessment and treatment at NICoE. Inpatients will continue to receive care at military medical treatment facilities and Department of Veterans Affairs' hospitals and clinics around the country.

Question. What type of utilization capacity will the Center have?

Answer. On any given day, the National Intrepid Center of Excellence (NICoE) will see approximately 20 patients in various stages of the individualized diagnostic and treatment planning process. All patients will be offered the opportunity to participate in clinical research being performed in collaboration with the National Institutes of Health, the Uniformed Services University for Health Sciences, and other affiliated academic research programs. The NICoE will also host education and training programs locally at the Bethesda facility as well as broadcasting lectures and interactive training sessions from its media room.

Question. How much of the funding provided will be designated for the Center?

Answer. In FY 2008, the Defense Center of Excellence (DCoE) was allotted $79.2M in Operations and Maintenance funding. In FY 2009, that amount was $123M in support of the DCoE and its associated Centers to include the National Intrepid Center of Excellence (NICoE). However, since the NICoE is not scheduled to become operational until FY 2010, very little funding has been allotted for it to date. A notable exception is that a Director was hired in FY 2009.

Question. How much of the funding provided will be designated for the Defense and Veterans Head Injury Center?

Answer. In FY 2009, $34.2 million (including $5 million transferred from the Army) has been designated for the Defense and Veterans Brain Injury Center.

Question. How will returning servicemembers and their families in rural parts of the country access the new center?

Answer. Individual patients can be referred from anywhere in the United States and abroad to the National Intrepid Center of Excellence (NICoE) for its specialized assessment and interventions, or they can be referred to partnering centers nearer home. Specialty centers in each region of the country will be "spokes" of NICoE and will use treatment plans established by NICoE to gather outcome data to measure the effectiveness of the interventions. To target the needs of our military and their families in rural regions, the Defense Center of Excellence (DCoE) for Psychological Health (PH) and Traumatic Brain Injury (TBI) has established a link to the nation's Area Health Education Centers, which were created by federal statute to address the educational and training needs of healthcare professionals in rural America's underserved regions. This liaison will help elevate the requisite knowledge of PH and TBI of the healthcare in underserved areas.

The DCoE National Center for Telehealth and Technology also is delivering multiple projects that address this need. The www.afterdeployment.org program offers online self-help interactive resources targeting those affected by deployment. A coordinated effort with the Services is underway to develop robust telehealth capabilities to better serve those for whom accessing services is difficult due to distance or other factors. Finally, DCoE National Center for Telehealth and Technology has embarked on a program to develop and deliver web-based telehealth care that will further extend the reach of services to our rural beneficiaries.

Question. What are the anticipated operating costs of the center and how will they be funded?

Answer. Of the $600M Operations and Maintenance supplemental funds received in FY 2008, $79.2M went to the Defense Center of Excellence (DCoE) for Psychological Health (PH) and Traumatic Brain Injury (TBI) to initiate operations of its headquarters and to fund specific ongoing initiatives in the area of PH and TBI. Of the $575M supplemental funds identified in FY 2009, $123M was allotted to the DCoE to fund its headquarters and transition support to the subordinate centers. The DCoE will receive additional funding in FY 2010. This will fully support the headquarters and its subordinate centers.

RAND REPORT

Question. What, if any parts of the RAND study has the Department incorporated in the Defense Center of Excellence for psychological health (PH) and traumatic brain injury (TBI)?

Answer. The RAND study provided four recommendations, which the Defense Centers of Excellence (DCoE) for PH and TBI has been addressing:

1. Increase the cadre of providers who are trained and certified to deliver proven (evidence-based) care, so that capacity is adequate for current and future needs.

• In FY 2008, trained 1178 providers in deployment care, including Prolonged Exposure and/or Cognitive Processing Therapy for Post Traumatic Stress Disorder.

• Trained providers at 13 sites in Virtual Reality Therapy.

• Trained more than 1600 providers in evidence-based treatment for traumatic brain injury (TBI) through joint DoD and Department of Veterans Affairs (VA) training courses.

• Provided funding for development of training materials (e.g., training Family Practice physicians to treat those with mild to moderate mental health and TBI concerns).

• Developed Courage to Care materials.

• Offered clinician education and training through the Deployment Health Clinical Center's site (www.pdhealth.mil).

2. Address the stigma that poses a barrier to seeking mental health care.

• In May, will launch the "Real Warriors Real Battles Real Strength" campaign, a national outreach initiative that seeks to combat the stigma around mental health conditions and treatment and encourage psychological resilience. This public information campaign will solicit the involvement of DoD, VA, and the general population to foster a culture of support for psychological health.

• Changed question 21 on Security Questionnaire related to seeking mental health treatment for combat-related issues; limits required disclosures for military members in counseling.

3. Deliver proven, evidence-based care to Service members and veterans whenever and wherever services are provided.

• Established clinical standards as well as researching, refining, and distributing lessons learned and best practices throughout the Military Health Services.

• Developed education and outreach resources for leaders, families, and communities.

• Introduced evidence-based care as the enterprise standard through VA/DoD clinical practice guidelines for mild traumatic brain injury, post-traumatic stress disorder, depression, and substance use disorders.

• Issued the Military Acute Concussion Evaluation tool, which is based on the validated Standardized Assessment of Concussion used in sports medicine, for accessing the likelihood of mild traumatic brain injury after events in which the head may have been hurt.

• In conjunction with the VA, published symptom management guidelines for mild traumatic brain injury and established clinical guidance for acute management of mild TBI in military operational settings.

• Implemented standardized training curriculum and content for our medical providers, as we have initiated a certification process for TBI programs in our medical treatment facilities.

• Funded research to improve knowledge of evidence-based treatment.

• Assisted military members, veterans, and families with deployment health concerns or military related exposures after deployment

—Post-Deployment Clinical Practice Guidelines;

—Specialized Care Programs; and

—Web-based PTSD self-management tool (DESTRESS–PC).

• Advanced quality care through education, research, consultation and training.

• Provided evidence-based training on deployment-related behavioral health topics to military and civilian mental healthcare providers.

• Advanced TBI-specific evaluation, treatment and follow-up care and conducted clinical research that defines optimal care and treatment for individuals with TBI.

4. Invest in research to close information gaps and plan effectively.

• Expanded the research opportunities for PH and TBI to establish a strong foundation of medical and cross-functional research, including new and innovative treatments such as complementary and alternative medicine techniques.

• Initiated integrated individual and multi-agency research efforts that will lead to improved prevention, detection, diagnosis, and treatment of combat-related psychological health issues and traumatic brain injury.

• Will execute program funds to address targeted research gaps in the area of psychological health and TBI. The goal of the research program is to fund scientifically meritorious research to prevent, mitigate, and treat the effects of traumatic stress and traumatic brain injury on function, wellness, and overall quality of life for service members and their caregivers and families. The program strives to establish, fund, and integrate both individual and multi-agency research efforts that will lead to improved prevention, detection, diagnosis, and treatment of combat related psychological health and traumatic brain injury.

Question. How do the percentages in the RAND report correlate to the Departments? Are there any differences? If so what are the differences?

Answer. The DoD-funded the Millennium Cohort Study has shown that combat-exposed Service members are at significantly higher risk of post-traumatic stress disorder (PTSD). The RAND report measured PTSD using a screening instrument, not an actual clinical diagnosis, so we do not know how many of those who screened positive in the RAND report actually had PTSD. Thus, it is difficult to correlate the RAND data with Service-level data derived from clinician-diagnosed PTSD.

DEMONSTRATION PROJECTS AND OUTSIDE ENTITIES

Question. Psychological health is an overarching concept that covers the entire multi-dimensional continuum of psychological and social well being, prevention, treatment and health maintenance. An approach of this type would be more complete by using new and innovative companies and approaches.

How many outside entities, companies and individuals have you met with outside the military that specialize in behavioral health programs? Please discuss a few of the promising ones.

Answer. Over the past two years, staff from the office of the Assistant Secretary of Defense (Health Affairs) and in particular the Director and staff of the Defense Centers of Excellence (DCoE), have met with many companies and groups to solicit the best ideas for consideration and possible implementation within the DoD. Several of our collaboration efforts are addressed below.

1. The RESPECT-Mil is a project that in 2003 we did not have the capability of doing but through contacts with subject matter experts, we created a collaborative primary care program for detection and management of post-traumatic stress disorder (PTSD) and depression. This program was based on a MacArthur Foundation-funded program for depression ("RESPECT-Depression") and the outside collaborators were all internationally respected experts funded under that program.

Within RESPECT-Mil, we needed the capability for a web-based care management support system. We consulted with an internationally respected primary care mental health expert at University of Washington (Seattle) who modeled a prototype system used there. In consultation with the expert, the Defense Health Clinical Center joined with a contractor called Previdence from Salt Lake City, Utah, to build this system and it is going on line at 43 primary care clinics later this month.

2. DESTRESS is an online PTSD psychotherapy tool that with investigators in the Department of Veterans Affairs (VA) (Boston VA and Boston University, Charleston VA and Medical University of South Carolina) and in Australia (University of New South Wales), we developed, tested, and published the results of the initial test in the *American Journal of Psychiatry* in November 2007. Now, we are rolling out and continuing to test it for use in primary care.

3. We funded one Small Business Innovation Research (topic "Interactive Game-Based System for Psychological Health Education") to four businesses: Novonics, SOAR, Simmerson, and Total Immersion.

4. We co-sponsor a Common Data Elements Workshop for Research in PH/TBI with the VA, the National Institute for Neurological Disorders and Stroke (NINDS, which is a part of the National Institutes of Health (NIH)), and the National Institute for Disability Rehabilitation Research (NIDRR). Approximately 175 subject matter experts, 48 agencies, 21 universities, 8 NIH components, 4 rehabilitation centers, 6 international experts, 19 DoD entities and the 4 Services. The purpose of this undertaking is to reach consensus on recommendations for common data elements, standard definitions, metrics, outcomes and instruments to facilitate for use in PH and TBI research for more robust comparisons of research studies not only within the fields of PH and TBI, but also between those fields. Involves both national and international partners.

5. We have established a strategic scientific advisory group for PH and TBI research, which includes both federal and civilian agencies.

6. We established regular Community Collaboration Days to allow the community an opportunity to discuss their products.

7. The Center for Deployment Psychology partnered with Magellan to provide content for web-based distance learning modules for mental health care providers.

8. We partnered with the Institute for Creative Technology at the University of Southern California to develop and research Virtual Reality as a technology for use in the treatment of PTSD. Other partners are from Emory University and Cornell.

9. In the area of virtual worlds, we have been working with the Seattle Science Foundation and a development company along with key partners at the University of Washington to advance potential applications in this area.

Question. How many of these programs demonstrate capabilities to which that the Department currently does not have access?

Answer. Quite a few of our collaborations are resulting in growing and enhancing our capabilities. While we could develop some of these capabilities within DoD, we often find it is faster or easier to rely on the expertise or a capability already existing elsewhere and importing it directly or shaping it to meet our particular need.

We rely on leveraged resources and collaboration with partners (both federal and nongovernmental) to maximize our impact in addressing clinical, research, and training needs associated with traumatic brain injury and psychological health.

For instance, the Common Data Elements workshop hosted by the Defense Center of Excellence for Psychological Health and Traumatic Brain Injury tap into expertise DoD does not have. The products of the workshop will help inform and develop evidence needed to support future projects, and will be of potential use to existing projects.

Additionally, our research program often partners federal resources with outside resources—innovative technologies, infrastructure, facilities, staff, and eligible study populations.

Question. Please list the mental health and behavioral health demonstration and pilot project Requests for Proposal (RFPs) that the Services or Force Health Protection have issued since the FY 2007 supplemental was enacted?

Answer. The following represents a list of Psychological Health pilot projects identified by the Services and TRICARE Management Activity. These projects are in various stages of planning and execution.

Psychological Health Pilot Projects	Service
TeleHealth	Navy.
Caregiver Occupational Stress Control	Navy.
Combat and Operational Stress Control for Caregivers	Navy.
Families Coping with Deployment	Navy.
Naval Special Warfare Resilience Enterprise	Navy.
Outreach Coordination for USN Reserve	Navy.
Promoting Resilience in the Face of Loss	Navy.
Psychological Health Training for Family Practice Physicians	Navy.
Adaptive Disclosure Training Program for Marines	Navy.
Web Based Training for Combat Stress First Aid Grief and Loss (USMC)	Navy.
Assessment and Treatment of Wounded Warriors Families	Navy.
Family Program Assessment	Navy.
Outreach Call Center	DCoE.
DoD-wide Gap Analysis	DCoE.
Sesame Workshop	DCoE.
Child Trauma Network Support	DCoE.
RESPECT.MIL	DCoE.
Virtual Reality	DCoE.
Pro Resilience Campaign (Real Warriors)	DCoE.
South East Regional Medical Center Psychological Health Program	Army.
Intensive Outpatient Program	Army.
Residential Treatment Facility	Army.
Warrior Resiliency	Army.
Warrior Transition Intensive Outpatient Program	Army.
Family Resilience Building	Army.
Compassion Fatigue Program	Army.
Medication Management	Army.
Soldier Wellness Assessment	Army.
Virtual Reality	Army.
Transition Support	FHP&R.

Our headquarters data systems are not configured to identify if a pilot is contracted out or if it is run internally to DoD. Therefore, we have submitted a data

call to the Services to collect this data and will forward a more complete answer to the Committee staff as soon as we compile the information from the Services.

Question. Are you engaging the States to assist in closing gaps that exist?

Answer. We are working to develop relationships with the National Guard Bureau's Directors of Psychological Health (PH) in order to conduct training workshops across the United States.

In August 2008, DoD partnered with Substance Abuse and Mental Health Services Administration and Department of Veterans Affairs (VA) to sponsor the "Paving the Way Home" conference, in which 10 states identified policies and practices that would advance the continuum of care and services for returning Service members in their states.

We are developing Military Family Toolkits, which identify federal, state, and local resources that can help create a supportive network for the mental health needs of returning service members.

In a separate effort, DoD will discuss military culture and deployment issues and provide DoD resource training to the Arkansas chapter of the National Association of Social Workers, many of whom provide direct clinical care to Reserve Component beneficiaries in local and rural communities. This effort may prove to be a viable model or template for equipping local and rural providers with an important cultural context and PH and traumatic brain injury (TBI) familiarization to empower local and rural clinicians and encourage their engagement as part of a community response and linkage with a national collaborative effort to address the clinical and support needs of our returning Service members.

Research partnerships exist at all levels of government and non-governmental service. The post-traumatic stress disorder (PTSD)/TBI Clinical Consortium consists of 10 study sites across the United States, each focusing on unique aspects of research in PH and TBI.

Question. What is the Department doing to increase evidence based and translation research instead of doing research that will not be applicable to solving or assisting current mental health issues?

Answer. Evidence-based approaches to the treatment and prevention of psychological health (PH) problems and traumatic brain injury (TBI) rely on both basic science as well as translational research. As such, the DoD—and its federal research partners—funds a portfolio of research programs aimed at addressing expert-identified gaps in the science relevant to current mental health issues.

We have initiated a program in Complementary and Alternative Medicine ($45M from FY 2007 Supplemental Funds) to evaluate therapies in non-traditional areas such as acupuncture, yoga, and meditation. Defense Center of Excellence (DCoE) also has been supporting the continued development of Virtual Realty Therapy for post-traumatic stress disorder (PTSD) treatment and encouraging additional translational research. In FY 2009, we will develop mechanisms to quickly evaluate therapies and promising practices to speed the ability of transitioning new approaches to Service members and their families.

Through a collaborative research database of federated information-technology systems, we find ways for researchers in the fields of PH and TBI to gain access to data from previous or ongoing projects that may contribute to new studies.

Current efforts investigate the feasibility of a social networking tool for scientists in PH/TBI that will identify leaders in particular areas of research.

A State of the Knowledge Summit will bring together researchers in the field with policymakers and military leaders through a face-to-face forum in which researchers and consumers dialogue and address procedural challenges.

We are conducting a national gap analysis to determine where additional efforts are needed.

The PH/TBI Clinical Consortium and the PTSD Multidisciplinary Research Consortium (STRONGSTAR) are examples of DoD's efforts to increase evidence-based and translational research. The research underway and planned for the STRONGSTAR consortium involves the application of evidence-based treatments to military and new veteran populations.

HOTLINE FOR MENTAL AND BEHAVIORAL HEALTH SERVICES AND COUNSELING

Question. The suicide rate among Iraq and Afghanistan veterans is almost twice that of the national average. That does not include alcohol and drug abuse, spousal abuse and/or murder, not to mention the effects on children. Can you provide the following information?

What action has been taken to ensure easy access to behavioral health care to our service members and their families?

Answer. We consider access to care a top behavioral health priority and have invested in it more heavily than other strategic goals. Within the direct care system, we implemented strategies increasing behavioral health staffing, primarily by increasing contract and government service providers.

In 2007, a Health Affairs policy memorandum clarified the routine access standard of 7 days for initial mental health specialty care for PRIME beneficiaries. (For emergent conditions, care is to be provided immediately; for urgent conditions, care is to be provided within 24 hours.)

Subsequent analyses of initial mental health specialty care for PRIME beneficiaries seen in the direct care system demonstrated 96 percent of these visits occur without an appointment, when beneficiaries present to a mental health clinic for care unannounced. Four percent of initial care visits were scheduled by appointment. This is due to the practice of most military mental health clinics that designate rotating behavioral health specialty care providers as "on call" for emergent, urgent, and walk-in patients every workday.

Additionally, the Services are increasing the degree to which behavioral health providers function as consultants serving in primary care clinics (integrated care), markedly reducing the stigma of receiving specialty assistance. In addition, models of enhanced screening and behavioral health consultation are being utilized in populations where there is a higher risk of combat-related Post Traumatic Stress Disorder and depression.

We have also improved mental health access under our managed care support contracts. In addition to the substantive TRICARE PRIME benefit of eight unmanaged behavioral health specialty visits a year without referral (plus more visits as required), TRICARE contractors now provide Behavioral Health Locators to assist beneficiaries in engaging specialty care within 7 days from network providers. Locators will assist by providing telephone numbers of behavioral health care providers near beneficiaries' homes, or by establishing a three-way conversation with the beneficiary and a provider's office staff. The Locator will only participate in this three-way conversation long enough to confirm that the provider is willing to provide an appointment within access standards.

We have also implemented innovative programs in concert with the line Commanders to improve resiliency and reduce stigma for seeking mental health care. These programs range from training Chaplains to assist with pre-clinical responses to mass disasters and trauma to Military One Source, which is an anonymous call center where Service members and their families can obtain support for a myriad of issues as well as up to 12 free counseling sessions with licensed counselors per year. We have also implemented web sites for Service members and family members to access when they want to learn more about mental health conditions, what symptoms they may have that are normal reactions to stress or when symptoms might be such that they should seek professional care.

Additionally, we have worked diligently to educate our Service members and family members about the many resources currently available to them. The TRICARE website describes all benefits and provides a convenient list of specific Mental Health Resources. The Defense Center of Excellence for Psychological Health and Traumatic Brain Injury maintains a call center to provide information. A particularly robust asset developed by the Department of Defense (DoD) is the national Resource Directory where anyone can seek available help by clicking on a map showing where various services (including mental health) are available to Service members and family members at the Federal, state and local level.

Below is a Department information paper that reviews pre-clinical psychological support resources provided by DoD and the Services.

Support Programs and Services for Families Undergoing Deployment

Department of Defense

Defense Center of Excellence for Psychological Health and Traumatic Brain Injury, Defense and Veterans Brain Injury Center

Traumatic Brain Injury Family Caregiver Panel

The Panel seeks to decrease barriers that hinder non-medical professionals in assisting military family members who have experienced a traumatic brain injury. It reviews literature and evidence for curriculum content, develops consistent curriculum for Traumatic Brain Injury caregiver education, and recommends dissemination mechanisms for the curriculum throughout the Department of Defense and Department of Veterans Affairs.

Defense and Veterans Brain Injury Center Traumatic Brain Injury Screening Tool

The screening tool identifies Service members who may need further evaluation for mild traumatic brain injury. Also called the Brief Traumatic Brain Injury Screen, the tool was validated in a small, initial study conducted with active duty Service members who served in Iraq or Afghanistan between January 2004 and January 2005.

Department of Defense Deployment Health Clinical Center

Mental Health Self-Assessment Program

The screening and referral program offers Service members and their families the opportunity to take mental health and alcohol use self-assessments online, via the phone, and through special events held at installations. The self-assessments are a brief series of questions that, when linked together, help create a picture of how an individual is feeling. The program is designed to help individuals identify their own symptoms and access assistance before a problem becomes serious. The anonymous self-assessments address posttraumatic stress disorder, depression, generalized anxiety disorder, alcohol use, and bipolar disorder. Services can be accessed at www.MilitaryMentalHealth.org or 1-877-877-3647.

Office of the Deputy Under Secretary of Defense for Military Community and Family Policy

Adaptive Sports and Recreation Program

This program allows injured Service members to engage in recreational activities, an important component of recovery. Severely injured members have opportunities to participate in adaptive sports programs, including skiing, running, hiking, horseback riding, rafting, and kayaking.

Office POC: Morale, Welfare and Recreation Policy

Association of Financial Counseling and Planning Education Spouse Employment Initiative

Military spouses who are pursuing the Association of Financial Counseling and Planning Education credential are offered employment opportunities to support members of the National Guard and their families who are transitioning as units deploy and return home from combat zones. These spouses are being trained to provide Turbo Transition Assistance Program Mobile Training Team services, including personal financial management educational seminars and individual counseling on a full range of financial benefits and transition assistance topics.

Office POC: Personal Finance and Transition

Child and Youth Behavioral Military and Family Life Consultant Support

Non-medical counseling services are delivered on installations using rotational assignments of up to ninety days. They provide consultation, training and educational presentations, and workshops to Child and Youth Programs, school staff and military families. Consultants may provide support to children and adolescents up to age eighteen on topics including but not limited to identifying feelings, conflict resolution, self-esteem, coping with deployment and reunification, sibling and parental relationships, and time management.

Office POC: Office of Counseling

Coaching Young Families Program

This pilot program offers enhanced support to military families in high deployment areas. Services provide differing resources that are tailored to meet specific needs. The Air Force offers outreach and programs for expectant and new fathers. The Army offers support to surviving spouses and children of deceased soldiers. National Guard and Reserves offer intensive outreach and deployment support before, during, return, and reintegration to families with children and isolated families.

Office POC: Joint Family Support Assistance Program

Crisis Intervention Team Program

Teams coordinate with communities' medical, mental, and spiritual health care providers, assessing community needs and providing an appropriate response, which meet individual, family or community needs. They then assist with casualty assistance, as appropriate, and to implement a School Action Plan for crisis intervention.

Office POC: Department of Defense Education Activity

Department of Defense Education Activity Summer Counseling Program

Counselors serve to provide supplemental support to military families, especially during deployments. Counseling services are provided during the summer school hours, and services are also available in the military communities after school hours.

Office POC: Department of Defense Education Activity

Department of Defense Education Activity Summer Enrichment Program

In response to the extended deployment of many military personnel, the Department of Defense offers a special four-week, half-day summer enrichment program for students in kindergarten to eighth grade.

Office POC: Department of Defense Education Activity

Grade Speed Program

This program, for grades four through twelve, includes a parent portal which allows parents the option of monitoring their student's academic progress from anywhere in the world. Parents have the ability to view assignments, the student's grades, attendance, and reasons for absences, message teachers, and view events on the school calendar.

Office POC: Department of Defense Education Activity

Healthy Parenting Initiative

The Initiative includes the following resources: *Step Into Your Children's World*, a parenting toolkit designed to help parents take advantage of "teachable moments" and better understand parenting in the context of deployment, relocation, and dangerous work. *Stay Connected* parent-teen resources and activities designed to improve parent-teen communication and relationships, and command briefing resources, which can be used to help military commanders understand the relationship between healthy families and mission readiness.

Office POC: Family Advocacy Policy

Heroes to Hometowns Program

Alliances of corporate and non-profit resources bring together community support for returning Service members and their families. Support includes help with paying bills, adapting homes, finding jobs, arranging welcome home celebrations, mentoring, and most importantly, garnering hometown support.

Office POC: Morale, Welfare and Recreation Policy

Joint Family Support Assistance Program

Mobile, high-quality family services are provided to augment the capacity of current family programs to meet the needs of active duty, National Guard, and Reserve family members. The primary focus of the program is to bring these high-quality family services to families who are geographically dispersed from a military installation.

Office POC: Joint Family Resource Center

Learning Resources Centers

The online library portal provides continuous access to recreation and academic materials, regardless of location. The Department of Defense funded a joint purchase of library materials, recommended by the Military Service librarians, to make available more library materials to deployed troops and families. These materials can be downloaded through Military OneSource and from the Services' library portals.

Office POC: Morale, Welfare and Recreation

Military Saves Campaign

The Department of Defense-wide financial readiness campaign is intended to persuade military service and family members to reduce debt and save money to ensure personal financial readiness. The program encourages developing a personal financial plan, establishing good credit, and saving a portion of each paycheck.
Office POC: Personal Finance and Transition

New Parent Support Program

The secondary prevention program uses an intensive, voluntary, home visitation model developed specifically for at-risk parents to reduce risk for child maltreatment and strengthen protective factors. The primary goals are to promote resilience and healthy parenting skills in participating families; promote the involvement of both parents in home visitation services; decrease the negative effects of intermittent single parenting due to deployment and other military operations by providing proactive outreach, positive education; and assist to family support groups, promote quality, cost-effective relationships with the Military Services and between the Military Services and Federal, state, and local agencies and private sector organizations to promote a full range of services to families living on and off the installation.
Office POC: Family Advocacy Office

New Parent Support Program, Emotional Cycles of Deployment Webinar

Webinars provide staff training on the Emotional Cycles of Deployment. Program staff are taught to recognize signs and symptoms of depression, postpartum depression, and Post Traumatic Stress Disorder.
Office POC: Family Advocacy Office

Shaken Baby Syndrome Prevention Initiative

Toolkits include educational and prevention materials that inform parents about the danger of shaking a baby and offer strategies for coping with the frustrations of caring for an infant. The toolkit addresses Shaken Baby Syndrome through a variety of media, including: Prevention training curriculum for educating military fathers of infants, which addresses topics such as deployment that are geared toward Service members and their unique family circumstances; brochures for mothers and fathers on parenting issues such as staying connected during deployment and common myths about crying; and posters, diaper bag tags and wallet tip cards designed to remind caregivers about remaining calm during challenging moments.
Office POC: Family Advocacy Policy

Transition Assistance Program

The program provides tools for smooth transition of military personnel, civilian employees, and family members from government service. Whether a person is retiring, going back to school, or looking for a new career, educational resources and consultation are available to assist in planning and utilizing resources.
Office POC: Personal Finance and Transition

Turbo Transition Assistance Program Mobile Training Team Program

The team provides outreach support services primarily to the National Guard and Reserve components. Support services include a menu of personal financial management and planning educational programs, individual and couples financial, benefits and transition assistance counseling services, and community referrals for personal finance, benefits, transition, and family support. On-demand personal finance counseling is always available at Turbo Transition Assistance Program outreach programs.
Office POC: Personal Finance and Transition

Wounded Warrior Project

The Project raises public awareness and enlists public aid for the needs of severely injured Service members, to help severely injured Service members to aid and assist each other, and to provide unique, direct programs and services to meet their needs.
Office POC: Military OneSource Center

Uniformed Services University of the Health Sciences' School of Medicine

Behavioral Health Care of the Seriously Medically Injured Training Course

The two-week course covers areas identified by military mental health professionals as particularly key to the care of Service members and their families. The no cost course is held on the campus of the Uniformed Services University of the Health Sciences and National Naval Medical Center in Bethesda, Maryland.

Deployment 101 Training Course

The program examines the deployment cycle with attention to the unique culture, expectations and experience of military deployment including reintegration. The two-week course covers topics in areas identified by military mental health professionals as particularly key to the care of Service members and their families. The no cost course is held on the campus of the Uniformed Services University of the Health Sciences and National Naval Medical Center in Bethesda, Maryland.

Health Education and Communication: "Resources for Recovery"

Principles of care for the combat injured family are addressed including the wounded Service members and their families. The focus is on injury response, rehabilitation, and recovery. It will take place at major military healthcare sites and military family resources centers using electronic communication.

Joining Forces Joining Families: Helping, Caring and Learning Initiative

This electronic health communication initiative seeks to educate Army Community Service Directors and Staff on topics related to the impact of deployment, reintegration, and combat injury with an emphasis on parental function and resilience.

Trauma and Resilience Training

Issues of psychological trauma and resilience particular to the experience of combat deployment are address in the two-week course. Material covers topics identified by military mental health professionals as particularly key to the care of Service members

and their families. The no cost course is held on the campus of the Uniformed Services University of the Health Sciences and National Naval Medical Center in Bethesda, MD.

The Military Services

The United States Air Force

Airmen and Family Readiness Center Services

Center services at all active duty installations are available to Air Guard and Air Reserve regardless of activated status. Services include financial consultation, spouse employment, transition assistance, personal and family life education, and crisis assistance.
Office POC: Airman and Family Readiness Center

Air Force Family Child Care Subsidy Program

The program enables parents to use Family Child Care homes and pay the same weekly fee they would be charged for child care through installation center based programs.
Office POC: Air Force Services

Air Force Home Community Care

This expanded child care initiative, offered at twenty-two stateside locations, provides free in-home quality child care services to Air National Guard and Air Force Reserve members during their scheduled drill weekends.
Office POC: Air Force Services

Air Force Returning Home Care Program

Through this program, Airmen receive sixteen hours of free child care upon their return to their home station. Respite care supports families or Airmen returning home from deployments lasting thirty or more days, and Airmen who routinely deploy on a short-term basis in support of contingency operations.
Office POC: Air Force Services

Behavioral Health Optimization Project

The project provides a model for integrating behavioral health providers into primary care clinics to deliver consultative behavioral health care services. Providers work on behalf of the primary care managers, delivering both curbside consultation and direct patient care when indicated. They also deliver brief, empirically supported interventions, primarily targeting self-management, and behavioral prescriptions.
Office POC: Air Force Medical Services

Deployment Support Process

Continuous, integrated support is provided to deploying and reintegrating Airmen, including pre-deployment education; redeployment education in theater within 30 days of return; 100 percent commander contact with all returning Airmen; Post-Deployment Health Assessment within five days of return; redeployment education within seven days of return; Post-Deployment Health Reassessment within 90-180 days of return; and

continuous timely attention to needs of Airmen in deployment and at home stations.
Office POC: Manpower and Reserve Affairs

Extended Duty Child Care
The program provides 16,000 hours of extended child care each month in Family Child Care homes at no cost to the military member. It also provides quality care when parental workloads increase due to longer duty hours and non-traditional hours, such as weekends and evenings. Child care is provided for spouses of deployed or temporary duty members and is available for active duty, National Guard and Reserve members.
Office POC: Air Force Services

Family Advocacy Program
A comprehensive range of services is offered to strengthen military warfighters and their families prior to deployment, during deployment, and after deployment through preventing, intervening, and targeting domestic abuse and neglect. Programs generally include services such as early childhood development education; interactive playgroups; parenting education; communication skills training for couples and families; family violence prevention training for leaders; consultation with leaders and service providers; and Family Advocacy Strengths Based Therapy, which offers professional intervention to families in crisis or at risk.
Office POC: Air Force Family Advocacy Program

Family Advocacy Strengths-Based Therapy
The program is responsible for domestic violence treatment and prevention. In conjunction with other base helping agencies, the program provides a range of treatment options for victims and offenders including group, individual, couple and family formats.
Office POC: Air Force Family Advocacy Program

Family Liaison Officer
When a death occurs, the family is assigned an officer from the unit to assist the family. This person is trained to assist families to navigate through the system to make things as easy for the family as possible.
Office POC: Air Force Services

Give Parents a Break
The program provides child care at no cost to parents who are subject to unique stresses due to military deployments, remote tours of duty, and extended working hours. Air Force Child Development Programs have joined with Air Force Aid Society to provide this service for parents referred by base agencies.
Office POC: Air Force Aid Society

Heart Link Spouse Orientation Program
Targeting young spouses who have "married" the Air Force, this full day of interactive experiences assists in understanding Air Force culture and the contributions each Airman and their family make to the mission.
Office POC: Air Force Aid Society

Key Family Member Groups

These groups take care of reintegration and reunion support as well as providing crisis assistance for short-term support needs to members returning from deployment.
Office POC: Airman and Family Readiness Center

Key Spouse Program

A partnership between Key Spouse volunteers in a unit, organizational leadership, and the Airman and Family Readiness Center, the program provides a framework for stability and support, especially for the families of deployed Airmen. Key Spouses inform, support and refer family members to the appropriate base agencies, provide follow-up, and encourage connectivity and communication.
Office POC: Airman and Family Readiness Center

Landing Gear Program

The program provides education and information on pre- and post-deployment bases. It offers the opportunity to increase the identification of Airmen suffering from traumatic stress symptoms and connect them with appropriate helping resources through a standardized approach to mental health requirements for pre-exposure preparation training for deploying Airmen and reintegration education for redeploying Airmen.
Office POC: Air Force Medical Service

Wing Family Program Coordinator

By regulation and statute, the National Guard Joint Force Headquarters Command is responsible to coordinate family assistance in the State and in the geographically dispersed areas beyond the support capability of military installations. A Wing Family Program Coordinator at each Air National Guard Wing assists the State Family Program Director to ensure that all units readily communicate so that no family goes without service. Coordinators and their volunteers are a versatile resource with competencies in deployment cycle preparation and support, family readiness education, information and referral, collaboration with wing agencies, and the ability to create and maintain community alliances and outreach to support Airmen and families.
Office POC: National Guard Joint Force Headquarters Command

The United States Army

4-H Army Youth Development Project

This alliance with the Department of Agriculture and fourteen land grant universities provides garrisons and geographically dispersed families with a wide range of support ranging from youth technology labs and helping deliver outreach services through *Operation: Military Kids* to individual 4-H Clubs on installations and professional development training of Child and Youth staff.
Office POC: Army Child, Youth & School Services

Army Family Team Building

The primary objective is to teach and promote personal and family readiness through a standardized training of family members; however, the program can be used flexibly to

meet the needs of individual audiences. It provides all components with the skills and tools to successfully maneuver through the Army system and access many resources and services available to them.
Office POC: Army Community Service and Army Integrated Family Support Network

Care Taker 101
All-inclusive workshops and toolkits define all aspects of caretaker roles and responsibilities through all phases of deployment.
Office POC: Army Community Service

Child and Youth Services Transition Mobile Team
Teams support garrison child and youth staffing levels in high deployment periods and other contingencies. Qualified Army employees volunteer in advance to be assigned to installations lacking staff in order to meet existing child care and youth program demands.
Office POC: Army Child, Youth & School Services

Exceptional Family Member Program Respite Care Program
The program provides temporary rest periods for family members responsible for regular care of persons with disabilities. Care may be provided in the respite care user's home, respite care worker's home, or other settings such as special needs camps and enrichment programs.
Office POC: Army Community Service

Operation Military Kids
This collaborative effort with America's communities offers support to children and youth impacted by deployment. Through a network of community organizations, the program provides youth program opportunities for school age, middle school and teenaged youth and connects them to support resources where they live.
Office POC: Army Integrated Family Support Network or State 4-H Military Liaison

Sexual Assault Prevention and Response Program
This program aids to eliminate incidents of sexual assault through a comprehensive policy that centers on awareness and prevention, training and education, victim advocacy, response, reporting, and accountability.
Office POC: Army Community Service: Family Advocacy Program

School Liaisons Program
School liaison positions have been created to work with school districts and Army and Navy families to ensure that the pressures facing military children are well understood by teachers and school officials.
Office POC: Army Child, Youth & School Services

The United States Marine Corps

Adaptive Disclosure Training

Training follows an empirically-based intervention that reduces the risk of psychological health issues by promoting early disclosure of trauma-related memories. The protocol employs cognitive behavioral therapy techniques designed to build psychological health and resilience.

Office POC: Headquarters, Combat Operational Stress Control Branch

Children, Youth, and Teen Program

To negate the stress placed on children during wartime deployments, the program implements initiatives to help family members better understand the impact on children, and provide children with a better understanding of what their parents are experiencing while deployed.

Office POC: Marine Corps Community Services

Combat Operational Stress Control Program

A full spectrum of care is provided to strengthen the military warfighter during deployment through prevention and intervention by providing mental health care to the warfighter in many ways and locations. Deployed mental health providers perform prevention and outreach services; provide outpatient behavioral health services, either in a typical outpatient behavioral health clinic or in other medical settings as dictated by the deployment; and provide combat stress support services with the option of operating a 24 hour Combat Stress Facility.

Office POC: Headquarters, Combat Operational Stress Control Branch

Enhanced Extended Child Care Program

The program offers child care for emergency needs for military families with children ages six weeks up to fourteen years old when they cannot use their regularly scheduled childcare programs due to unexpected emergencies or an unexpected duty requirement for extended hours. The program offers available care 24 hours a day and 7 days a week in Family Childcare Homes with no cost to the parent.

Office POC: Marine Corps Community Services: Children and Youth Programs

Lifestyle Insights, Networking, Knowledge, and Skills Program

Helping spouses adapt to the unique challenges military life, curriculum targets spouses new to the Marine Corps community. Additional features include providing information on customs and courtesies, relocation, deployments, pay and allowances, and benefits and services available to Marines and their families.

Office POC: Marine Corps Community Services: Marine Corps Family Team Building

Marine Corps Family Team Building Program

The program provides education and training on life skills; developed, standardized, and high quality volunteer recruitment; and motivation and appreciation program.

Office POC: Marine Corps Community Services

The United States Navy

Naval Special Warfare Resiliency Enterprise

This is a resiliency building program targets both individuals and their families who are at high risk through algorithmic assessments of family environments and clinical situations. This project conducts several family oriented initiatives such as, assessments, interventions, trainings, and family retreats.

Office POC: Naval Special Warfare Command

New Parent Home Visitation Program

Designed to strengthen parent's knowledge and skills, the program enables them to provide environments where their children can thrive. The program also seeks to reduce stressors that can increase the risk of child abuse and neglect. Home visiting services provide the opportunity for new parents to receive extra support around child development, infant care and social support. This support can help parents have a good start in their relationship with their baby.

Office POC: Fleet and Family Support Center: Navy New Parent Support Programs

Nurturing America's Military Families

Specifically designed to improve the nurturing parenting skills of parents in the military with children ages birth to eleven years old, parents and parent educators work cooperatively in tailor making parenting programs that meet the assessed needs of the families.

Office POC: Fleet and Family Support Center: Navy New Parent Support Programs

Ombudsman and Deployment Support Program

It is a command-operated program designed to keep Sailors and their families informed about command policy, ensure commands are aware of family concerns, and serve as referral service for families.

Office POC: Navy Fleet and Family Support Center

Project FOCUS (Families Over Coming Under Stress)

FOCUS is a psycho-educational training program implemented at select Marine and Navy installations to teach families how to deal with the stresses of multiple deployments and injuries.

Office POC: Navy's Bureau of Medicine and Office of the Secretary of Defense

Health Affairs

Return and Reunion Program

Classes are offered to service members on ships returning from deployment. They focus on reunion and reintegration with families, finances, parenting, relationships, and support resources.

Office POC: Navy Fleet and Family Support Center

Returning Warrior Workshop

As a part of the Deployment Support Program, the workshop supports reintegration efforts of the deployed member and their family by using a weekend-formatted program. The program assisting families in identifying issues during post-deployment; providing resources for issue resolution; sharing common experiences in a comfortable setting; honoring sacrifices; and engaging service members and their families with process improvement.

Office POC: Navy Fleet and Family Support Center: Deployment Support Program

School Liaisons Program

Positions have been created to work with school districts and Army, Marine Corps, and Navy families to ensure that the pressures facing military children are well understood by teachers and school officials.

Office POC: Navy Fleet and Family Support Center: Child and Youth Programs

Warrior Transition Program

An alliance of chaplains, medical personnel, and Fleet and Family Support Centers, the program is the single location to provide Individual Augmentee Sailors with education, programs, and tools that strengthen them through the mental and logistical transition into and out of their assignments in places like Iraq, Afghanistan, and other locations while serving in support of the Global War on Terror.

Office POC: Naval Expeditionary Combat Command

Community

Programs and services listed in this section do not constitute an exhaustive list. They are included to satisfy the requirement in Subsection (a) of Section 583 of the National Defense Authorization Act of 2008 to account for the contributions of non-governmental and local private sector entities. However, their inclusion is not a DoD endorsement of the non-Federal entity, its services, or products.

Armed Services YMCA

Operation Hero Program

Children from six to twelve years are targeted for after-school tutoring and mentoring assistance in a small group setting with certified teachers for children who have difficulty adjusting to deployments.

Baby Signs

Baby Signs Program

This research-based program teaches infants and toddlers to use simple, easy-to-do gestures for communicating with parents and caregivers. The program is available at many Child Development Centers and Family Child Care and Child Development Homes at Army, Marine, Navy, and Air Force installations.

Boys and Girls Clubs of America

Mission Youth Outreach

This provides one-year free membership for youth to attend any of the 4,000 local Boys and Girls Club in their local communities. The goal is to give youth from Navy, Marine Corps, and Air Force families a positive place to go after school and on weekends.

Comfort Zone Camp

Comfort Zone Camp Program

Camp invites children ages seven through seventeen who have experienced the death of a loved one. It is a free weekend camp where children come together with dedicated adult volunteers for a weekend of support to honor their loss and their loved one.

Family Literacy Institute

United Through Reading

Deployed family members are connected with children through reading aloud on videotape. Service members can choose to read aloud to a relative or family friend. In addition to the educational advantages, children also benefit from the parental involvement that they would otherwise not be exposed to during long deployments. Communication alleviates some fears children may have about their loved one's absence and reduces anxiety upon reunion.

Federal Deposit Insurance Corporation

Money Smart Training Program

Training assists Service members outside the financial mainstream enhance their money skills and create positive banking relationships through curriculum and train-the-trainer resources.

Military Child Education Coalition

Parent to Parent Workshops

Informative and interactive workshops offer parents and caregivers high quality resources and materials that will assist them in their role as their child's best advocate. Workshops are available for children at differing developmental levels.

Special Education Leaders Institute

The Institute promotes awareness and increases the availability of professional educators who understand the challenges associated with transitioning mobile military-connected students with special needs. Its purpose is to support the military connected student with special needs through understanding; accommodation; processes and procedures; and protocols, networking, technologies, and communication. It is conducted in cooperation with the school and military communities.

Supporting Children of the National Guard and Reserve Institute

The Institute is primarily held for school educators, especially counselors of all grade levels, and members of the National Guard and Reserves and their families. It's goal is to reach out in a support network through state education systems, informed and resourced professional educators, school-based model for training and support, state and local alliances between the schools, military communities, and other organizations.

Tell Me a Story: Making Connections and Finding Support through Literature Initiative

Empowers military children, the initiative uses literature and stories to teach skills for resilience; strong peer and parent connections; a sense of pride and accomplishment; and a caring community. Stories of personal experience have the capacity to open discussion on potentially difficult topics such as family separation or deployment; homecoming; fear of moving to a new location; grief; crisis; and fitting-in or being different.

Transition Counselor Institute

The Institute increases availability of specifically trained transition counselors and other participants, who have a shared knowledge of turbulence. Counselors are well-versed in strategies and resources designed to appropriately address issues faced by mobile military students and their families, providing an environment for school counselors and other participants to have access to professional networks, technologies, resources, and support systems to help them stay abreast of the dynamic and diverse ninth through twelfth grade school experiences.

National Association of Child Care Resource and Referral Agency

Military Child Care in Your Neighborhood

Through this program, military families are offered subsidized child care through contracts which allow families to pay reduced fees for care in their neighborhoods.

National Child Traumatic Stress Network

Good Grief Camp

Camp allows children from six months to twenty-one years of age to come together over Memorial Day weekend every year to assist support and honor each other as they share the loss of a military family member. Through artwork, stories, talking circles, and age-appropriate grief activities, young people are matched with their own mentor for four days.

National Endowment for Financial Education

Project for Financial Independence

The National Endowment for Financial Education offers this program to severely injured Service members, members of the Guard and Reserve, and their families by connecting Certified Financial Planners with Service members who are geographically separated from an active duty military installation where they can obtain financial counseling to accomplish pro bono financial planning.

National Military Family Association

Operation Purple Camp

No cost, week-long, overnight camps offer military kids the opportunity to experience carefree fun while also learning coping skills to deal with war-related stress and fostering relationships with others who know what they are going through.

Parents as Teachers National Center

Parents as Teachers

Department of Defense works with Parents as Teachers, a parent education and family support program in all 50 states, to enhance child development and school readiness through accessible parent education. The initiative is currently operational at 12 military installations.

Screening for Mental Health

SOS Signs of Suicide Program

The main teaching tool of the Signs of Suicide program is a video that teaches students how to identify symptoms of depression and suicidal tendencies in themselves or their friends and encourages help-seeking. Objectives are to educate teens that depression is a treatable illness and to equip them to respond to a potential suicide in a friend or family member through an action-oriented approach instructing students how to ACT (Acknowledge, Care and Tell) in the face of this mental health emergency.

Specialized Training of Military Parents

Parent Training and Information Center

This federally funded Center established to assist military families who have children with special education or health needs. The project provides information about parent rights and responsibilities in achieving special education services for military children; assists military families in accessing resources for their children by enabling them to navigate a variety of educational and medical systems and programs, both military and civilian, regardless of their current duty station and location; and provides workshops and presentations on a variety of subjects.

Tragedy Assistance Program for Survivors

Peer support and assistance is offered to survivors through a wide variety of programs. Experienced and empathetic caseworkers act as liaisons, assisting the family members in finding solutions to problems. Working hand in hand with the appropriate federal, state and private agencies, liaisons successfully find solutions to problems that arise long after the official file has been closed.

Question. What is the number of Service members, to include Guard and Reserve members, and their family members that have used the Military OneSource hotline for mental and behavioral health services and counseling?

Answer. In FY 2008, service members and their families made over 2.8 million contacts with Military OneSource by telephone, e-mail or through the web page for information, resources or referrals.

If the contact deals with a mental health issue, the master's level Military OneSource consultant makes an assessment and a referral. If the mental health issue is determined to be serious enough for medical mental health services, the Military OneSource consultant stays on the line and connects the caller to a Tricare consultant. For less serious mental health issues, callers have several options for counseling; a counselor in their community provided by Military OneSource, Chaplains and Military Family Life Consultants are all options for Service members and their families. In FY 2008, Military OneSource provided approximately 105,475 counseling sessions to Service members and their families.

Question. How many suicide calls have the Military OneSource and the other services hotlines received? Please break down by component.

Answer. In FY 2008, Military OneSource received 93 Duty-to-Warn: Harm-to-Self calls. Sixty-seven (67) of these calls came from Active Duty, 14 from the National Guard and 11 from the Reserves. In the case of a Harm-to-Self call, the Military OneSource consultant keeps the caller on the phone and talking while another Military OneSource consultant contacts local service providers. Only after help arrives on the scene will the Military OneSource consultant end the call. The next day, the Military OneSource consultant follows-up with the service provider who responded to the call and asks what further resources or services can be provided by Military OneSource.

Question. What is the mechanism for follow up with Service members or their family members following a call to Military OneSource?

Answer. If the call is a Duty-to-Warn situation, local service providers are contacted while the consultant keeps the caller on the line. The call will only be released when help arrives at the location of the caller. Within 24 hours, a follow-up call is placed by the Military OneSource consultant to the local service provider to ensure that any services that Military OneSource can provide are made available to the Service member and their family.

Question. How many mental health TRICARE claims have been submitted in the past 6 months?

Answer. While we do not have data readily available about the number of mental health TRICARE claims submitted in the past six months, we recently analyzed mental health care utilization by TRICARE beneficiaries during FY 2008. The analysis revealed claims in the private sector for: 372,432 days of inpatient mental health services, 5,556,594 outpatient mental health visits, and 4,629,865 pharmacy prescriptions for mental health medicines.

Question. You are forming partnerships with the Public Health Service to provide 200 uniformed public health service mental health providers of all disciplines.

Has this happened?

Answer. Yes. The partnership was finalized through a memorandum of agreement (MOA) that was signed by the Assistant Secretary of Defense (Health Affairs) on 15 April 2008. The MOA is in place for 10 years and identifies that recruitment of mental health providers estimated at, but not limited to, 200 officers. The Public Health Service works directly with the Surgeons General of the military Departments to identify and fill critical mental health gaps.

Question. If not, what is the time frame for contracting with these 200 health officials?

Answer. N/A

Question. How can Public Health Service commit to this number when a shortfall exists across the United States?

Answer. The Commissioned Corps of the United States Public Health Service (PHS) has advised the DoD that it remains confident of meeting the goal of placing approximately 200 mental health PHS officers at DoD military treatment facilities (MTFs) and other appropriate locations within the next several years, in keeping with the Memorandum of Agreement (MOA) between DoD and the Department of Health and Human Services signed April 15, 2008. PHS advised that, in summer, 2008, it began quite an aggressive implementation response to the signed agreement. Despite the constraints of its limited recruitment resources at the time, PHS has already been able to provide DoD with more than 40 active duty PHS officers, including psychiatrists, psychologists, social workers, nurses, and physician assistants, for deployment to CONUS-wide MTFs. Since that successful early beginning, PHS expanded its recruitment efforts for mental health professionals with the as-

sistance of additional funding from DoD for this purpose, including funding support for salaries and benefits of the PHS officers assigned to this DoD project. At present, nine additional mental health professionals are being cleared and prepared for placement as PHS commissioned officers in support of DoD MTFs, and some 25 additional candidates are being processed through various stages of inquiry, clearance, and preparation for commissioning.

WARRIOR TRANSITION UNITS

Question. As part of its efforts to improve Wounded Warrior care, the Army established 32 Warrior Transition Units to provide a unit in every medical treatment facility that has 35 or more eligible service members. Funding for Warrior Transition Units (WTUs) is both supplemental and base bill funding.

Can you define what Warrior Transition Units (WTUs) are and how they compare or augment other resources for counseling or services to be provided by the Center of Excellence?

Answer. The delivery of care and treatment is provided by medical and behavioral health professionals practicing primarily at the military medical treatment facilities. WTUs provide the command, control, and care management necessary to ensure soldiers receive this care and information about other support services in an effective and efficient manner. Currently, there are 36 WTUs with about 3,600 assigned personnel, located across the United States and in Germany. WTUs are primarily staffed with combat-experienced officers and noncommissioned officers.

The key to WTU success since they became fully operational in January of 2008 is the "Triad of Care" concept where each soldier's care and progress is closely managed by three individuals: a Primary Care Manager (a physician), a Nurse Case Manager, and a Squad Leader. These individuals develop and implement a multidisciplinary Comprehensive Transition Plan that identifies the courses of treatment and goals to accomplish in the care, education, and training of soldiers and their family, and then assure the soldiers receive the care and assistance required during rehabilitation and transition. Additionally, WTUs are staffed with behavioral health professionals to provide care management; Medical Evaluation Board physicians to ensure timely and comprehensive medical care, recovery, and medical determinations; and legal professionals to counsel and advocate for soldiers and families as they progress through the Disability Evaluation System.

The Department of Defense Centers of Excellence (DCoE) for Psychological Health (PH) and Traumatic Brain Injury (TBI) assesses, validates, oversees, and facilitates prevention, resilience, identification, treatment, outreach, rehabilitation, and reintegration programs for PH and TBI. It provides a clearinghouse of the latest information pertaining to PH and TBI, making that information available to WTUs. It also collects best practices to help standardize consistently excellent PH and TBI care across all WTUs.

Question. Are Warrior Transition Units (WTUs) are as effective as they can be given resourcing and other constraints?

Answer. The Army is committed to supporting the Warrior Care and Transition Program, which includes the Warrior Transition Units (WTUs) concept of care. The WTUs have significantly improved the rehabilitation experience of Army wounded warriors and their families, and they attribute that success to the "Triad of Care" concept where each soldier's care and progress is closely managed by three individuals: a Primary Care Manager (a physician), a Nurse Case Manager, and a Squad Leader.

The Army established extensive metrics to assess the effectiveness of WTUs. Senior Army leadership receives briefings regularly to enable adjustments in resourcing when the situation changes to assure a consistently effective level of operation.

Question. What are the Warrior Transition Units (WTUs) not doing that they should be to assist soldiers and their families?

Answer. The Warrior Transition Units (WTUs) are doing what they were designed to do. These units work in consonance with other non-medical wounded, ill and injured support service organizations to provide comprehensive support for their rehabilitation, recovery and transition back to active duty or to civilian life. Mindful of the changing needs of wounded warriors and their families, the Army revises its operational procedures for WTUs whenever it identifies something else that WTUs need to do. For example, the Army is currently focusing on changing the mindset from a focus on disability to a focus on achievement and aspiration. This approach, which we strongly endorse, would promote resilience, self-reliance, and provide for re-education and employment, while ensuring that soldiers and their families receive the enduring benefits they so richly deserve.

INTERFACING WITH THE LOCAL COMMUNITY

Question. Some military installations are located in communities that provide additional support beyond the walls of the base. There are also installations in communities that resources are not available to support the needs of an individual base. With the growth of mental health issues in and around military installations:

Can the military health care system provide local communities with the appropriate level of interaction and support for treatment of psychological health issues?

Answer. We believe that through the expansion of our web-based programs, online services, telehealth direct care and care partnered with our managed care support contractors, we will be able to reach out beyond the physical boundaries of our military bases and work closely with our civilian counterparts to address the mental health needs of our Service members and their families.

The findings of the DoD Task Force on Mental Health clearly suggest that the military health system is challenged to provide resources in the form of clinical providers sufficient to meet the mental health care needs. It has been particularly challenging to address the mental health needs of Reserve and Guard members who reside in remote or smaller communities that are geographically distant from military medical treatment facilities or TRICARE providers. We have been actively involved in addressing these challenges by focusing on the reintegration issues faced by returning Service members. The Defense Centers of Excellence (DCoE) for Psychological Health (PH) and Traumatic Brain Injury (TBI) co-chairs (along with the VA) the Federal Partners Priority Workgroup on the Reintegration of Returning Service Members and their Families, which is a collaborative effort among DoD, VA, and multiple federal agencies, to tighten the fabric of resources to the benefit of our Service members and families. Through this same venue, we are exploring ways to maximize outreach to service members and their families in order to facilitate the connection, or bridge the gap, between warrior needs and resources. DCoE has also formed a collaborative partnership with the Department of Labor's "America's Heroes at Work" campaign to help our returning Service members with PH or TBI conditions succeed in the workplace. This initiative also underscores the importance of employment in the reintegration process, while also highlighting the vital role of collaboration across agencies and government/private/public sectors in addressing such issues of complexity.

Question. Does the military health care system provide for coordinating efforts with the local level with education and training programs to local and rural providers?

Answer. The Center for Deployment Psychology (CDP) provides training on evidenced-based treatment of post traumatic stress disorder (PTSD) to local providers through the TRICARE network. This training has been very well received and is continuing.

CDP provided training to civilian mental health care providers. The training is also being offered to the National Guard Bureau's Directors of Psychological Health in each State.

CDP is also developing online versions of training materials to make them available to health care providers in all areas of the country.

We are engaged in discussions with representatives of Area Health Education Centers to establish bridge training to health care providers the private sector, particularly in rural areas.

The Defense Centers of Excellence (DCoE) for Psychological Health (PH) and Traumatic Brain Injury (TBI) is leading a collaborative, multi-agency effort to develop a toolkit that will support community partnership building at the local level. This toolkit will be geared primarily towards supporting the Guard and Reserve members who are often geographically isolated from military support facilities.

In a separate effort, DoD is discussing military culture and deployment issues and providing DoD resource training to the Arkansas chapter of the National Association of Social Workers, many of whom provide direct clinical care to Reserve Component beneficiaries in local and rural communities. This effort may prove to be a viable model or template for equipping local and rural providers with an important cultural context and PH and TBI familiarization to empower local and rural clinicians and encourage their engagement as part of a community response and linkage with a national collaborative effort to address the clinical and support needs of our returning Service members.

Question. What current non-governmental programs are currently being used by the Department?

Answer. The American Red Cross developed a new course, "Coping with Deployments: Psychological First Aid for Military Families" that is now available. The course, offered free of charge, is open to military family members of Active Duty

Service members, Reserve and National Guard forces, as well as veterans and their families. Presently, the course is offered in sixteen states (AL, AR, CA, CO, FL, HI, IN, MN, NE, NH, OH, OR, PA, TN, TX and WV) and Washington, D.C. However, the Red Cross plans to make the course available across the country in the summer of 2009. The Red Cross developed the course to address the stress and strain of deployments on military family members to include spouses, children, parents, siblings and significant others of Service members and veterans.

The DoD announced October 1, 2008, that families of deployed members of the National Guard and Reserve, Active Duty Service members on independent duty and their families, and Active Duty Service members and their families assigned to selected bases would be eligible for free family memberships at participating YMCAs in their local community. The new program was effective immediately. The free YMCA memberships for Guard and Reserve families are available if the Service member's deployment exceeds six months. The deploying Service member also will be eligible for three months pre- and post-deployment membership to help promote family participation. Active Duty families assigned to independent duty stations, such as recruiting and Reserve Officer Training Corps assignments and not currently receiving support from the Service component also are eligible for free memberships at participating YMCAs. Additionally, 32 hours a month of free respite child care is available for families of deployed National Guard and Reserve and geographically dispersed Active Duty Service members in 10 states with YMCA child care programs that have been preapproved by DoD. Participating YMCAs have agreed to cap their monthly fees and waive all joining fees so there is no cost for Service members and their families for membership.

Inova Health Systems of Northern Virginia and the DoD have launched a new partnership to train and support military spouses interested in careers in healthcare. The new program provides military spouses with streamlined access to training, career, and job opportunities in a wide range of healthcare related fields at Inova facilities. Inova worked closely with DoD to develop a formal plan to recruit, hire, and retain military spouses. Inova hopes to set an example for corporations and institutions all over the country to support military spouses in the work force.

The National Military Family Association (NMFA), a non-profit informational and educational organization, has been responsible for producing two documents which have been important sources of data for DoD program planning on issues relevant to families. The report, "Serving the Home Front: An Analysis of Military Family Support from September 11, 2001 through March 31, 2004" (NMFA 2004), was based on data derived from an online survey of 2,500 respondents (military spouses), focus groups representing 14 Active and Reserve groups from all military Services, personal interviews, anecdotal information gleaned from periodicals, and information from congressional testimony and military briefings. The second report, "Cycles of Deployment: An analysis of survey responses from April through September 2005" (NMFA, 2005), presents data from another online survey. This survey had 1,592 respondents (military spouses) from both Active and Reserve components of the Army, Navy, Air Force, Marine, Coast Guard and Public Health Service, with half of the respondents having a Service member currently deployed. The goal of the NMFA is to promote the interests of military families by influencing the development and implementation of legislation and policies affecting them.

Military OneSource introduced the video-sharing site "TroopTube," designed to help military families connect and keep in touch while miles apart. It is the only video-sharing site for military families sponsored by the DoD. "TroopTube" extends the virtual military community by enabling Service members and their families to connect with each other and share videos wherever they may be.

Because members of the military and their families are stationed worldwide and must often travel great distances for specialized medical care, Fisher House™ Foundation donates "comfort homes," built on the grounds of major military and Department of Veterans Affairs (VA) medical centers. These homes enable family members to be close to a loved one at the most stressful times—during the hospitalization for an unexpected illness, disease, or injury. There is at least one Fisher House™ at every major military medical center to assist families in need and to ensure that they are provided with the comforts of home in a supportive environment. By law, there is no charge for any family to stay at a Fisher House™ operated by the VA. The Foundation uses donations to reimburse the individual Fisher Houses operated by the Army, Navy, and Air Force. No family pays to stay at any Fisher House.

LEGISLATIVE DIRECTION

Question. The Committee's language that directed DoD to increase its reach and work with commercial entities to increase capacity of the mental health system as well as the breadth of programs available to individuals. It is unclear whether progress has been made, and whether Service members have access to increased services.

As the wars in Iraq and Afghanistan continue, how many certified mental health providers will the Department require in the next 24 months to handle the increasing prevalence of psychological health (PH) and traumatic brain injury (TBI)?

Answer. A 20+ population- and risk- factor based mental health staffing model was developed by DoD in the summer of 2007. In the fall of 2007, a contract was awarded to the Center for Naval Analyses for an independent validation study of the model, which is now complete. The validated model was rolled out to the Services on April 1, 2009, to inform them regarding the optimal number and mix of mental health staff providers to the installation level in the United States and to the command level overseas. It includes several assumptions that can be adjusted by the Services to accommodate their unique needs and access to networks for additional purchased care, as required. Based upon the current distribution of care provided directly, and TRICARE purchased network services, a projection of requirements for each mental health specialty has been made for the Services from 2009 through 2014, including mental health specialty providers embedded into operational units and integrated into primary care clinics.

Results of Psychological Health-Risk Adjusted Model for Staffing (PHRAMS)

Provider Type	Setting of Care*	Beneficiary Type	2009	2010	2011	2012	2013
Mental Health (MH) Clinician Providers*			Required Provider FTEs*				
Psychiatrists	Direct Care	Service Member	345	355	365	374	382
		Other	199	200	200	200	200
		Total	544	555	565	573	582
	Embedded	Service Member	59	60	60	61	61
	Purchased Care	Service Member	48	48	50	51	53
		Other	562	563	563	563	563
		Total	608	611	613	614	616
Child Psychiatrists*	Direct Care	Other	78	78	78	78	78
	Purchased Care	Other	165	165	166	165	165
Psychologists	Direct Care	Service Member	383	396	408	419	430
		Other	200	200	200	200	200
		Total	583	596	608	619	630
	Embedded	Service Member	99	101	102	102	102
	Purchased Care	Service Member	49	51	53	55	57
		Other	453	453	454	453	453
		Total	501	504	507	508	510
Child Psychologists*	Direct Care	Other	81	81	82	82	82
	Purchased Care	Other	170	170	170	170	170
Psychiatric Nurse Practitioners (NPs)	Direct Care	Service Member	74	75	75	76	76
		Other	41	41	41	41	41
		Total	115	116	116	116	117
	Embedded	Service Member	57	58	58	58	58
	Purchased Care	Service Member	2	2	2	2	2
		Other	15	15	15	15	15
		Total	17	17	17	17	17
Clinical Social Workers	Direct Care	Service Member	514	530	546	559	572
		Other	326	327	327	327	327
		Total	840	856	872	886	899
	Embedded	Service Member	35	35	35	35	35
	Purchased Care	Service Member	70	73	75	78	80
		Other	619	620	621	621	620
		Total	689	693	696	698	701

Services will determine gaps between these requirements and existing providers in order to establish specific hiring and recruitment goals.

In addition, in the fall of 2007, TRICARE initiated behavioral health care locator services to assist families to find initial access to routine mental health care services within the 7-day access standard. Current studies of the direct care system have demonstrated that >99.5% of Service members are receiving initial routine access to mental health specialty services within the 7-day access standard, most upon walking into a clinic without having an appointment.

Question. Where do you intend to find certified mental health care professionals?

Answer. Increased accession and retention incentives are being made available to uniformed mental health care providers. Legislative authority to incentivize civilian mental health provider trainees to repay their obligation at Military Treatment Facilities as civilians could potentially increase the availability of providers, as long as incentives were not more than those for uniformed providers, which could create higher attrition rates.

Services and local facilities engage local hires and contractors to identify available resources, as well as establish government service positions.

Public Health Service mental health providers are already assisting DoD and up to 200 positions are approved and funded in a cooperative agreement.

Question. How many has the Department and or the Services hired?

Answer. From January 2007 through October 2008, 845 civilian mental health professionals were hired across the Services. For the same period TRICARE Regional Office–West added 8,095, TRICARE Regional Office–South added 213, and TRICARE Regional Office–North added 2148 mental health providers.

Question. How else has the Department increased services to soldiers and their families?

Answer. Increased civilian mental health providers:

- Funded more civilian mental health providers at military medical treatment facilities (MTFs)
- Created and deployed Military and Family Life Consultants
- Developed an interim staffing model and hired 233 mental health providers against it
- Signed agreement with Department of Health and Human Services to provide 200 Public Health Officers for MTFs
- Implemented retention incentives such as incentive pays, special pays, and bonuses
- Established the Telehealth and Technology Center to increase access of services in remote areas
- Initiated multiple telemedicine pilot programs to provide mental health services to Service members and their families, regardless of geographic location
- Integrated behavioral health with primary care:
  - —Army RESPECT-Mil
  - —Air Force Behavioral Health Optimization Program
  - —Navy Deployment Health Clinics
  - —Increased on-line capabilities to access care or recognize when care is needed:
  - —Military OneSource
  - —Wounded Warrior Outreach Center
  - —AfterDeployment.org
  - —Established a 24/7 Outreach Center
  - —Established a National Resource Directory
- Improved access through TRICARE
- Implemented TRICARE Mental Health Care Finder System
- Established monitoring of TRICARE Regional Offices contractors' performance
- Released policy requiring 7-day mental health access standard; compliance with this new standard is over 95%
- Developed the Family Caregiver Curriculum
- Trained civilian mental health care providers in appropriate care of military personnel and their families

REPORTING REQUIREMENTS

Question. The Committee put a lot of responsibility on the Department to properly execute the funding provided with tangible results. The Department has reported to the Committee on the spending plan and current obligation of funds.

What reporting mechanisms have been put in place to ensure the Services are executing funding properly?

Answer. The Services report to Chief Financial Officer monthly. Their reports include execution of psychological health and traumatic brain injury funds by strategic goal (access, transition, resilience, quality, and screening/surveillance). The Services also have reported quarterly on their execution of funding at the program and project level, and have recently been asked to input status of implementation and program execution through a web-based tool.

Question. How often are the Services required to report to the Department?

Answer. The Services are required to provide both financial and programmatic reports on a monthly basis.

Question. What difficulties have the Services or the Department generally experienced implementing the new programs and pilot projects as demonstrated by the reports?

Answer. While implementation of programs can be accelerated, steps in the process can not be bypassed. In addition, certain processes just take time. We need to implement pilots, evaluate them for best practices, convert best practices to policies for implementation, ensure we have enough providers and tools to implement the policy, and train all the users in the new policy, after which we can evaluate the program to continue the cycle. Managing expectations becomes critical because a program may be successful under one set of conditions but not another.

We also are experiencing a shortage of experienced trainers for the large number of new and expanded training and education programs.

Communicating information about best practices, lessons learned, and promising programs across the Services and (sometimes) across facilities within a Service still needs improvement.

OBLIGATION OF FUNDING TO THE SERVICES

Question. Of the funding provided for psychological health and TBI, about 45% went to the Army, 15% went to the Navy, 10% went to the Air Force, and 30% went to the TRICARE Management Agency for Joint Support.

Does the Department believe the distribution of funds was done equitably or have other shortfalls been identified by the Services?

Answer. We distributed the funds to augment already on-going initiatives to support psychological health and traumatic brain injury needs of our Service members and families. The augmented initiatives were to address gaps in capability and improve our ability to improve access to care and quality of care. Each Service proposed programs to address those gaps, so the distribution was based not on total capability but on the areas of focused enhancement.

Question. What other programs or initiatives are the Services looking at to improve access to care for soldiers and their families.

Answer. There are more than 325,000 providers in the TRICARE network with over 1 million non-network providers accepting TRICARE patients. The TRICARE Management Activity (TMA) conducts surveys to determine the numbers of health care providers accepting new patients under TRICARE. TMA's FY 2005–2007 surveys covered network/non-network providers in various geographic areas nationally, including remote areas. Together, the three-year findings across all states and health care service areas reveal that approximately 87 percent of all physicians surveyed are aware of the TRICARE program and about 81 percent of physicians accepting new patients would also accept new TRICARE patients. We are in the process of re-surveying our beneficiaries and civilian providers.

In areas where access to care is severely impaired because of low reimbursement rates, TMA can use its authority to increase TRICARE reimbursement rates by issuing locality waivers. Also, TMA can issue network-based waivers that increase network civilian provider reimbursements up to 15 percent above the maximum TRICARE reimbursement rate to ensure an adequate number and mix of civilian network providers.

TRICARE Regional Offices (TROs) also monitor the number and mix of providers in their region. For example, TRO-West identified all geographical locations with a TRICARE Standard beneficiary population of 500 or more. There were 56 locations identified, and to ensure access to care was on par with TRICARE Prime, a beneficiary population sizing model was designed for each location. Using a Graduate Medical Education National Accrediting Committee-based model, it established provider requirements for 26 specialty categories and primary care. They then identified network and non-network providers to see TRICARE beneficiaries. Their experience was that providers are willing and ready to see TRICARE patients even in remote and rural areas.

Question. Of the Army's 45%, the bulk of it is for access to care for psychological health and traumatic brain injury.

How is the Army obligating the funding provided?

Answer. The Army has obligated the amounts for Access to Care in the commodities mentioned below:

Commodity	Obligations ($000)
Civilian Personnel	5,790
Contracts	15,156
Equipment	38

Commodity	Obligations ($000)
Other	12
Supplies	89
Travel	233
Total	21,318

Question. How much has been obligated to date?

Answer. During FY 2009 the Service Medical Departments have obligated the following amounts through February 2009:

Service	Obligations ($000)
Army Medical Department	34,210
Navy Bureau of Medicine and Surgery	12,101
Air Force Medical Service	95

Question. Are mental health professionals being hired in a timely fashion?

Answer. The direct-hire authorities for the mental health specialties have been assigned to the medical facility-level and local hiring officials are using these to hire government mental health professionals. The Services are establishing innovative hiring programs, such as centralized recruitment and referral centers for mental health professionals to maximize the use of the direct-hire authorities.

Question. Are there any contracting issues with current hiring policies?

Answer. Our primary issue continues to be a shortage of qualified Mental Health providers in the locations where they are most needed. We are attempting to accomplish this with a combination of government civilian hires, expanded purchased-care network providers, and local contracting for behavioral health providers to fill critical needs. Our contracting offices have worked hard to satisfy our requirements but they received no additional staff for the expanded workload, so they are often understaffed and oversubscribed.

Question. Of the Navy's 15%, most of it is for access to care.

How is the Navy obligating the funding provided?

Answer. During FY 2009 for the Access to Care Initiative, the Navy Bureau of Medicine and Surgery has obligated a total of $8.192 million through the month of February 2009 for the commodities listed below:

Commodity	Obligations ($000)
Contracts	8,050
Equipment	7
Travel	135
Total	8,192

Question. Are mental health professionals being hired in a timely fashion?

Answer. The direct-hire authorities for the mental health specialties have been assigned to the medical facility-level and local hiring officials are using these to hire government mental health professionals. The Services are establishing innovative hiring programs, such as centralized recruitment and referral centers for mental health professionals to maximize the use of the direct-hire authorities.

Question. Of the Air Force's 10%, has the funding been used for existing programs or new initiatives?

Answer. The Air Force Medical Service's FY 2009 funding has been used to expand existing psychological health and traumatic brain injury programs to support new requirements.

Question. Of the TRICARE Management Agency's (TMA) 30%, most of the amount is for the Center of Excellence and for surveillance.

Has there been obligation of these funds for the intended programs?

Answer. Through the Defense Center of Excellence (DCoE) and its associated centers, funding is programmed for multiple research and surveillance initiatives. Examples of such initiatives include clinical trials, longitudinal and epidemiological studies, the Suicide Risk Management and Surveillance Office, neuro-imaging programs, and child and family studies.

Question. What new initiatives has TMA been looking at for enhancing care and treatment?

Answer. Examples of new initiatives include evaluating the efficacy of a virtual reality exposure treatment for Post-Traumatic Stress Disorder, assessing a variety of alternatives for web-based interventions, determining the standard of care to assure the effective use of telepsychiatry services, investigating mind-body techniques for provider resilience, developing and implementing an automated behavioral healthcare record, and designing and executing Hyperbaric Oxygen Therapy clinical trials.

OBLIGATION OF FUNDING

Question. The funds provided have been distributed to the services and TRICARE Management Agency.

Please briefly explain what the Department has provided the Service members and their families with the funds provided.

Answer. DoD funded a broad spectrum of mental health and traumatic brain injury projects designed to support Service members and their families across the continuum of care in both non-clinical and clinical settings. These programs range in focus from preventive resilience building to post deployment transitioning programs. Examples of accomplishments include:

Area	Major accomplishments
Quality of Care	Army—First Summit on Military Child and Adolescent Behavioral Health and Well-Being During Wartime and Beyond was held June 2008 at McChord Air Force Base. Attended by over 150 military and community youth serving professionals.
	Defense Center of Excellence (DCoE)—Assisted in the development of educational tools designed to help families, especially children, cope with having parents or loved ones on deployment, including the Sesame Workshop ''Talk, Listen, Connect: Deployments, Homecomings, Changes'' program. DCoE worked with the nonprofit educational organization behind ''Sesame Street'' to produce over 700,000 DVD kits and to date, DoD has distributed over 350,000 kits.
Resilience	Navy—Held Returning Warrior Workshop training for over 1,000 Reservists and family members—100% of attendees recommended that others attend.
	Navy—Over 25,000 families, providers, and community members have received proactive outreach, education, and training.
	Army—Funded three psychological health (PH) school based programs that take a preventative approach by providing PH support to and for school-aged children in the school setting.
	Army—Established the Child and Adolescent Center of Excellence to focus on the impacts of being a child with a parent deploying, wounded or killed, supporting interventions, programs, and policy assisting families dealing with these unique stressors.
Transition of Care	Navy—Continuing to support and expand Wounded Warriors Program, a program for Soldiers who are disabled, as found by the Army disability system, to ensure their families receive all the benefits and support they are entitled—741 Service members have received outreach with 178 having been referred to appropriate levels of care.
	Air Force—Continuing to support and expand the Air Force Wounded Warrior (AFW2) Program which takes a comprehensive approach to helping wounded Airmen. Family liaison officers are assigned to hospitalized wounded members and provide a wide range of assistance to family members.
Screening and Surveillance	Air Force—Screening and Surveillance Conducted Community Assessment and Survey which provided anonymous data on post traumatic stress disorder (PTSD), alcohol/drug use and family maltreatment.

Question. What funds if any have yet to be obligated?

Answer. Obligation status as of the end of January 2009 is shown in the following tables.

$ millions FY 2007/2008	Appropriated O&M	Appropriated RDT&E	Reprogrammed RDT&E	Reprogrammed Procurement [1]	Total
Appropriated Amounts	$600.0	$300.0			$900.0
Less: O&M Extended to FY08/09	$(75.0)				$(75.0)
Less: O&M Reprogrammed to RDT&E and Procurement	$(70.5)		$58.8	$11.7	$—

$ millions FY 2007/2008	Appropriated O&M	Appropriated RDT&E	Reprogrammed RDT&E	Reprogrammed Procurement [1]	Total
Less: Statutory withhold for Small Business Innovation Research (Small Business Act, 15 U.S.C. 638)	.....	$(7.5)	.....	.....	$(7.5)
Net Funding	$454.5	$292.5	$58.8	$11.7	$817.5
Amount Obligated Through January 31, 2009	$416.0	$292.5	$51.8	$6.0	$766.3
Percentage of Net Funding Obligated	92%	100%	88%	51%	94%

[1] Procurement funds are FY 2007/2009 and will continue to obligate through FY 2009.

FY 2009	O&M funding	Appropriated RDT&E funding [2]	Total
FY 2008 Supplemental Appropriation—RDT&E (portion of $273.8 appropriated for Battle Casualty/Psych Health Research)[3].		$107.3	$107.3
FY 2009 Supplemental Bridge Funding—O&M.	$300.0		$300.0
FY 2009 Appropriation	$210.0	$90.0	$300.0
FY 2007/2008 Funding Extended to FY 2008/2009 (from above).	$75.0		$75.0
Less: Army Suicide Study with National Institutes of Health.	$(10.0)		$(10.0)
Total Funding	585.0	$197.3	$772.3
Amount Obligated Through December 31, 2008.	$67.8	$—	$67.8
Percentage of Net Funding Obligated.	12%	0%	9%

[2] RDT&E projects are peer-reviewed before award of funds. RDT&E does not reflect withhold 2.5% for Small Business Innovation Research (Small Business Act, 15 U.S.C. 638) pending final calculations.
[3] FY 2008 Supplemental Appropriation—RDT&E is FY 2008/2009 funding.

Question. A large part of the funding provided was to hire additional staff. Where are you in executing a hiring plan?

Answer. The Services have established internal staffing requirements and received funding to support these Service-specific conditions. Psychological health (PH) and traumatic brain injury (TBI) FY 2009 staffing update as of March 3, 2009:

Service	PH funded	PH hired	TBI funded	TBI hired
Air Force	97	91	NA	NA
Army	890	444.3	* 250	149
Navy	297	162	115	25
TMA	200	** 41	.....	.....
Total	1484	732.3	365	174

* Some of Army's TBI dollars have been used to pay for existing staff retasked to provide TBI care.
** Awaiting breakdown of how many are serving in TBI position versus PH positions.
*** Navy numbers reflect: "Funded" = those positions being supported and contracted in FY 2009 (including the FY 2009 continuation of FY 2008 positions), "Hired" = those positions previously contracted and filled in FY 2008.

Question. What shortfalls or gaps exist in your staffing?

Answer. The Services have noted the following gaps:

1. Short supply of child and adolescent mental health providers
2. Small number of available, qualified providers
3. Disparity of provider specialties depending on regional locations

Question. What still needs to be accomplished?

Answer. We need validation of a population-based, risk-adjusted staffing model for DoD that projects the staff requirements by provider type, based on each Service policies and needs. Upon valida-

tion and acceptance of the model, funding requirements will be reviewed to implement efforts to meet the population-based, risk-adjusted needs.

SPEND PLAN

Question. Can you update this Committee on your spend plan?

Answer. A Spend Plan summary is attached. Most of the funding is pushed to the 4th quarter when contracts will come due.

DHP PH/TBI PROGRAM BREAKDOWN

Numbers in thousands

DHP PH/TBI PROGRAM													
Service	**Plan/Actual**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**
Army	**Plan**						45,000	77,070	88,684	115,776	151,413	183,866	223,110
	Actual	**3,282**	**7,132**	**15,589**	**24,727**	**34,210**	-	-	-	-	-	-	-
Navy	**Plan**						36,775	51,934	66,629	76,555	91,714	101,624	102,217
	Actual	**448**	**3,734**	**4,852**	**6,705**	**12,101**	-	-	-	-	-	-	-
Air Force	**Plan**						9,767	9,964	15,081	18,308	18,454	18,663	18,939
	Actual	-	-	**1**	**34**	**95**	-	-	-	-	-	-	-
TMA Fin Ops	**Plan**						48,012	50,292	57,489	70,282	117,082	183,966	226,734
	Actual	**1,406**	**2,476**	**31,858**	**36,230**	**36,230**	-	-	-	-	-	-	-
USUHS	**Plan**						582	610	679	899	1,023	3,924	4,000
	Actual	-	-	**83**	**139**	**808**	-	-	-	-	-	-	-
	Plan	-	-	-	-		140,136	189,870	228,562	281,820	379,686	492,043	575,000
Total	**Actual**	**5,136**	**13,342**	**52,383**	**67,835**	**83,444**	-	-	-	-	-	-	-

Note:

1. Monthly totals show cumulative obligations/ plans.
2. $10 M has been withdrawn from TMA and reprogrammed to the Army to conduct a suicide study with the National Institute of Mental Health. New DHP Program value is $575M.

Question. Does the Department and the Service have the internal capacity to obligate the funding provided? Please explain.

Answer. DoD has the internal capacity to obligate the funding. The funds have been distributed to the Services and TRICARE Management Activity for execution.

Question. What issues exist that are hindering the Department in executing these funds?

Answer. The health care support requirements for the psychological health and traumatic brain injury programs are labor intensive and highly reliant upon the availability of civilian and contract providers to accomplish the required functions. Given the limited number of specialists available psychological health or traumatic brain injury training and the competition by the private sector organizations who concurrently seek to hire from the limited labor pool, the Department's ability to execute all the appropriated funds for psychological health and traumatic brain injury requirements may be hindered.

Question. What is still needed, whether funding or personnel to continue this endeavor?

Answer. We are still looking at opportunities for technological infrastructure, equipment for virtual therapy, research studies and outcomes evaluations, personnel to provide empirically supported treatments, and more mental health providers to be embedded in line units.

Question. What shortfalls exist?

Answer. We are still working to improve connectivity and collaboration between clinical and pre-clinical care (Military OneSource, chaplains, etc.); enhance access to care in deployed situations, especially for those in small units or at outposts; promote evidence-based programs and treatment; and expand access to substance abuse/dependence treatment, particularly for adolescents.

[CLERK'S NOTE.—End of questions submitted by Mr. Murtha. Articles referred to by Mr. Murtha follow:]

Forgotten
by
Gabriel Luera

Sooner or later you learn to forget about the simple things. Things like what day it is, and where you are. After a while that gets easy and you learn to forget bigger things. It's almost like taking drugs, addictive. Things like directions to your own home, how old you are, or how to communicate without shouting. Things that you will eventually need later on you leave and bury deep in whatever sub conscious pit you can find. At that point you're happy. You're happy that you can go on in a place of suffering and not realize it. You forget. The only important things are the sounds of life around you. The sound of death stalking you, and the chatters of gun fire in the background. After that you get scared and wonder if you are ever going to get it all back. You even wonder if you are going to get any of it back. You wonder if you are ever going to be yourself again. Then you forget you're scared. When they say, these things will change a person they never tell you how much. Then as time goes on, you start to ignore the explosions and gunfire to come to the realization that you have forgotten how to be you. The fact that you could catch a stray round or a mortar in your teeth doesn't scare you anymore, but the fact that you can't remember how to be you will scare you beyond all belief.

At nights you walk in the darkness like a shadow with no physical counterpart, walking like a ghost in a dying world. Shallow, empty, lonely, nothing but the stars and moon above and the sound of wild dogs in the background fighting. Everything fights out here. The smell of dust and burning oil in the air clogging your nose and filling your mouth no longer is a concern. Walking with the weight of body armor and a weapon on your back through an endless wasteland, sometimes the brain will kick in and realize everything you have forgotten. Like a bucket of cold water it will hit, filling you with sorrow. You realize where you have been for the last year. The sicknesses of wishing you were home next to your loved ones fills you body and your emotions go into overdrive to catch up with their loss of time. You end up stopping in your tracks looking at stars wondering if your loved ones at home are looking at the same stars in their darkness of night. Wondering if they are the same people that you remember when you left. They never will be, and neither will you.

Slowly you will fight the emotions back into submission and you will try to move on to do whatever you were doing. The battle is more fierce and violent than any battle out in the wastelands that you are in. You try to fight the feelings and end up forcing yourself back into the place you didn't want to be. You find peace in ignorance that you wouldn't find in the place you just tried to flee. You retreat, back to the forgetfulness that has consumed you in the past year, back to the ignorance of it all. It's just safer for you there, nothing to make you homesick, nothing to scare you. No matter how much you try to dismiss it, the thought of going home will terrify you more than staying here.

For one year, 365 days, you have been living out of a bag with no real place to lay your head every night. For that year you have been shot at, had mortars thrown at you, slept with the sounds of gun fire in the background. You have slept in anyplace imaginable just to try to escape for the few moments you are unconscious to the surrounding world. You have fought the heat of summer and the cold of winter with nothing more than the clothes on your back. You have fought the spiders, bugs, lizards and scorpions of a brutal plane with nothing than the boots on your feet. But during all this you have never cried, or remember how to, because in that long list of things you have forgotten, crying is on the top. Any expression of feelings, which are not violent, have been erased and purged from your thoughts. As much as you try to, all it does is intensify the pain, the only reason you would try such a thing in your entire life you are unable to. The only reason you would even try is to find out if you are still human, because again it's something you have forgotten. For some reason that pain hurts more than any injury you could sustain in this harsh environment. You would rather be tortured and beaten instead of feeling that pain. Another thing forgot and buried in a horrible place.

Then after your year is over you began to think about home and you try to remember. You live afraid to call home because you don't know what to expect. You forget how to be the you that you once were. You forget how to be the you that everyone is expecting you to be. After time, you realize that you have to call home and then you are at a loss. You call and try to fake the joy that you should be feeling and fail miserably. They could never know back home what you have gone through in this almost fictitious plane of the world, but being that they are your family they will try. Your loved ones will be there always on the other end of the line to tell you that everything is going to be ok but you have a hard time believing them. To you there is no way out of this place. It feels as if it will hunt and stalk you forever. It feels like the dust and oil has replaced the fluids of your body. This place has become a part of you that you wish you had never created. Your reality is that even though you will physically leave this

place this place will never leave you. Once again you are scared.

Slowly you will begin to wish you were back in the place where ignorance is safety. Where you don't know where you are or what is going on, the place where you are free of the fear that plagues you in reality. You are torn in between the sanity of reality and the insanity of a fantasy. You don't know where to run. You don't know were to turn. The only safe place for you is out there, in that desert were on a good day you can't remember your name, the safety of lunacy.

Then finally you are there, the place that you wanted to be when you left. The place where all the things and people that you have left behind are. The people that have changed and grew. The things that you missed for the first months of you absence, all the things that you have forgotten about are there. What do you do? You begin to think that you really don't want to be there. You want to be back to that place where the ignorance was your safety. The safety that you just left eighteen hours ago seems so far away in your mind. You long for it. You begin to need it. You need that safety, the safety that you left, how idiotic is that, this place you just left is the same place where the mortar's fly in flocks. That place you just left is your safety from a world that you had forgotten. Doubt enters and makes you question not only yourself but your decisions in life. And once again you are lost.

All of the fighting you did in that beaten country will never be able to compare to the fight in which you are embark. To a person that has seen the face of death in reflections behind them the fear of losing this fight it worse. The fear will overtake them at some times and that will be just as painful as death. If you are lucky your strength will be there to help you adapt and overcome the urge to get back on that steel bird and fly back to the hell you called safety. You will fight off all the urges and be strong for not only your self but everybody else. Or, you will fail and try to escape by any means necessary. Even if it is turning around and giving your self to death. All you can do is pray that he takes you with open arms, because either way its less pain than here.

The Primordial Self: The Savage Side or our Nature

To survive war, we must become war. In the first stages of military training, the primordial self, that monster within each of us, must be brought to the surface, the predator must be let out of its cage. It is the very essence of that which civilization shuns and rejects, it is the savage part of each of us that is so looked down upon and yet, it is what those who defend this nation in war must become.

The monster, the predator, the beast as it has been called, is what makes us capable of killing without compassion, it teaches us to survive the atrocities of battle, it moves us into a state of controlled rage. When in battle, the monster shows us that the closer we approach death, the greater the opiate of adrenaline. It rewards us with accomplishment and satisfaction if we survive. And when we do survive, we yield even more control to the monster that preserved us with a power and strength over our enemy.

This beast teaches us, tantalizes us with gifts and rewards. It shows us that we have the power over life and death, it builds in us a strength to overcome that which we didn't have before battle, it shows us the darkest sides of humanity, and yet it also shows us that through strength, honor and sacrifice, just how noble humans may become.

War is a shock. It teaches us what one human being is capable of doing to another; the cruelty, insensitivity to the pain and suffering of other humans and animals. War-fighting goes against everything we believe to be civilized, it nurtures the savage side of our nature. And once the monster is released from it's cage, it doesn't want to go back. It will not go back!

Then, when the battles are over, and the gentler side of us looks at what we have done, there is the shock of seeing yourself as the monster, the savage, the outcast from society. And there begins the conflict and denial, there begins the pain, the guilt, the traumas of battle.

As war continues, and your experiences, the horrors of killing mount, as you experience the loss of true friends, you feel even more guilt. And yet, the monster is your only hope for survival. It takes on more dominance, more power. You have forever changed into another person. And at first you feel like the savage animal is all you are. You've lost the gentle side of your nature. You feel that there is no place in society for you ever again, except back on the battlefield, back in war. And yet you return to civilization.

You don't like yourself, and no one likes you, except for other Warriors who have become the savage as well. Your self-esteem plummets and you feel helpless to change it. The battles rage in your mind because the monster, the primordial self wants you to return to battle, to rage and the emotions of war, so it can feel alive and in control. In your mind, you feel the brutality-of-humanity shock, the guilt over killing, the loss of friends, the loss of yourself, survivor guilt, anger and betrayal, and the loneliness of isolation from having become an outcast. And then, death by any form of suicide becomes a path to peace. But this is not the answer!

There is a path the Warrior may take to heal from battle. There will always be scars, and yet life may be well worth the effort.

"But how do you control the beast?" you ask.

That is not as difficult as one might think. The answer is to *admit* to yourself, that first and foremost, you are not the same person you were before walking onto the battlefield. You must admit that you acted normally in war, and the killing, loss and pain are part of the results of

your experiences. And then, you must admit that you are the Warrior controlling the beast within you. It will never, ever go back into its cage, ever. But it will listen to you.

So what do you do?

You must *never* threaten to put it back into it's cage. You feed it with just enough emotions by thinking about battle, about killing. But not too much. It seems to be enough for the predator to relive your past experiences and know your present potential; yet not act upon it, unless "threatened"; unless given any excuse. Because its always waiting for the chance, the opportunity to feel controlled-rage and power again.

You acknowledge it for giving you the strength to face any problem that will ever face you. You console it by admitting that the beast is always present to take over at any moment, to return to battle, to kill again. You thank it for showing you the darkest and greatest sides of human nature so that you now may judge wisely. You must also thank it for your life, for your survival of war, and for the opportunity to experience true friendship, love, trust and honor from your fellow Warriors. You will never be afraid of death again, and therefore you will never be afraid to fully live life.

You control the beast. Yet it now stands by your side, ever-waiting to be unleashed to protect and guide you once again. It is your friend, your guardian, not your enemy.

You now live with the strength that only a Warrior will ever know. Honor your strength, Love your Fellow Warriors and respect your self. You are far more now than you ever were before war.

We cannot expect others but Warriors to understand, but we can help other Warriors to remember who and what they've now become.

To my Fellow Warriors, my Brothers and Sisters

Respectfully,
Sgt. Brandi, USMC

Doonesbury

HEY, DID YOU HEAR ABOUT GENERAL BLACKLEDGE?
NO, WHO'S HE?
A TWO-STAR WHO DID TWO TOURS IN IRAQ. HE WENT PUBLIC ON BEING TREATED FOR PTSD.
A TWO-STAR? TALKING ABOUT HIS PTSD?
HOW ABOUT THAT, HUH?
MUST BE RETIRING.
OR LEADING. WHICH DO YOU THINK?

BLACKLEDGE ISN'T THE ONLY GENERAL WITH PTSD — THERE'S ALSO A FOUR-STAR, CARTER HAM.
THESE ARE TOUGH, COMBAT-HARDENED COMMANDERS. IT'S HUGE THAT THEY WOULD COME FORWARD!
IT SETS THE BEST KIND OF EXAMPLE FOR VETS WHO ARE SUFFERING BUT ARE IN DENIAL LIKE YOU WERE.
DENIAL OVER WHAT?
FORGET IT — I DON'T GET PAID TWICE.

○

THURSDAY, MARCH 5, 2009.

GLOBAL MOBILITY

WITNESSES

GENERAL DUNCAN J. McNABB, USAF, COMMANDER, UNITED STATES TRANSPORTATION COMMAND

GENERAL ARTHUR J. LICHTE, COMMANDER, AIR MOBILITY COMMAND

MAJOR GENERAL RANDAL D. FULLHART, DIRECTOR OF GLOBAL REACH PROGRAMS, OFFICE OF THE ASSISTANT SECRETARY OF THE AIR FORCE FOR ACQUISITION

MR. MURTHA'S OPENING STATEMENT

Mr. MURTHA. I will ask Mr. Young for a motion.

Mr. YOUNG. Mr. Chairman, I move that those portions of the hearing today which involve classified material be held in executive session because of the classification of the material to be discussed.

Mr. MURTHA. Without objection.

We are having, in my estimation, one of the most important hearings that we will have this year. I have said over and over again, we want to try to fit in some of these other programs so that we can take care of mobility—tankers, mainly—down the road. And so you two, with your experience, we appreciate your being here.

We appreciate what you are going to say, but when we see the CSAR program, the KC–X, all these programs being protested, I worry. The President says you are going to reform the system. Well, it takes forever to reform the system. So we have to get something done. If we are going to get tankers out there, ready to go, replaced, we have got get to get it done early; and of course, these other programs which you have control over also.

As you know, we put the C–130s and C–17s in, which helped alleviate some of the problems. We are going to try to do the same thing.

We get all kinds of guidance from the White House. We are the ones that finally make the decision. It is not that we are fighting with the White House. We just don't agree with them on some issues. We know more than they do about what needs to be done.

So you folks have the recommendations. We know you have to agree with the Secretary of Defense. I don't always agree with the Secretary of Defense. And we sometimes, this committee—this subcommittee changes, and we put in what we thinks need to be done.

I will give you an example. We put in limiting language for the Marine One long before Senator McCain or anybody else recognized it. We said, we are not going to build this thing. As a matter of fact, I had 14 people in here, and I told the White House, You have got to quit increasing these requirements because it is your fault that these costs have gone up. And we want to protect the Presi-

dent, but we are not going to spend that kind of money on one helicopter.

So they said, Well, we will put this off until the Obama administration comes in. They did. And now we are trying to convince the Obama—they need a helicopter, no question about that, but they don't need the requirements for the one that is so expensive. And we are willing to fund the other one—at least I am going to recommend to the subcommittee that they fund the other one.

We look forward to your testimony, and we know that we will get some good questions from the members about what needs to be done.

Mr. Young.

MR. YOUNG'S OPENING STATEMENT

Mr. YOUNG. Mr. Chairman, thank you very much. And I want to add my welcome to our very distinguished guests today. And as we have discussed—and General McNabb and I had a very long session, one-on-one, not too long ago and we discussed the fact that you can't engage the enemy if you can't take your troops and your equipment where the enemy is.

So the importance of our airlift, the importance of being able to move personnel and material is just—you just can't do it without it. And that is why this is so important and this hearing is so important, because we do have some issues that need to be resolved. And I think most everybody on the committee would agree, we are here to help you resolve the issues.

Thank you for being here today.

Mr. MURTHA. We have 8,000 miles we have to travel to resupply the people in Afghanistan, the most difficult terrain in the world. You folks are as important as anybody. I used to think, when I was in the infantry on the ground, these other guys were just nothing. Well, I found out when you didn't have the food, you didn't have the resources you needed, you damn well needed everybody else.

So I appreciate your coming. And who is first here on this, General McNabb?

General McNabb, we will hear from you first. Summarize the statement. We will put the rest in the record.

SUMMARY STATEMENT OF GENERAL MCNABB

General MCNABB. Chairman Murtha, Congressman Young, distinguished members of the committee, it is indeed my privilege to be with you today, representing USTRANSCOM and the 136,000 of some of the world's finest logisticians. This total force team of active duty, Guard, Reserve, civilian contractors and commercial partners enables the combatant commanders to succeed anywhere in the world by providing them unmatched strategic lift and end-to-end global distribution.

And this committee is well aware that it is our great people that get it done. It is our total force air crews, flying combat approaches on night vision goggles or air-dropping supplies to our troops in Afghanistan. It is our air-refueling crews who deliver 5 million pounds of fuel every day at night in the weather, extending the reach of our joint and coalition partners.

With the maintenance teams and aerial porters behind them, these crews execute over 900 sorties a day, sometimes in the most austere conditions, like Antarctica, and sometimes into the most dangerous, like in a forward operating base under fire in Afghanistan.

It is our merchant mariners and military and civilian port operators, loading, offloading and sailing over 35 ships every day to support the warfighter. It is our terminal operators pushing thousands of containers, domestic freight and railcar shipments, pushing warfighters—their vital supplies, and making sure that they have what they need to fight.

It is our contingency response groups, port opening experts arriving first, to open up the flow in a disaster relief operation. And it is our commercial airlift and sealift partners, standing beside us, opening up new routes through, the north going into Afghanistan, or supporting the Nation in times of surge.

And it is our medical crews and critical care teams, tending to our wounded warriors, rapidly delivering them from the battlefield to the finest world-class care on the planet, saving lives and families at the same time. And it is our crews bringing back fallen comrades, transporting heroes dressed in our Nation's colors, Americans returning with dignity to our country which owes them so much.

It is this logistics team, working from home and abroad, that gives our Nation unrivaled global reach, committed to serving our Nation's warfighters by delivering the right stuff to the right place at the right time. Whether sustaining the fight, providing disaster relief to friends in need or moving six brigades simultaneously, we are there.

Chairman Murtha, your support and the support of this committee has been instrumental in providing the resources our team needs to win and support the combatant commanders, and I thank you. You have given us the Large, Medium-Speed Roll On-Roll Off ships and supported upgrades to the Ready Reserve Fleet, all of which have been key to our success over the last seven years; and the new joint High-Speed Vessels will give us even greater flexibility.

The C–130J and C–17 have come of age since 9/11 and have allowed us to change how we support the combatant commanders from the air. The current C–5, C–130 and KC–10 modernization programs will also make an enormous difference in our capability to support the warfighter.

My top priority remains the recapitalization of our aging tanker fleet. The KC–X will be a game changer. Its value as a tanker will be tremendous. Its value as a multirole platform to the mobility enterprise will be incomparable. It will do for the whole mobility world what the C–17 did for theater and strategic airlift. It will be an ultimate mobility force multiplier.

Chairman Murtha and Congressman Young, I am grateful to you and the committee for inviting me to appear before you today. I respectfully request my written testimony be submitted for the record, and I look forward to your questions.

Mr. MURTHA. Without objection.

[The statement of General McNabb follows:]

Statement of

General Duncan J. McNabb, USAF

Commander, United States Transportation Command

Before the House Appropriations Committee

Defense Subcommittee

On the State of the Command

March 5, 2009

INTRODUCING THE UNITED STATES TRANSPORTATION COMMAND

Mission/Organization

The United States Transportation Command (USTRANSCOM) operates the integrated, networked end-to-end distribution system that delivers to the "right place," at the "right time," for the warfighter and at the best value for our nation. As a supporting command, we execute military and commercial transportation, terminal management, aerial refueling and global patient movement throughout the Defense Transportation System (DTS) in a wide range of military and humanitarian operations. As a combatant command, we have operational warfighter requirements. As the Distribution Process Owner (DPO) we have business and logistics enterprise responsibilities.

USTRANSCOM leads a committed Total Force team of Active Duty, Guard, Reserve, Civilian, contractors and commercial partners. Our component commands – the Army's Military Surface Deployment and Distribution Command (SDDC), the Navy's Military Sealift Command (MSC) and the Air Force's Air Mobility Command (AMC) – and our enterprise partners provide the capacity to deliver logistics and distribution capability that supports the Joint Force Commanders' ability to project combat power and national power in peace and war.

Additionally, as the DPO, USTRANSCOM leads a collaborative effort within the Joint Deployment and Distribution Enterprise (JDDE) to deliver innovative and cost-efficient solutions to increase the precision, velocity, reliability and visibility of our distribution network and the overall Department of Defense (DOD) supply chain.

SUPPORTING GLOBAL OPERATIONS

In support of our warfighters across the globe our components have delivered those "right place," "right time" "best value" solutions in staggering quantities. Last year, AMC and our commercial partners moved more than 2 million passengers and 735,000 short tons (stons) of

cargo, and our aging tanker aircraft delivered 229 million gallons of fuel to U.S. and coalition aircraft. Equally impressive, MSC shipped 6.8 million square feet and SDDC moved 3 million stons of cargo worldwide. Finally, to support global DOD requirements, MSC's point-to-point tankers delivered 1.47 billion gallons of fuel. Each of our components individually possesses a tremendous capability. USTRANSCOM ties these capabilities together using intermodal solutions to maximize efficiency and best support the combatant commanders (COCOMs).

Support to USCENTCOM

USTRANSCOM continued its focus on supporting operations in the United States Central Command (USCENTCOM) Area of Responsibility (AOR). This year, establishing the Northern Distribution Network (NDN), alternative routes to Afghanistan through the Caucasus and Central Asia, has become a high priority. And we have made significant progress in partnership with the Department of State (DOS), DOD, USCENTCOM, U.S. European Command (USEUCOM), and U.S. Pacific Command (USPACOM) to establish these new routes. The NDN – along the historic Silk Road – will leverage the existing commercial distribution networks to move non-military commercial cargo using our U.S. Flag commercial carriers. The NDN also provides additional cargo throughput capabilities vital to support the increasing forces in Afghanistan.

Another top priority is working Gulf of Aden piracy issues with our commercial shipping partners. Recognizing that significant interagency and multinational actions are underway to address this growing problem, we held discussions with U.S. commercial carriers servicing DOD sealift transportation requirements to solicit their concerns. In collaboration with the Maritime Administration, USTRANSCOM served as a conduit to enable U.S. Flag carriers to develop tactics, techniques and procedures to minimize the piracy risk.

In direct support of USCENTCOM force flow, we deployed and redeployed 41 Brigade Combat Teams, 37,000 Air Expeditionary Forces, and 3 Marine Air Ground Task Forces and executed several short fuse deployments such as the 24th Marine Expeditionary Unit to Afghanistan. And to ensure warfighters in theater received the latest advances in vehicle protection, we delivered over 11,000 Mine-Resistant Ambush Protected (MRAP) vehicles and more than 8,300 improved vehicle armor kits. We also airdropped 8,000 stons of cargo in Afghanistan. This widespread use of our improved and precision airdrop capability is evidence of our promise to the COCOMs that we will take the supply chain vertically and as far forward as necessary to support them.

Support to Other Combatant Commands

The USEUCOM AOR was also very active. When Russia invaded Georgia, USTRANSCOM moved Georgian troops serving in Iraq back to defend their homeland. In less than 92 hours, AMC crews flew 14 C-17 missions, each averaging 31-minutes on the ground in Tblisi to deliver 1,700 troops – the entire Georgian First Brigade. Additional C-17 sorties delivered over 350,000 humanitarian rations as part of Operation ASSURED DELIVERY, providing hope and sustenance to the Georgian people.

As U.S. Africa Command (USAFRICOM) grows and expands its mission, USTRANSCOM will leverage our resources and expertise to support this new command.

In the U.S. Southern Command (USSOUTHCOM) AOR, we conducted detainee movement operations from Guantanamo Bay, Cuba. At the same time, our defense couriers transported attorney-client material in support of High Value Detainee litigation. Elsewhere in the region, we provided air refueling and aeromedical evacuation support for the repatriation of three U.S. hostages rescued in Colombia and moved time-sensitive cargo for humanitarian assistance and disaster relief missions in Haiti.

We supported USPACOM with force rotations and sustainment for OEF-P (Philippines), transporting more than 2,000 passengers and 2,300 stons and 63,000 square feet of cargo. In support of the National Science Foundation, Operation DEEP FREEZE set records – we airlifted over 6,400 stons of cargo and 5,400 passengers and sealifted nearly 6 million gallons of fuel and 10,500 stons of cargo into McMurdo Station, Antarctica.

Working closely with U.S. Strategic Command (USSTRATCOM), we supported the engagement of an uncontrollable satellite with operational planning and alert strategic airlift for potential recovery and consequence management. We are also actively and uniquely involved with USSTRATCOM in the cyber security challenges that are especially evident in the strategic partnerships USTRANSCOM has with industry and the logistics enterprise.

Finally, at home, we aided U.S. Northern Command (USNORTHCOM) and government agencies, such as the Federal Emergency Management Agency, during catastrophic events. During the California wildfires we deployed command and control, aerial firefighting, and evacuation elements to reduce loss of life and property. During Hurricanes Gustav and Ike, we provided defense support to civil authorities in Texas and Louisiana, including air evacuation of 5,600 civilians and 1,000 patients. Additionally, we are dedicated to providing deployment support for USNORTHCOM's Consequence Management Response Force.

Support for the Warfighter

One of our most critical missions is moving injured warfighters from the battlefield to world-class medical treatment facilities. This complex, time-sensitive process requires close collaboration with doctors, military hospitals and our aeromedical evacuation crews to move injured personnel at exactly the right time to the right place. In 2008, we transported over 7,800 patients from the USCENTCOM AOR and over 13,000 patients globally. Should a warfighter

perish in the defense of our nation, we ensure the most dignified transport from the battlefield to final destination.

Our support to the warfighter also includes improving quality of life at home. The Defense Personal Property Program improves household goods shipments by allowing personnel to evaluate transportation service providers online, obtain counseling via the web and file personal property claims directly with the provider. With over 329,000 personnel and their families and 1.5 billion pounds of household goods moving each year, USTRANSCOM has maintained a sharp focus on this program and its associated IT system, the Defense Personnel Property System (DPS). DPS successfully came online in November 2008 at 18 DOD locations, and will be available for all 136 DOD shipping offices beginning in March 2009.

Improving Global Joint Sourcing Solutions

USTRANSCOM is always searching for ways to improve performance. We recently established our Fusion Center to integrate planning and operations, which allows more effective requirements management, improves distribution pipeline visibility and fosters customer and partner relationships. Key stakeholders are now able to collaborate on decisions, resulting in synchronized, cost effective distribution solutions.

As a result of the 2005 Base Realignment and Closure (BRAC) process, USTRANSCOM began construction of our new building designed to capitalize on efficiencies by co-locating USTRANSCOM and component command experts in close proximity to one another. This design will enable USTRANSCOM, SDDC and some of the AMC and MSC staffs to work side-by-side to resolve issues and formulate solutions from an integrated, intermodal perspective. Additionally, the new facility will include the Joint Intelligence Operations Center – Transportation (JIOC-TRANS). By integrating operations and intelligence, we will further

improve mission execution by identifying and assessing threats to our intermodal operations at seaports, airfields and connecting surface networks worldwide.

A further BRAC related effort is the Acquisition Center of Excellence (ACE) which combines program management, common carrier acquisitions and contract functions under one authority. The ACE better positions USTRANSCOM to establish long-term national-level transportation contracts with decreased overhead costs, build strategic partnerships with multi-modal transportation and distribution service providers, and manage command modernization efforts for more efficient warfighter support.

Finally, USTRANSCOM created the Joint Distribution Process Analysis Center (JDPAC), an entity which consolidates analysts from USTRANSCOM, AMC and SDDC. Because of its significant analytical capabilities, we envision it becoming the DOD's center of excellence for all joint mobility deployment and distribution studies and analyses. JDPAC's first major undertakings include oversight of the congressionally-mandated study of the size and mix of the inter-theater airlift force (conducted by the Institute for Defense Analyses) and the Mobility Capabilities and Requirements Study 2016 (MCRS-16), which we co-lead with the Office of the Secretary of Defense. These studies, expected to be completed in 2009, will aid decision makers in determining the mobility requirements necessary to defend the homeland, prevail in the war on terror, conduct irregular warfare and win conventional campaigns in the 2016 timeframe.

Maintaining Air Mobility Readiness

While we await the outcome of MCRS-16 to help shape future mobility requirements, there is no doubt that some of our organic air mobility force structure requires recapitalization.

My number one recapitalization priority is replacing the fleet of 415 Eisenhower-era KC-135s with a new platform to preserve a unique asymmetric advantage for our nation. The KC-X

with multipoint refueling allowing same sortie service to Air Force, Navy, Marine and coalition aircraft will address the significant risk we are currently carrying in air capacity and address further capability risks associated with an airframe that is almost 50 years old - and will be over 80 years old by the time we recapitalize all of them. The ability to carry cargo and operate forward with defensive systems will be a game changer when the aircraft is not needed as a tanker. Further delays in replacing this aircraft will add significant risk to our ability to rapidly project combat power to support the nation and our allies. It is imperative to expedite a smart, steady reinvestment program.

Our newest tanker, the KC-10, has also served us well since entering service in 1981. We must continue to modernize the KC-10 fleet to operate in the global airspace environment and to remain viable past 2040.

Our national defense strategy requires a viable fleet of strategic airlift aircraft. The C-17 has proven itself a critical asset, offering the flexibility to fill key tactical requirements in addition to fulfilling its primary strategic airlift role.

Additionally, the C-5's outsized and oversized cargo capability is essential to meeting our global mobility requirements. Unfortunately, low departure reliability and mission capable rates continue to plague the C-5 fleet. Modernizing all the C-5s with avionics upgrades is essential to allow access to international airspace and foreign airfields. New engines and other reliability enhancements for our C-5Bs and two C-5Cs are necessary to increase aircraft availability, reduce fuel consumption and significantly improve performance throughout their projected service life. We will modernize the C-5 fleet while closely managing the costs.

The C-130 continues to be the workhorse supporting the warfighter in theater and will remain viable through acquisition of the C-130J and modernization of legacy C-130s via the

center wingbox replacement program and avionics upgrades. However, the Air Force also needs the flexibility to retire and replace aircraft at the end of their service life.

The C-27 (JCA) is an emerging intra-theater asset that will provide COCOMs and the Services an airlift capability to meet time sensitive/mission critical movement requirements. DOD will leverage the JCA for multi-use, alternating between direct support and general support to maximize utility for the warfighter.

Our mobility aircraft routinely operate in threat areas across the spectrum of conflict from humanitarian relief to combat resupply. To operate safely in these environments, AMC continues to equip aircraft with the Large Aircraft Infrared Countermeasures system and will soon begin developing other defensive systems to avoid radar-guided threats.

Operational Support Airlift (OSA) and Distinguished Visitor (DV) transportation are other key components of the global mobility force. Our senior leaders require time-critical, reliable airlift to carry out their global missions, and require communications capability equal to what they enjoy at their homestations. Therefore, in partnership with the Joint Staff and the Services, we are implementing an airlift information management system called the Joint Air Logistics Information System – Next Generation (JALIS-NG). JALIS-NG will improve visibility of high-priority OSA missions and DV passengers, thereby more efficiently employing the OSA fleet. Additionally, we are modernizing the executive aircraft fleet with the Senior Leader Command, Control, and Communications System – Airborne (SLC3S-A) package to significantly improve senior leader airborne communications.

The Civil Reserve Air Fleet (CRAF) is a critical partner in our ability to rapidly project and sustain forces. We appreciate the authorities granted in the FY09 National Defense Authorization Act allowing the Department to guarantee minimum levels of business to CRAF carriers. These authorities will help strengthen the CRAF program as business in the Defense

Transportation System (DTS) eventually returns to pre-9/11 levels. We will fulfill our Congressionally-mandated responsibilities to improve predictability of DOD charter requirements, strengthen CRAF participation and entice carriers to use newer, more fuel efficient aircraft as prerequisites to exercising these authorities.

Maintaining Sealift Readiness

Like airlift, flexible, cost effective commercial ocean transportation is vital to our national interests and is a critical component of the DTS. DOD's "Commercial First" policy helps ensure the U.S.-flagged maritime industry and pool of U.S.-citizen mariners are available in time of national emergency.

DOD is among the largest single shippers of ocean cargo worldwide, and in the past year alone spent nearly $1 billion on commercial transportation. We acquire worldwide intermodal transportation services in support of DOD and government agency requirements through the Universal Service Contract (USC). USC leverages commercial service on established trade routes and capitalizes upon existing commercial investment in global infrastructure.

USTRANSCOM also partners with the U.S. Commercial Sealift Industry through programs like the Maritime Security Program (MSP), Voluntary Intermodal Sealift Agreement (VISA) and Voluntary Tanker Agreement (VTA) to gain critical access to U.S. commercial capabilities to support DOD's force projection requirements in times of war or crisis. We are working closely with the Maritime Administration to help revitalize the VTA, and we support the Navy's program to replace four T-5 tankers with two newly built commercial charters in 2010.

MSC and the Maritime Administration are also improving the efficiency of surge sealift asset management for our organic fleet. This year we made significant improvements to our strategic sealift readiness posture by relocating three Large Medium Speed Roll-on/Roll-off

vessels and two Fast Sealift Ships to the West Coast. Our analysis indicated this move would improve our strategic sealift response capabilities in the USPACOM AOR, mitigate shortfalls in the Army's afloat prepositioning program and optimize sealift flexibility. MSC and the Maritime Administration are also identifying and capturing best practices for the activation, maintenance and operations of surge sealift ships to more efficiently manage the fleet and ensure the readiness of surge assets.

Finally, I urge the Congress to continue support for the National Defense Sealift Fund (NDSF) and MSP – both are critical to improving our sealift capacity for our warfighters. This past year, both the Maritime Administration and MSC utilized NDSF resources to improve the capability of roll-on/roll-off vessels in the Ready Reserve Force and the VISA program. Newly upgraded ramps installed on two of these ships increase ramp capacity, enabling loading of heavier vehicles and providing flexibility to load or discharge cargo without regard to pier configuration.

Maintaining Surface Readiness

Preserving and expanding infrastructure is the cornerstone of our ability to project national power. USTRANSCOM uses the Global En Route Infrastructure Steering Committee (GERISC) in combination with regional steering committees to identify worldwide priority construction projects. This year the committees recommended taxiway and ramp improvements in Colombia, a new passenger terminal at Bagram Air Base in Afghanistan and a fuel facility in Oman to improve global mobility capacity and throughput as priority infrastructure projects.

The security of our forces and transportation infrastructure is essential to accomplishing our global mission. Our Critical Infrastructure Program (CIP) fosters information sharing with the DOD and with the Department of Transportation, U.S. Coast Guard, and the Transportation

Security Administration. The CIP helps identify worldwide physical and cyber infrastructures critical to USTRANSCOM's global mobility mission and mitigates inherent vulnerabilities.

In addition to preserving and expanding global access, we continue to look for ways to optimize our CONUS infrastructure. SDDC recently completed and is implementing findings from Port Look 2008. This study recommended retaining all nineteen currently designated strategic seaports; designating Charleston Naval Weapons Station and the commercial Port of Charleston as two separate, distinct strategic seaports; planning for future increased capacity requirements on the Gulf Coast and in Alaska; and institutionalizing future Port Look studies on a recurring basis, synchronized with release of the Quadrennial Defense Review.

Finally, we continue active participation in the capabilities-based assessment of Sea Based operations for the 2015 – 2025 timeframe. The success of Sea Basing depends on advances in at-sea cargo handling, ship-to-ship cargo transfers with mitigation of motion effects through sea state four and interface with high-speed connectors. The Joint High Speed Vessel offers a promising capability to bridge the gap between high-speed airlift and low-speed sealift, for transport of forces, equipment and sustainment cargo as part of Sea Based operations.

LEADING THE JDDE TRANSFORMATION

Improvements in DOD Supply Chain Management

USTRANSCOM and our JDDE partners are working together to drive tangible improvements in the DOD supply chain. By improving the precision, velocity, reliability and visibility of distribution operations, we gain the ability to synchronize and prioritize the flow of forces and sustainment to support the warfighter across the full range of military operations.

The supply chain needs to move people, equipment and supplies to the right place, at the right time using the most efficient and effective combination of modes. Our DPO Strategic Opportunities initiative is designed to improve precision by examining and aligning key strategic

leverage points. Specifically, we are working to strike the optimum balance between inventory stocks and transportation; align supply, transportation and distribution processes; and optimize strategic surface and airlift networks.

For example, given the volatility of fuel and transportation costs, we are analyzing ways to minimize overall supply chain costs by positioning high-demand, low-dollar inventories forward to reduce transportation requirements. We are also examining the impact of consolidating cargo traditionally carried in 20-foot containers into 40-foot containers to gain efficiencies in surface transportation while maintaining "delivery location pure" pallets and containers where the demand supports high volume routes. Finally, we are studying ways to optimize air transportation by increasing pallet utilization, obtaining "best-value capacity" for the shipping volume, and achieving maximum use of organic and commercially contracted airframes. Collectively, these and other opportunities have the potential to improve distribution performance by 25 to 45 percent while reducing overall enterprise-level distribution costs.

USTRANSCOM will focus on velocity to rapidly move America's military might. We are improving velocity by eliminating bottlenecks and chokepoints identified across 200 Integrated Distribution Lanes (IDLs) where we move people and cargo. Each IDL represents a route along which assets travel and is broken down into supply, transportation and theater segments. Each segment has associated performance standards which represent the Combatant Commander's desired expectations. We improve velocity by optimizing mode and routing selection, and monitoring performance against the standards for each IDL. As an example, we have reduced transit times by as much as 35 days for sustainment cargo shipped from the U.S. to Afghanistan.

USTRANSCOM is also focused on improving reliability – delivering what is needed, when and where it is needed, the first time and every time. Perhaps the best example of a system

reliability improvement has been the Defense Transportation Coordination Initiative (DTCI). Over the past year, DTCI has changed CONUS freight movement from disparate, locally-managed processes to a more integrated, enterprise level program, bringing proven best commercial practices to DOD transportation. In partnership with the Defense Logistics Agency (DLA) and the Services, we have contracted with a commercial transportation services coordinator to manage the movement of eligible DOD CONUS freight. Under DTCI, DOD shippers specify destination and deadline - the contractor optimizes the shipments through load consolidation; maximizes the use of cost effective, intermodal solutions; and leverages lower commercial market rates. To date, the program's performance goals for on-time pickup and delivery, minimal damage, claims processing, small business participation, and cost savings/avoidance are all on track. Gross cost savings is approaching $10 million (greater than 20 percent savings), and DTCI has increased visibility of CONUS freight.

Replicating DTCI's visibility successes is particularly important. USTRANSCOM designated 2008 as its "Year of Visibility" to strive for exquisite visibility - knowing what is in the pipeline, where it is and how fast it is moving.

A great example of this need occurred in Pakistan. The Pakistan Ground Lines of Communication (PAKGLOC) were plagued by pilferage of unit movement cargo. In response, we leveraged commercial technologies to mount cellular and satellite tracking mechanisms on trucks and inserted lift and intrusion detection sensor technology on containers transiting the PAKGLOC. The resultant real time knowledge of cargo location, speed and container breaches enhanced security and significantly reduced pilferage.

To ensure continued visibility improvements, as DOD's lead proponent for Radio Frequency Identification (RFID) and related Automated Identification Technology (AIT), we have developed an AIT implementation plan with the Services, DLA and other agencies to fully

incorporate AIT into our business processes. Although active RFID continues to be the backbone of our efforts, we are also using satellite technology in austere environments and are continuing to expand use of emerging passive RFID technologies as a result of lessons learned in the Alaska RFID Implementation project.

Improved visibility across the DOD supply chain is dependent on transforming the enterprise information technology portfolio. Historically, logistics IT systems have been managed and acquired as Service-specific stand-alone systems. We have begun the process to replace large, expensive point-to-point monolithic systems and interfaces with streamlined, web-enabled enterprise level services. Our goal is to deliver core DPO enterprise services to standardize common distribution processes and information exchanges while allowing the Services the flexibility to be unique where they need to be.

One example of this transformation is the Integrated Data Environment (IDE)/Global Transportation Network (GTN) Convergence program, an innovative IT program combining DLA's IDE information broker and USTRANSCOM's Enterprise Data Warehouse capabilities. This convergence will allow one-stop access to enterprise level supply, transportation and logistics systems and data, eliminating redundancies. Although in its infancy, the program will serve as an IT backbone to provide data visibility and support the needs of the future force.

One of the most important initiatives over the coming decade is Agile Transportation for the 21st Century (AT21). AT21 is an effort to incorporate distribution industry best practices and processes using commercial-off-the shelf tools and then transition workflow management, optimization and scheduling solutions. This transition will improve transportation planning, improve forecast accuracy and increase on-time delivery of forces and supplies to Combatant Commanders at a lower cost to the Services. When fully operational, AT21 will provide the

warfighter full distribution pipeline visibility and enable throughput management at critical ports and waypoints around the world.

Looking Ahead

We are continuously exploring new ways to support the future force. Through our Deployment and Distribution Enterprise Technology research and development program, we leverage emerging technologies to fix distribution and sustainment issues. For example, using the Joint Precision Airdrop System Mission Planner we have delivered over 3,300 stons of sustainment cargo to Operations IRAQI FREEDOM and ENDURING FREEDOM over the past year, significantly reducing ground recovery operations and dangerous convoy operations. Additionally, the Node Management and Deployable Depot (NoMaDD), an Advanced Concept Technology Demonstration, which provided material distribution and inventory support during Hurricane Ike, processed nearly 4,000 trucks of meals, water, ice, and plastic sheeting.

Last year, eight USTRANSCOM-funded projects transitioned to DOD organizations. Building on this success, we will transition an Enroute Care Module that will enhance patient care from the battlefield to definitive care; work to improve shipboard handling systems to more safely move cargo, vehicles and containers in high sea states; pursue joint integrated solutions for mesh-network, tags and tracking technologies to ensure end-to-end asset visibility; and develop a collaborative Single Load Planning Capability. These representative samples will greatly improve the precision, velocity, reliability, and visibility of the DOD supply chain.

Fiscal Stewardship

USTRANSCOM is ever mindful of costs and constantly seeking cost efficiencies. Since 2003, we and our enterprise partners have avoided over $2 billion in costs through the aforementioned DPO improvements, forward stocking initiatives, incorporating challenge

protocols to validate high-cost transportation requests and negotiating least-cost transportation solutions.

Additionally, as the DOD's largest consumer of hydrocarbons, we continue to pursue alternative fuels. AMC performed operational tests and demonstrated the potential suitability of synthetic fuel blends in the C-17, C-5 and KC-135 aircraft – next we will test synthetic fuels in the C-130. These are early steps in a long term effort to significantly reduce reliance on petroleum products.

FINAL THOUGHTS

USTRANSCOM is entrusted with an awesome responsibility to support, mature, and transform the Joint Deployment and Distribution Enterprise (JDDE). We provide what our warfighters and operators need to execute their mission – when they need it, where they need it, at the best value for the nation. From Tblisi, Georgia, to Galveston, Texas, our end-to-end distribution and logistics capability allows us to deliver the message of our nation's strength. Going forward, USTRANSCOM and its components will continue providing extraordinary capabilities for projecting national will across a wide range of military and humanitarian operations. We are strategically aligned to unify JDDE efforts for delivering value and saving money. I am extremely proud of this championship team. The men and women of the United States Transportation Command together with our enterprise partners will continue to enhance logistics capabilities, focus resources, and deliver superior support to warfighters and our nation.

Mr. MURTHA. General Lichte.

SUMMARY STATEMENT OF GENERAL LICHTE

General LICHTE. Mr. Chairman and committee members, thank you for the opportunity to appear before you today.

As the commander of Air Mobility Command, I am extremely proud of the total force team of over 132,000 active duty, civilian, and Air National Guard and Air Reserve mobility Airmen. We stand ready as proud members of the United States Transportation Command joint team, and we are privileged to provide global reach to our Nation's warfighters through airlift, air refueling and global patient movement.

I am extremely pleased by what the command has accomplished as we continue our focus on winning today's fight as part of the joint and coalition force, developing and caring for our Airmen and families, enhancing the nuclear mission, optimizing mobility partnerships and preparing the mobility forces for the future.

And, although the process of recapitalizing our tanker fleet could take more than three decades and will require a long-term commitment, it is time that we take that first step towards retiring our geriatric, Eisenhower-era KC–135s, a first step that will posture future generations of mobility Airmen to continue their great support of the joint warfighter and United States Transportation Command's global mission.

Considering the critical role that the tanker plays in today's joint and coalition environment, it is no surprise that modernizing and recapitalizing today's tanker fleet is the Air Force's number one acquisition priority. Without a modern tanker capable of flexible and versatile operations and response in this new century, our Nation's ability to respond to the traditional spectrum of conflict is in jeopardy, as is our Nation's ability to respond to future challenges.

Procurement of a new tanker is a matter of national security, and that is why it is the Air Force's number one acquisition priority. Tankers underpin the entire joint mobility team's ability to project combat power or humanitarian relief operations around the world. And while a decision on source selection and acquisition strategy remains with OSD, my goal remains to ensure that we procure a system that best meets the warfighter's requirement now and well into the future. To meet that end, Air Mobility Command is working closely with OSD in their management of this program.

Air Mobility Command brings a unique tool to our Nation. Through mobility forces our Nation can extend a clenched fist to our adversaries or an open hand to those in need. Air Mobility Command stands ready to assist at home or abroad to save lives and alleviate human suffering in the aftermath of any natural disaster or other crisis.

Although we still await the outcome of the mobility capabilities and requirements study, we are making progress with regards to recapitalization efforts. We are modernizing our C–5s with the avionics upgrades that will allow us to continue to operate in international airspace and foreign airfields. Additionally, the C–5 reliability enhancement and reengining program is making great strides. We recently delivered the first C–5M to Dover Air Force

Base and we look forward to modernizing a total of 52 C–5s to enhance the capabilities of our Nation's largest airlifter.

However, we are focused more on just modernization and recapitalization. We continue to take care of airmen, not just airmen, but soldiers, sailors, marines, as well. Through airlift and precision airdrop, we continue to pull the supply chain vertically up out of the threat, reducing the need to place soldiers, sailors, airmen and marines in harm's way on the roads of Iraq and Afghanistan.

For those who must be on the front lines to perform their duties, Air Mobility Command has airlifted almost 4,000 Mine Resistant and Ambush Protected vehicles, MRAPs, to Iraq on C–5s and C–17s and contract carriers as part of the United States Transportation Command's joint effort to rapidly deliver these high-priority systems by both sea and air.

Air Mobility Command clearly offers an edge in irregular warfare operations. When properly integrated with other military and civil efforts, the mobility advantage enables the infiltration, resupply and exfiltration of relatively small ground units. By providing humanitarian assistance, medical support and transportation for government officials to remote areas, Air Mobility can promote the government's credibility and improve the quality of life for its population. These types of operations which directly affect and are immediately visible to the population in question can have significant effects in the overall campaign against insurgents.

The continued wear and tear on our airframes remains a major concern. As our mobility Air Force's C–130 fleet shrinks, the remaining fleet ages quicker, resulting in aircraft being operationally restricted sooner. This, in turn, increases the number of inspections required, which affects our aircraft availability. And while our C–130 center wing box replacement program is making great progress, we are beginning to see wear-and-tear issues on other airframes as well.

The C–5 fleet has cracks appearing on the top of the aircraft and in the structures near the forward cargo door hinges. We are pressing ahead with fixes for these issues, but others undoubtedly will appear in the future as the fleet remains heavily tasked to meet mission requirements.

We also face looming deadlines to complete avionics upgrades to meet global air traffic requirements and continue to access congested airspace worldwide. Thus far, we have been able to modify a considerable portion of our fleets, but we have a lot to do before restrictions begin to impact operations in the year 2015.

In conclusion, I am proud to be both a mobility airman and a member of the United States Transportation Command's joint team. From direct support of the warfighter on the battlefield to humanitarian relief in response to natural disasters, our air mobility fleet is and will continue to be a critical component of America's strategy—strategic capability.

I am proud to wear the Air Mobility Command patch, and I am humbled to represent the 132,000 Mobility Command Airmen as we support the United States Transportation Command in demonstrating our national resolve, delivering combat power and saving lives.

Thank you very much for this opportunity, Mr. Chairman.

[The statement of General Lichte follows:]

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON DEFENSE

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: AIR FORCE MOBILITY ISSUES

STATEMENT OF: GEN ARTHUR J. LICHTE
COMMANDER, AIR MOBILITY COMMAND

MARCH 5, 2009

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DEFENSE
UNITED STATES HOUSE OF REPRESENTATIVES

BIOGRAPHY

UNITED STATES AIR FORCE

GENERAL ARTHUR J. LICHTE

Gen. Arthur J. Lichte is Commander, Air Mobility Command, Scott Air Force Base, Ill. Air Mobility Command's mission is to provide rapid, global mobility and sustainment for America's armed forces. The command also plays a crucial role in providing humanitarian support at home and around the world. The men and women of AMC - active duty, Air National Guard, Air Force Reserve and civilians - provide airlift, aerial refueling, special air mission and aeromedical evacuation for all of America's armed forces.

General Lichte hails from The Bronx, N.Y., where he graduated from Cardinal Spellman High School and entered the Air Force in 1971 as a distinguished graduate of Manhattan College's ROTC program. During his Air Force career, General Lichte has held command positions at squadron, group and wing levels. He is a command pilot with more than 5,000 flying hours in various aircraft, including the C-5, C-17, C-20, C-21, C-32, C-37, C-130, EC/RC-121, KC-10, KC-135, UH-1N and VC-137. In addition to his command experience, General Lichte has held headquarters-level assignments at Strategic Air Command, Air Mobility Command, U.S. Air Force and U.S. Transportation Command.

Prior to assuming his current position, General Lichte served as Assistant Vice Chief of Staff and Director, Air Force Staff, Headquarters U.S. Air Force, Washington, D.C., where he was responsible for Air Staff organization and administration, served as Deputy Chairman of the Air Force Council, and was the Air Force accreditation official for the Corps of Air Attachés.

EDUCATION

1971 Bachelor of Science degree in business administration, Manhattan College, New York, N.Y.
1978 Master's degree in systems management, University of Southern California
1978 Squadron Officer School, Maxwell AFB, Ala.
1989 National War College, Fort Lesley J. McNair, Washington, D.C.
1994 Program for Senior Officials in National Security, John F. Kennedy School of Government, Harvard University, Cambridge, Mass.
2002 Revolutions in Business Affairs, Naval Postgraduate School, Monterey, Calif.

ASSIGNMENTS

1. October 1971 - October 1972, student, undergraduate pilot training, Sheppard AFB, Texas
2. October 1972 - May 1975, EC-121 pilot, 552nd Airborne Early Warning and Control Wing, McClellan AFB, Calif.
3. May 1975 - July 1981, co-pilot, aircraft commander, flight commander, standardization and evaluation aircraft commander, later, KC-135 training flight instructor pilot, 380th Air Refueling Squadron, Plattsburgh

AFB, N.Y.
4. July 1981 - July 1985, Assistant Chief, Tanker Resource Management Team; Chief, Tanker Career Management Section; Chief, Operations-Maintenance Squadron Commander Management Branch; Chief, Special Assignments Activity Branch; later, Chief, Selective Assignments Activity Branch, Headquarters SAC, Offutt AFB, Neb.
5. July 1985 - August 1988, KC-10A flight commander, later, operations officer, later, Commander, 9th Air Refueling Squadron, March AFB, Calif.
6. August 1988 - June 1989, student, National War College, Fort Lesley J. McNair, Washington, D.C.
7. June 1989 - January 1990, Deputy Chief, Strategic Forces Division, Headquarters U.S. Air Force, Washington, D.C.
8. January 1990 - June 1991, executive officer, Deputy Chief of Staff for Programs and Resources, Headquarters U.S. Air Force, Washington, D.C.
9. June 1991 - April 1992, Assistant Deputy Commander for Operations, 2nd Bombardment Wing, Barksdale AFB, La.
10. April 1992 - July 1993, Commander, 458th Operations Group, Barksdale AFB, La.
11. July 1993 - July 1995, executive officer to the Commander, USTRANSCOM, and to the Commander, AMC, Scott AFB, Ill.
12. August 1995 - November 1996, Commander, 92nd Air Refueling Wing, Fairchild AFB, Wash.
13. November 1996 - January 1999, Commander, 89th Airlift Wing, Andrews AFB, Md.
14. January 1999 - April 2000, Director of Global Reach Programs, Office of the Assistant Secretary of the Air Force for Acquisition, Headquarters U.S. Air Force, Washington, D.C.
15. April 2000 - December 2002, Director of Plans and Programs, Headquarters AMC, Scott AFB, Ill.
16. December 2002 - June 2005, Vice Commander, USAFE, Ramstein AB, Germany
17. July 2005 - August 2007, Assistant Vice Chief of Staff and Director, Air Force Staff, Headquarters U.S. Air Force, Washington, D.C.
18. September 2007 - present, Commander, Air Mobility Command, Scott AFB, Ill.

FLIGHT INFORMATION
Rating: Command pilot
Flight hours: More than 5,000
Aircraft flown: C-5, C-17, C-20, C-21, C-32, C-37, C-130, EC/RC-121, KC-10A, KC-135, UH-1N and VC-137

MAJOR AWARDS AND DECORATIONS
Distinguished Service Medal with two oak leaf clusters
Defense Superior Service Medal
Legion of Merit with oak leaf cluster
Meritorious Service Medal with three oak leaf clusters
National Order of Merit (France)

EFFECTIVE DATES OF PROMOTION
Second Lieutenant May 23, 1971
First Lieutenant April 3, 1973
Captain Oct. 3, 1975
Major Aug. 1, 1983
Lieutenant Colonel March 1, 1986
Colonel Dec. 1, 1991
Brigadier General April 1, 1996
Major General July 1, 1999
Lieutenant General Jan. 1, 2003
General Sept. 7, 2007

(Current as of January 2009)

INTRODUCTION

Mr. Chairman and distinguished committee members, thank you for the invitation to testify today in support of the "United States Transportation Command Posture and Air Force Mobility Issues" hearing. It is my honor to represent the nearly 133,000 (132,497) Active Duty, Air National Guard and Air Reserve mobility Airmen who make up Air Mobility Command (AMC). Appearing before you today with the commander of United States Transportation Command (USTRANSCOM), General Duncan McNabb presents an incredible opportunity to discuss a myriad of important issues critical to our national security. My testimony will focus on topics critical to AMC. Primarily I will discuss the Air Force's requirement for a new air refueling tanker, the KC-X. Secondly, I will explain how our intertheater and intratheater airlift fleets are impacted by ever-changing requirements. Finally, I will outline several other issues on the forefront of this subcommittee's legislative agenda.

THE KC-X

I look forward to fielding the KC-X as soon as possible. The KC-X is needed now to offset the growing risk of our aging KC-135 fleet and to maintain support to the warfighter. I firmly believe potential failure of our tanker fleet represents a significant risk to our national security; we simply must bring a new tanker online to mitigate this risk and to ensure our Nation's ability to project reach and power. Without reliable tanker capability, our Nation's ability to project combat power, resupply our forces and deliver humanitarian aid is severely limited. The concept of operations being developed for the KC-X will take full advantage of its ability to support the mobility mission as a tanker with multi-role capabilities.

In its primary role, the KC-X will provide in-flight air refueling to allow receivers to complete specific mission objectives. All KC-Xs will be capable of refueling receptacle and probe equipped receivers on every mission; a capability that is inherent in only a small portion of our current fleet. Additionally, all KC-Xs will be capable of carrying multi-point refueling pods

and will be capable of receiver air refueling to extend their range and persistence in all mission areas

The KC-X will be able to augment its primary air refueling mission with a variety of secondary missions, either stand-alone, or in conjunction with air refueling (dual role). These missions include: airlift of passengers and/or cargo, and the offloading of fuel on the ground at forward area refueling point locations. In addition, every KC-X has an integral aeromedical evacuation (AE) capability not available on the current tanker fleet. The integral AE capability inherent to the KC-X is further augmented with the ability to carry the Patient Support Pallet.

Other KC-X enhancements which supplement its mission set are its secure voice and data communication links and global connectivity capabilities. These important features will help improve overall situational awareness and battle space clarity. With on-board defensive systems, the KC-X will be capable of operating in previously denied airspace, increasing employment options as compared to current air refueling platforms. All KC-Xs will have the capability to refuel in a night vision environment, further enhancing the warfighter's effectiveness.

AMC looks forward to the KC-X entering the fleet and addressing the warfighters' gaps and shortfalls. This addition of a viable platform will represent a great step forward for the AMC, Air Force, and Joint warfighter.

EVOLVING REQUIREMENTS & EFFECTS ON THE AIRLIFT FLEET

Without question, future force structure requirements are evolving. This evolution is driven by many changes, including the growth of our ground forces by 92,000 troops, the growth in the size and weight of ground force equipment (the Future Combat System), and the redeployment of overseas forces to CONUS. Additionally, we have seen an increased size and use of Special Operations Forces, additional use of our intertheater airlift assets in an intratheater role, and the stand up of a new combatant command – United States Africa Command. All of these changes, coupled with the ongoing struggle against extremism

contribute to changing requirements. The Mobility Capability and Requirements Study (MCRS), whose preliminary results we anticipate by late 2009, will make informed recommendations with respect to our airlift force structure.

C-5 Reliability and Re-engining Program (RERP) / C-17 Procurement

The C-5 Reliability Enhancement and Re-engining Program will improve the reliability and reduce the operating costs of the 52 C-5s that are modified. During the Nunn-McCurdy certification process, the Joint Requirements Oversight Council (JROC) certified "The required organic strategic airlift capacity of 33.95 MTM/D [million ton miles per day] derived from the fleet mix specified in the latest Mobility Capabilities Study is essential to national security and must be safeguarded." The current program for 205 C-17s, 52 RERP modified C-5s, and 59 legacy C-5As exceeds the organic strategic airlift capacity of 33.95 MTM/D specified by the JROC. However, we remain concerned and vigilant given the dynamic nature of our world and the increasing imperative for rapid warfighter response. The C-5 provides a combination of outsize capability, high capacity, and long-range airlift that is unequalled in any other airlift platform. However, the C-5 aircraft is a complex legacy platform that requires modernization to abate rising operational and sustainment costs and achieves acceptable reliability. Therefore, the 52 C-5s that are currently programmed for the RERP modification will provide reliable airlift at reduced operating costs. We are very confident that the modernized C-5, the C-5M, will achieve our operational and sustainment goals with a required wartime mission capable rate of 75%, serving the warfighter throughout the coming decades. That said, there remains a significant segment of the C-5 fleet, the C-5As, that are not currently programmed nor scheduled for the RERP, and we know those 59 aircraft will present a significant sustainment challenge for us in the future. While we examine our options for the C-5A closely as we know that any decisions must be well grounded and validated – the impending MCRS, which should be complete this year, will be one of the tools that will better inform us as to the correct path. Management of any critical mission area is always a complex challenge and history tells us

usually includes a combination of acquisition, modernization, sustainment, and retirement variables. We appreciate Congress' support over the years in allowing AMC to design and execute the correct roadmap for the future.

As we contemplate the future of the C-5 fleet, the discussion naturally turns to C-17 procurement. The C-17 continues to be the backbone of the Nation's strategic air mobility fleet and it is "soldiering" along every day, under an incredibly difficult operational tempo. It is truly an airplane for the times – designed and built for both expeditionary and major contingency operations providing great depth and breadth to the mobility "playbook." Like Secretary Donley and General McNabb, I support the current program of 205 C-17s. Clearly, with Congress' help, we are working hard to be good stewards of the taxpayers; dollar while achieving the strategic airlift fleet mix the warfighter requires; therefore, I believe it is important to retain all options for our Nation's airlift fleet as future requirements are determined.

Intratheater Airlift

On December 31 2007, RAND Project AIR FORCE completed the USAF Intratheater Airlift Fleet Mix Analysis (UIAFMA) for Air Mobility Command. The analysis evaluates alternatives to fill the capability gaps caused by the retiring C-130E. Alternatives include a Service Life Extension Program (SLEP) for older C-130s or the acquisition of additional mobility assets such as C-130J-30s, C-17s or C-27Js. The study found that the C-130E SLEP was not a cost-effective alternative. The C-130J-30 provides the most cost-effective alternative for meeting the Mobility Capability Study (MCS) shortfalls caused by the retirement of the C-130Es. The UIAFMA found no JROC validated mission set that requires procuring additional C-27Js beyond 24 to meet the Time Sensitive Mission critical requirement.

The Air Force's intratheater airlift force structure is required to meet the demands of personnel end strength growth of the Army and Marine Corps, and will be examined as a part of the ongoing MCRS for fiscal year 2016. The MCRS will also examine the intratheater lift needed to meet the Army's concept of operations as it relates to the Future Combat System

(FCS). This has taken on new importance with the recently announced non-transportability of the FCS on a C-130 aircraft.

Update on Ongoing Studies

Congress tasked the DoD to study the size and mix of the airlift force (McCaskill Tauscher Amendment to 2008 NDAA) with results due by spring 2009. OSD identified the Institute for Defense Analyses as the FFRDC to conduct this study. USTRANSCOM and OSD are currently reviewing the draft results.

As stated earlier, the DoD is conducting a Mobility Capabilities and Requirements Study. This study is tasked by the SECDEF Guidance for the Development of the Force and will examine changes in mobility demand that have occurred since the MCS was published in 2005, such as a 92,000 ground force increase, the reposition of U.S. overseas forces as a result of the Integrated Global Presence and Basing Strategy, inclusion of scenarios in U. S. AFRICOM, Future Combat System transportability and employment concepts, and Irregular Warfare. This study is being co-led by OSD and USTRANSCOM with AMC participation.

OTHER ISSUES

KC-10 Communication, Navigation, Surveillance/Air Traffic Management (CNS/ATM) Program

While the KC-10 is the younger of the current legacy aircraft in our tanker fleet it is approaching 25 years old and is facing obsolescence and air space access issues. It is critical to sustain the capability of this unique asset. The Aircraft Modernization Program (AMP) Capabilities Development Document was Joint Requirements Oversight Council approved in June 2006 and addressed numerous issues to support our warfighters: The CNS/ATM, net centric operatives, survivability, force protection, reliability, maintenance, and several obsolescence issues. Affordability ($2.2B cost estimate) led to AMP cancellation. AMC is now developing a de-scoped effort, limited to absolutely essential obsolescence (Boom Control Unit (BCU) and Inertial Navigation System/Flight Management System) and airspace access requirements (CNS/ATM requirement for airspace access).

The BCU is the KC-10's #1 obsolescence issue; the seven computers that are the heart of the BCU and are required to conduct aerial operations are no longer in production. Once available spares are depleted, this system will be unsupportable. This could occur as early as 2010 according to the latest engineering analysis. Because of its urgency AMC and AFMC are working to place the BCU on contract as soon as possible.

The CNS/ATM program will address KC-10 obsolescence issues and modify the aircraft to meet known CNS/ATM mandates for continued mission effectiveness (airspace access) beyond 2015; Air Force Materiel Command estimates the cost at $350M. AMC is currently working through the acquisition process to refine estimates, develop, fund, and complete the program prior to 2015.

The C-130 Fleet

Air Mobility Command is currently in the process of recapitalizing our aging C-130E fleet with C-130Js. The 18 C-130Js requested in the fiscal year 2008 supplemental, coupled with 32 C-130Js funded in the Future Year Defense Program, has come a long way toward meeting the minimum warfighter requirement set by MCS of 395 combat delivery C-130s.

While continuing with C-130J procurement to replace C-130Es, we also need to continue the center wingbox replacement program on the remaining legacy C-130 fleet as required. As of February 17 2009, one aircraft is currently grounded, and three additional aircraft are restricted due to problems with the center wingbox. To date, we have retired 129 C-130E aircraft.

We have verified with the program office and the contractor that there will be sufficient production capacity to meet production demands of new C-130J aircraft and our center wingbox replacement requirements.

AMC and Irregular Warfare

Today AMC is integral to Irregular Warfare operations. When properly integrated with other military and civil efforts, the mobility advantage enables the infiltration, resupply, and

exfiltration of relatively small ground units. By providing humanitarian assistance, medical support, and transportation for government officials to remote areas, air mobility can promote the government's credibility and improve the quality of life for its population. These types of operations, which directly affect and are immediately visible to the population in question, can have significant effects in the overall campaign against the insurgents. The AMC also assists with training partner nation air forces and seeks to develop and sustain the airpower capabilities of those nations. We do this through education and training essential to resurrecting the air forces of Iraq and Afghanistan. [1]

Civil Reserve Airlift Fleet

The fiscal year 2008 NDAA directed an independent assessment of the Civil Reserve Air Fleet (CRAF) – USTRANSCOM supported this study which was accomplished by the Institute for Defense Analysis. Simultaneously, a Secretary of the Air Force-directed CRAF study was performed by the Council for Logistics Research. Both looked at ways to ensure the CRAF remains a viable program post Operation Enduring Freedom/Operation Iraqi Freedom and their final results were briefed by August 2008 to USTRANSCOM.

Based on the two sets of independent recommendations, USTRANSCOM and AMC subsequently formed a working group to forge a common way ahead on the CRAF program. Program changes were jointly developed and were briefed to our commercial partners on January 6, 2009. Among these modifications, the fiscal year 2010 contract will include new incentives to encourage the use of more fuel efficient passenger aircraft, taxpayer money will be saved by reduced fees on one-way routes flown for DOD, and ground times are being shortened for commercial aircraft in order to improve their utilization rates within the DOD system. The AMC, as the prime custodian of DOD's mobility forces, will continue to keep this vital program current with evolving DOD needs and continue our close partnership with the commercial aviation industry. As the coming years will no doubt bring changes in DOD's

[1] "Airpower's Crucial Role in Irregular Warfare", Air and Space Power Journal-Summer 2007

posture in Iraq and Afghanistan, we are confident the CRAF will remain viable as a cornerstone of America's mobility capability.

CONCLUSION

Of utmost importance, the air mobility capability of the Nation must remain vibrant, flexible, and responsive to allow the Nation to project our national interests and meet the imperatives of the warfighter. The air mobility fleet will continue to face challenges in the days and years ahead. Yet, I'm confident that it will remain the keystone of the Department of Defense's ability to rapidly place mobility aircraft anywhere in the world. We appreciate the work of this Subcommittee and Congress' support to help us recapitalize and modernize America's mobility fleet.

Mr. MURTHA. General Fullhart.

SUMMARY STATEMENT OF GENERAL FULLHART

General FULLHART. Mr. Chairman, Congressman Young and members of the committee, I am honored to be here this morning to update you on the status of Air Force Mobility programs. I will keep my remarks brief in order to provide additional time to focus on issues of interest to the committee.

It is a privilege for me to be here with General Lichte from Air Mobility Command and General McNabb from United States Transportation Command. They are Air Force acquisition's primary customers for mobility aircraft. They determine the requirements and capabilities that are needed by the warfighter; and it is my responsibility to work with those who acquire aircraft platforms that meet those needs.

As the Director of Global Reach Programs, I oversee the acquisition of nearly 30 airlift, refueling, training and Special Operations Forces programs. I am proud of the approximately 50 acquisition professionals who serve in the Directorate of Global Reach. On a daily basis these individuals work with industry, the Department of Defense, other services and Congress to provide the warfighter with the capabilities they need to accomplish their missions. Our job is to properly execute the acquisition process so we can effectively equip the warfighter.

We are successfully moving forward with the acquisition and modification of our mobility aircraft. We are working with the Office of the Secretary of Defense to release a draft request for proposal for the KC–X air refueling tanker. We are competing the combat search and rescue aircraft source selection and anticipate awarding a contract this year.

We appreciate greatly the support that this committee has provided to the C–17 and C–130J programs. Procurement of these aircraft is on cost and on schedule.

Finally, the modernization programs for C–5 and legacy C–130 fleets are under way and performing well.

The timely acquisition of critically needed platforms will be an ongoing priority for our Air Force. The warfighter depends on the Air Force's acquisition workforce to procure these aircraft platforms so they can execute the mission that they have been given. We will also continue to focus our efforts on modernizing and recapitalizing our aging weapons systems.

We appreciate Congress's ongoing support for Air Force mobility programs.

Sir, I respectfully request my written statement be included in the record. Thank you again for the opportunity to be here. And I look forward to answering your questions.

[The statement of General Fullhart follows:]

DEPARTMENT OF THE AIR FORCE

PRESENTATION TO THE COMMITTEE ON APPROPRIATIONS

SUBCOMMITTEE ON DEFENSE

UNITED STATES HOUSE OF REPRESENTATIVES

SUBJECT: AIR FORCE MOBILITY ISSUES

STATEMENT OF: MAJOR GENERAL RANDAL D. FULLHART
DIRECTOR OF GLOBAL REACH PROGRAMS
OFFICE OF THE ASSISTANT SECRETARY OF
THE AIR FORCE FOR ACQUISITION

MARCH 5, 2009

NOT FOR PUBLICATION UNTIL RELEASED
BY THE COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON DEFENSE
UNITED STATES HOUSE OF REPRESENTATIVES

BIOGRAPHY

UNITED STATES AIR FORCE

MAJOR GENERAL RANDAL D. "RANDY" FULLHART

Maj. Gen. Randal D. "Randy" Fullhart is Director, Global Reach Programs, Office of the Assistant Secretary of the Air Force for Acquisition, Headquarters U.S. Air Force, Washington, D.C. As the capability director, General Fullhart is responsible to the Air Force acquisition executive for airlift, air refueling, training and special operations programs.

General Fullhart received his commission in 1979 as a graduate of the U.S. Air Force Academy. He has commanded at the squadron, group and wing levels, and has also commanded two expeditionary flying squadrons, an expeditionary operations group in Operation Allied Force, an expeditionary wing in Operation Iraqi Freedom. In addition, he has served as the Commandant of the Air Command and Staff College. General Fullhart has held staff assignments that include experience in operations, safety, acquisition, and government affairs at the major command and Headquarters U.S. Air Force levels. He served at Headquarters U.S. Air Forces in Europe, and has joint experience at U.S. Transportation Command as well as joint, inter-agency experience as Deputy Chief, Central Security Service, National Security Agency. Prior to his current assignment, the general was Vice Commander, Air Force Cyber Command (Provisional), Barksdale Air Force Base, La.

General Fullhart is a command pilot with more than 3,500 flying hours in the C-141, KC-135, T-38 and T-37.

EDUCATION

1979 Bachelor of Science degree in international affairs, U.S. Air Force Academy, Colorado Springs, Colo.
1983 Squadron Officer School, Maxwell AFB, Ala.
1984 Marine Command and Staff College, by correspondence
1986 Air Command and Staff College, by correspondence
1988 Master of Arts degree in management, Webster University, St. Louis, Mo.
1995 Master of Arts degree in national security affairs, National War College, Fort Lesley J. McNair,

Washington, D.C.
2001 National Security Management Course, Maxwell School of Citizenship and Public Affairs, Syracuse University, N.Y.
2007 Intelligence Community Senior Leadership Program, National Security Agency, Washington, D.C.

ASSIGNMENTS
1. June 1979 - June 1980, student, undergraduate pilot training, Williams AFB, Ariz.
2. July 1980 - September 1980, student, C-141 training, Altus AFB, Okla.
3. September 1980 - September 1985, C-141 copilot, aircraft commander and instructor pilot, Prime Nuclear Airlift Force, and Chief, Operations Resource Management Division, Current Operations Special Missions Planner, McGuire AFB, N.J.
4. September 1985 - November 1986, Air Staff Training Program officer, Logistics and Maintenance Budget Integration Office, Headquarters U.S. Air Force, Washington, D.C.
5. November 1986 - August 1989, C-141 formal school instructor, Chief of Squadron Training, and Chief of Wing Flying Safety, Altus AFB, Okla.
6. August 1989 - July 1991, Special Assignment Airlift Mission Director, Airlift Director, and special assistant to Deputy Chief of Staff of Operations for Quality, Headquarters Military Airlift Command, Scott AFB, Ill.
7. July 1991 - July 1994, government affairs officer and member, Commander in Chief U.S. Transportation Command Initiatives Team, U.S. Transportation Command, Scott AFB, Ill.
8. August 1994 - June 1995, student, National War College, Fort Lesley J. McNair, Washington, D.C.
9. June 1995 - October 1995, student, KC-135R training, Altus AFB, Okla.
10. October 1995 - October 1996, Commander, 912th Air Refueling Squadron, Grand Forks AFB, N.D. (March 1996 - June 1996, Commander, 92nd Expeditionary Air Refueling Squadron, Istres Air Base, France; July 1996 - September 1996, Commander, 4404th Air Refueling Squadron (provisional), Riyadh and Prince Sultan AB, Saudi Arabia)
11. October 1996 - May 1997, Deputy Commander, 319th Operations Group, Grand Forks AFB, N.D.
12. May 1997 - May 1998, Chief, Mobility Forces Division, Directorate of Global Reach Programs, Assistant Secretary of the Air Force for Acquisition, the Pentagon, Washington, D.C.
13. May 1998 - January 2000, Commander, 100th Operations Group, Royal Air Force Mildenhall, England (March 1999 - June 1999, Commander, 100th Expeditionary Operations Group, RAF Mildenhall, England)
14. January 2000 - October 2001, Assistant Director of Aerospace Operations, Headquarters U.S. Air Forces in Europe, Ramstein AB, Germany
15. October 2001 - August 2003, Commander, 92nd Air Refueling Wing, Fairchild AFB, Wash. (March 2003 - May 2003, Commander, 487th Expeditionary Wing, Cairo West AB, Egypt)
16. August 2003 - June 2004, Vice Director and Military Commander, Air Force Studies and Analyses Agency, the Pentagon, Washington, D.C.
17. June 2004 - October 2004, Commander, College of Aerospace Doctrine, Research and Education, Maxwell AFB, Ala.
18. October 2004 - June 2006, Commandant, Air Command and Staff College, Maxwell AFB, Ala.
19. July 2006 - August 2008, Deputy Chief, Central Security Service, National Security Agency, Fort George G. Meade, Md.
20. August 2008 - October 2008, Vice Commander, Air Force Cyber Command (Provisional), Barksdale AFB, La.
21. October 2008 - present, Director, Global Reach Programs, Office of the Assistant Secretary of the Air Force for Acquisition, Headquarters U.S. Air Force, Washington, D.C.

FLIGHT INFORMATION
Rating: Command pilot

Flight hours: More than 3,500
Aircraft flown: T-37, T-38, C-141A, C-141B and KC-135R

MAJOR AWARDS AND DECORATIONS
Defense Superior Service Medal
Legion of Merit with two oak leaf clusters
Bronze Star with oak leaf cluster
Defense Meritorious Service Medal
Meritorious Service Medal with four oak leaf clusters
Aerial Achievement Medal
Joint Meritorious Unit Award
Air Force Outstanding Unit Award with "V" device and three oak leaf clusters
Combat Readiness Medal
Armed Forces Expeditionary Medal
Global War on Terrorism Expeditionary Medal
Global War on Terrorism Service Medal
Humanitarian Service Medal
Air and Space Campaign Medal

EFFECTIVE DATES OF PROMOTION
Second Lieutenant May 30, 1979
First Lieutenant May 30, 1981
Captain May 30, 1983
Major Dec. 1, 1989
Lieutenant Colonel March 1, 1994
Colonel Sept. 1, 1998
Brigadier General Jan. 1, 2005
Major General June 19, 2008

(Current as of November 2008)

INTRODUCTION

As the Director of Global Reach Programs, I oversee the acquisition of nearly 30 airlift, refueling, training, and Special Operations Forces programs. Approximately 50 acquisition professionals serve in the Directorate of Global Reach. Each day, these individuals work with industry, the Department of Defense, the Air Force and other Services, and the Congress to provide much needed capabilities to the warfighter.

It is imperative that we properly execute the acquisition process so we can effectively equip the warfighter. While Air Force Acquisition has experienced some challenges, with hard work we are successfully moving forward with our Global Reach programs. We look forward to working with the OSD staff to release a draft Request for Proposal (RFP) for the KC-X. We are completing the Combat Search and Rescue aircraft source selection in anticipation of a contract award this year. Procurement of C-17s and C-130Js is on-cost and on-schedule. Modernization programs for our C-5 and legacy C-130 fleets are performing well. Finally, the C-27J joint program is underway with the Army. In my testimony, I will provide more details about the successes of each of these programs.

AIR FORCE TOP TWO ACQUISITION PRIORITIES

KC-135 Tanker Replacement Program (KC-X)

The KC-X remains the Air Force's highest procurement and recapitalization priority. Air refueling is critical to the entire joint and coalition military team's ability to project combat power around the world. The current fleet of Eisenhower-era KC-135s averages 48 years old.

KC-X tankers will provide increased aircraft availability, more adaptable technology, more flexible employment options, and greater overall capability than the current inventory of KC-135E and KC-135R tankers. The KC-X will be able to refuel receptacle and probe-equipped aircraft on every mission and to receive fuel in-flight as well. The KC-X will also be equipped with defensive systems to enhance its utility to the warfighter.

The KC-X program is based on a planned purchase of 179 aircraft and is the first of up

to three recapitalization programs to replace the entire legacy fleet. The Air Force has programmed approximately $3.5 billion per year for an annual production rate of 12-18 aircraft. But even with this level of investment, it will take several decades to replace the 400+ KC-135s. Given the age of the fleet and the time required to recapitalize, it is absolutely critical for the Air Force to move forward now on this program.

The Air Force and the Office of the Secretary of Defense have been considering options for conducting a new source selection since the previous competition was terminated in September 2008. It is the Air Force's desire to begin another competition in Spring 2009 and award a contract in early 2010.

Combat Search and Rescue Aircraft (CSAR-X)

The CSAR-X is the Air Force's next generation Combat Search and Rescue (CSAR) aircraft and continues to be the second acquisition priority after the KC-X. The Air Force plans to procure 141 CSAR-X aircraft to replace 101 aging HH-60G Pave Hawk helicopters.

Each Service is responsible to provide CSAR for its own operations, but the Air Force is the only Service with assets dedicated to CSAR. Air Force CSAR capability is available to the Joint Force commander at any time. The Joint Force Commander employs Air Force CSAR capability in support of other Services and components when the threat, location, or workload exceed another Service's inherent search and rescue capabilities.

The Air Force initially awarded a contract for the CSAR-X in November 2006. In February 2007, the Government Accountability Office sustained protests on the basis that the Air Force's calculation of Operations and Support costs were inconsistent with the RFP. After revising the RFP, the Air Force released RFP Amendment #7 in December 2008, shifting the schedule and funding profiles to the right by six months and clarifying how the Air Force will evaluate proposals. Responses were received from all offerors on January 20, 2009. The Air Force target for contract award is Spring 2009.

STRATEGIC AIRLIFT

C-5 Modernization Programs

The C-17 and C-5 fleets remain Air Force priorities to meet warfighter requirements for strategic airlift. The C-5 modernization effort is a two-phased program. The Avionics Modernization Program (AMP) provides modern, sustainable aircraft avionics, allowing the aircraft to efficiently access international airspace. This will allow the Air Force to more efficiently conduct peacetime operations and meet closure times for our Nation's war plans. The C-5 AMP effort continues at two modification centers at Dover Air Force Base, Delaware and Travis Air Force Base, California and will modify all 111 C-5 aircraft in the fleet.

The Reliability Enhancement and Re-engining Program (RERP) builds upon the C-5 AMP modification. C-5 RERP replaces the propulsion system and improves the reliability of over 70 systems and components.

Following a critical Nunn-McCurdy breach, USD (AT&L) certified a restructured C-5 RERP modernization of the entire C-5B/C fleet. Since the certification, the program has completed a Milestone C Defense Acquisition Board as well as an Interim Program Review in January 2009, earning USD (AT&L) approval to continue with Low Rate Initial Production.

The restructured program successfully completed developmental test and evaluation, meeting or exceeding all of its Key Performance Parameters. As part of this testing, the fully modernized aircraft, known as the C-5M, accomplished a non-stop flight from Travis Air Force Base, California to Royal Air Force Mildenhall, United Kingdom, via the polar route, without aerial refueling. The flight began at a gross weight of 807,000 pounds, well above the normal maximum of 769,000 pounds, established a continuous climb to an initial altitude of 33,000 feet, carried 120,000 pounds of cargo, and flew 4,770 nautical miles in approximately 11 hours. This is a vast improvement over legacy C-5A/B/C fleets, which would require aerial refueling to carry the same amount of cargo over the same distance.

The Air Force delivered the first C-5M to an operational unit on February 9 2009, piloted

by General Arthur Lichte, AMC's Commander, with Secretary John Young, USD (AT&L) and Secretary Sue Payton, Secretary of the Air Force for Acquisition, as proud passengers. The production program is delivering on cost and on schedule. These efforts will fully modernize 52 C-5s that meet the warfighter's requirements.

C-17 Production

The C-17 continues to be a highly successful program and proven airlift workhorse for American defense. The Air Force recently took delivery of its 183rd aircraft, on-cost and on-schedule. Congress provided $3.6 billion to the Air Force in fiscal year (FY) 2008 for 15 additional C-17s, bringing the current program of record to 205 aircraft. Combined with the C-5 program, this meets our current strategic airlift requirement.

The joint OSD/US Transportation Command-sponsored Mobility Capabilities Requirements Study should be released by the end of 2009 and is expected to offer additional insights into future airlift needs. The Air Force will continue to execute to the program of record while simultaneously developing the post production and transition plan. When Boeing decides to close the C-17 production line, the planning activities will ensure a viable supply chain for long-term fleet sustainment.

TACTICAL AIRLIFT

The legacy C-130, C-130J, and C-27J aircraft provide tactical airlift for the warfighter. Whereas our strategic airlift fleet provides mostly long-distance cargo transportation, the tactical airlift fleet serves our shorter-distance intra-theater missions.

C-130 Avionics Modernization Program (AMP)

The C-130 AMP program modernizes the Air Force's 221 C-130 legacy combat delivery aircraft to increase reliability, maintainability, and sustainability. It provides the aircraft with a common avionics suite and standardized cockpit configuration that will satisfy all mandated Communications, Navigation, Surveillance/Air Traffic Management System and Air Force Navigation safety requirements, allowing these aircraft to safely and effectively operate

worldwide in today's and tomorrow's airspace. In addition to meeting these requirements, AMP will also lower the cost of ownership and increase survivability of the C-130 combat delivery fleet.

Boeing, the AMP's prime contractor, is performing well against the recently reestablished baseline. To date, three test aircraft have been modified with C-130 AMP. Since the first flight in September 2006, the three AMP equipped aircraft have flown 272 flights totaling over 787.6 flight hours with a 97% effectiveness rating. No serious technical issues have been noted. The program received Milestone Decision Authority approval in FY 2008 to procure the first two AMP Low Rate Initial Production kits.

Continued C-130J Production

The C-130J is a key component of the intra-theater airlift modernization effort. The AMC identified a need for 143 combat delivery C-130Js to meet intra-theater airlift requirements. Through the Defense Appropriations Acts and Global War on Terror Supplementals, Congress has funded 90 C-130Js, 10 WC-130Js, 7 EC-130Js, 2 HC-130Js, and 11 MC-130Js. Of the 34 C-130J aircraft funded by Congress in FY 2009, the Air Force has placed 30 on contract and expects to place the remaining four on contract by September 2009. The C-130J Multi-Year Procurement Contract ended in FY 2008 and all aircraft currently being procured are using annual procurement contracts. As of February 2009, the United States Air Force has fielded 68 total C-130J aircraft.

C-27J

The C-27 is a joint Army and Air Force program to procure a small cargo aircraft supporting the delivery of Time Sensitive / Mission Critical cargo and personnel to Army forces. In addition, the C-27J will be capable of supporting intratheater airlift missions. Therefore, both Services will be equipped to provide general airlift support to joint forces as well as direct support to Army forces. To date, two aircraft have been delivered to the Army to support the joint test program and aircrew training. The next Army delivery occurs in FY 2010 and Air Force

procurement and delivery will follow.

CONCLUSION

The timely acquisition of critical refueling, CSAR, and mobility programs will be an ongoing priority for the Air Force. The warfighter depends on the Air Force's acquisition workforce to procure these aircraft platforms so they can execute the mission they have been given. The Air Force will continue to focus its efforts on modernizing and recapitalizing our aging weapons systems. We appreciate Congress' ongoing support for Air Force mobility programs.

Mr. MURTHA. Without objection, all three statements will be put in the record.

Because of the interest of our vice chairman in this particular subject, we are going to allow him to go first with his 5 minutes.

TANKER

Mr. DICKS. Thank you, Mr. Chairman. And I want to welcome all witnesses, particularly General McNabb, whom I have worked with for many years.

You know, last year we went through this tanker issue, and the Air Force made a decision, which I strongly disagreed with. General Handy, who doesn't work for Northrop Grumman or for Boeing, writes a very good op-ed about, you know, somebody who was both head of Air Mobility Command and TRANSCOM—like the last person to have both hats—why a smaller tanker is better and especially a tanker that would replace the KC–135.

And what the Air Force had testified to up until the very—like weeks before we had this decision, is, they wanted a medium-sized airplane.

And, you know, the question I have here is—one thing that was not taken into account that I found out was not taken into account was life cycle costs. And the evaluation they did was very cursory, and was only 25 years. The JROC had said that the life cycle of these planes is 40 years.

So the big issue to me is, if that had been properly evaluated and you look at the difference in the fuel consumption rate of an A–330—these are commercial airplanes; we know how much fuel they burn. And the numbers that I come up with—and let's say, at $100 a barrel, comparing the 767 and the A–330, 750 planes for 40 years at 750 hours per year, the difference in fuel cost between the two planes is $25 billion.

If it was 150—and we were almost at 150 last year; now it has come back rather dramatically—the difference would be $35 billion. And that is enough to buy the 179 airplanes.

So if I can get one point across to my colleagues, bigger isn't better. And that is why, General Lichte, I was so disappointed in what you said. Now you have clarified it to me today. You seem like a gentleman and a professional, so I am going to give you the benefit of the doubt that maybe you had a bad day.

But the reason I bring this up——

Mr. MORAN. It is like this for all of us.

Mr. DICKS. I know you weren't part of the selection process. I called Sue Payton immediately after I heard what you said, because in the selection process there were certain requirements, and if you met the requirements, you didn't get any extra points for doing extra, because they were concerned about getting too big an airplane. In fact, the testimony all the way up to the last days was that we wanted a medium-sized plane, which the 767 is.

The A–330 is a much bigger plane. It is even larger than the KC–10s, much larger, and yet has less fuel capability than the KC–10.

Now, on fuel offload, one other point I want to make, the average fuel offload of these planes, these tankers, is 62,000 pounds per sortie. Now the Boeing plane—the KC–135E offloads—has the ca-

pability of carrying 200,000 pounds of fuel; the 767, 205; the A–330, 245,000. So they are well in excess of the average requirement, which is 62,000 pounds. It may be 62,000 to 69,000, somewhere in that range.

So, again, you see that having a bigger airplane is going to wind up costing you more money not only in fuel, but you have hangars, that more hangars have to be replaced with the A–330 than the 767. They can't land at as many runways around the world.

This is like the difference between a C–5 and a C–17. One of the reasons why the C–17, a smaller airplane, but a very capable airplane, was the Air Force choice over C–5 was because you had more flexibility. In Europe, for example, I think you can have two C–5s on one of these fields and it stops everything. And you can have seven to nine C–17s.

This is the same issue here. You have more airfields that you can use with the 767 versus the A–330.

So, again, you are the leaders of the Air Force. All I am saying to you—and I am also very concerned on the acquisition side of this thing, again, that the companies are not even allowed to talk to the Air Force.

When is that gag rule going to be lifted? I think that is wrong. I think the companies need to be engaging the Air Force on the next RFP. When are we going to lift this we-can't-talk-to-anybody rule?

General LICHTE. Sir, that ruling, if you will, came out of OSD, anticipating that as we await the arrival of the new Under Secretary for Acquisition Technology and Logistics, that we will be starting that engagement process soon thereafter.

Mr. DICKS. Okay.

I want you to address fuel consumption. I want you to address some of the things that would have to be—you would have to have more hangars, you would have to strengthen the runways with a bigger airplane. Those costs weren't even taken into account. Those costs were not even taken—I mean, it was some general number, but not a real hard evaluation for the National Guard.

The other thing, one other thing that is just as important to our committee, we are going to have the Osprey, 439 Ospreys. The A–330 cannot refuel the Osprey; the 767 can. That is a big, additional benefit of having this smaller airplane, because the other plane can't slow down to a speed where it can offload the fuel to the Osprey.

I would like to hear you explain why you thought on the day of this announcement that more was better when the requirements said, if you meet the requirements, you shouldn't get extra credit for more, and it isn't necessary; and it has got this fuel—and it has got this weight problem that causes all this extra fuel consumption.

Would you like to address that, General?

General LICHTE. I would be happy to, Mr. Dicks. Thank you for raising some of those issues, and perhaps I can clarify.

First of all, on February 29 last year, when I was at the announcement, I, as the operator of Air Mobility Command, the commander of Air Mobility Command, established the requirements that were necessary to meet the new tanker requirements. And

then the acquisition world takes over and comes up with the solution.

The day that I was standing there on February 29 was really the first time that I found out which tanker won the source selection; and so, when I made the comment about more, I was talking in comparison to the KC–135. Either tanker really provided more than the KC–135—more fuel offload, more passengers carried, more cargo carried—and that was my reference to when I made the comment that afternoon. Because, quite frankly, I was very excited with the fact that we had finally gotten a new tanker. We have been asking for a new tanker for a long time.

These tankers were built in the Eisenhower era. As a matter of fact, these tankers were designed and built before our current President was even born. We need to get on with the replacement for the tankers. And as the person who established the requirements, either tanker met that requirement.

And so what I was trying to say is, I was very pleased that we were taking the next step to start this process, because even if everything had gone well—and as you know, we had the protest—it is going to take some 30 years and a long-term commitment to replace the tankers. And so when I made those comments, it was really in regard to that.

When you talk about offload requirement, yes, the average could be 62,000. I won't debate that. But there are B–52s, there are C–5s and everything that will take 125,000-, 150,000-pound offload which we are required to give them. And so, on the average, it may be. All those other parameters that were decided and reviewed by the acquisition world, that is how they came out with which tanker was the winner. And so I was expressing my gratitude and happiness with the fact that we were finally taking a bite out of the elephant, finally trying to get forward progress on an issue that we need to tackle.

And I am glad to see that at this committee you continue to tackle that.

Mr. MURTHA. The time of the gentleman has expired. We are going to work this thing out, that is for sure. We know you need tankers. We know it is the number one priority of the Air Force, as far as I am sure it should be in the Department. When we are going 8,000 miles to a battle area, we need to work that problem out.

Mr. Young.

C–17 GLOBEMASTER

Mr. YOUNG. Yeah, Mr. Chairman. Thank you very much.

And we have covered the tanker issue quite well, but I want to tell you that having MacDill Air Force Base right on the edge of my district—and, of course, I claim MacDill anyway and we have invested a lot of time and a lot of taxpayers' money in making MacDill the base that it should be.

But we have tankers there, and these tankers are KC–135s. They are not even the oldest version of the KC–135s, but they are old. And I want to tell you, your crews are amazing. As I talk to these young men and women that are flying these aircraft on missions, they tell me, Hey, this is old; I can't believe that we are fly-

ing airplanes this old, but we will fly them until there are no wings left on them. I mean, these guys are determined.

But the wings are only going to last so long and the aircraft is only going to last so long, and they are getting very expensive to maintain. So we need to get a decision, and we needed to get a contract, and we need to get the tankers in the air.

And having said that, let me go to the issue of the C–17. C–17 is pretty much a program that this committee basically kept going when there was serious question about whether we should even build a C–17. But once we had the C–17, there has never been a question about its capability or its reliability or what it can do for us that a C–5 can't do. And a C–5, of course, has been just a tremendous airplane.

But now we are in a dilemma; we don't have a budget request, and I don't think we are going to get one—I don't know—for any new C–17s. We also don't have any indication that there is going to be a budget request to close down the line.

Where do we go on C–17? The committee is going to need a little bit of direction on what the Air Force really thinks we should do on the C–17. Give us a good answer, we will find a way to make it happen. But I think we should think really long and hard before we do away with C–17.

General MCNABB. Well, Congressman Young, thanks. Again, your support has been superb. And the C–17, if you look at where we sit, both as we were asked to get convoys off the road in Iraq and going into Afghanistan, the C–17 has proven its worth. Everything that we had hoped it would do, it has done.

I am checked out on the C–17, and I go down and fly with those young folks at Altus. And those young captains put their arm around me and say, "Come on over here, son; let me show you how we fly this airplane." And it is really tremendous what we have done, and it has taken it to a whole different level, and it has been great. So the support of the committee has been superb, and we really do appreciate it.

I would say that I know, as you all know, as the new administration has taken over, they are reviewing all of these programs—the Secretary of Defense is personally in the middle of that—to take a look at all of these things to see how it will fit with all the requirements to include when the President outlines his strategy for Iraq and Afghanistan. So those are under review right now, and I know that there are a lot of decisions and discussions that are going on right now.

I was in the middle of the Nunn-McCurdy discussion last year when we said, how much does the C–5 reengining cost, and coming back saying, here is what we think as a department. And I would say that the current program of record of 205 C–17s, 52 modernized, reengined C–5s and 59 C–5As, which will have an avionics modernization program, ends up giving you a fleet of about 316. That meets the requirement, as TRANSCOM Commander; and the 205 C–17s gives me the flexibility that I need to make sure that I can deal with places like Afghanistan and others. Again, that was brought together by everybody taking a very good look at all of the options to include additional C–17s and reengining more C–5s.

And we have a new study that is going to be due out in December that is going to take into account the increased ground strength of the Marines and the Army—look at how we are employing the assets, look at the Future Combat System, the fact that it has got to be carried by the C–17 vice the 130. If there are any changes, we have flexibility.

Mr. MURTHA. That doesn't help us because the budget—the money that we are going to—in the supplemental and in the full bill, this study is not going to help us a bit. We need to know.

What are we going to do, shut down the line and then reopen it? You know the expense of that.

General MCNABB. Yes, sir.

Mr. MURTHA. We need to know if you need additional C–17s.

General MCNABB. Yes, Chairman. And what I would say is that, right now, the budget is going to come to you in a couple of weeks—3 weeks, I think—that is, the final decisions along with the administration; and I think probably in discussions with you all, will try to get their final hands around that.

So those are the things that are playing with it right now. I am comfortable that the Nunn-McCurdy, as we came in with, this is the overall solution on the airlift side, on that portion of it. I would say, the tanker is, no question, my number one priority; and as I look at that, that also helps us deal with the overall mobility situation.

So that is kind of where I sit right now.

C–5 RE-ENGINING

Mr. YOUNG. General, you mentioned that you reengined C–5s, the C–5M. And I understand you have—some of those are deployed to Dover Air Force Base.

General MCNABB. Yes. The first two, Congressman Young.

Mr. YOUNG. What kind of a success story do we have with the C–5M? Is it a good story?

General MCNABB. Yes. I think right now it is meeting the test. I will let General Lichte, who actually flew the airplane into Dover—the first airplane went into Dover. But—they will test and evaluate, but right now the test and evaluation has gone very well, or I would say, the parameters of meeting the requirements that they have outlined.

We will do further tests now that it goes out in the system, and we will see how that does. But right now not only is it meeting all the parameters that we had asked it to do, in fact, it is exceeding some of those.

I will also say that the cost seems to be good as long as they keep that cost down. And right now that all looks good from where I sit.

General LICHTE. Right.

I would just add that the C–5M performs wonderfully. It will be able to carry more cargo. It will be able to go longer because of the new engines.

The engines were probably the biggest problem with the old C–5s. So with the new engines—the time on the wing with the old engines was about 1,000 hours. Now with the new engines, it may last longer than the airplane does.

I think it has tremendous capability. It has got a mission-capable rate now in the 50s. We expect that to be up around 75 percent as an absolute minimum; but what we have seen so far—indications are that it is going to probably be about 81 percent. That allows us to get it out in the field and doing well. It is doing well.

Two of them have arrived. The third one is on the way.

Mr. MURTHA. General, what does it cost to refurbish those airplanes, well over $100 million?

General LICHTE. Right. You get about two C–5Ms for the price of one C–17, roughly.

Mr. MURTHA. And the infrastructure or the body of the airplane is how old?

General LICHTE. Well, we expect it to fly until 2040. What we are going to have to deal with on the older A models, which are the older ones——

C–5 RETIREMENTS

Mr. MURTHA. But you see our problem, if you don't come up with—to shut down the C–17 line is inconceivable. So we are going to have to make the decision, what—you know, what we do here. And we are sure as hell—I don't see us shutting down the line because that would be so expensive to reorganize it.

General LICHTE. All the studies indicate that about 205 C–17s and 111 C–5s will meet the requirements that we have for wartime. And so if more C–17s come, then we would need permission to start retiring some of the C–5s, the older, poorest-performing C–5s.

C–17 PROCUREMENT

Mr. YOUNG. Just one last question on the C–17. Isn't it a fact that the C–17 has been used far more extensively than we ever intended in a short period of time, which means that the maintenance requirements, means that the life span is being used more rapidly than we had anticipated; isn't that a fact?

General LICHTE. That is a fact.

General MCNABB. Absolutely, Congressman. But you know, when we talked about buying the C–17, we said, here are the kinds of things that we may need it to do, and in fact, that is what we have been doing with it both in Iraq and Afghanistan.

It is not the flying hours per se. It is the wear and tear on the airplane, because we actually are tankering a lot more fuel and doing a lot more of those assault landings than we had programmed for its life cycle.

This committee helped us a bunch two supplementals ago by giving us the 10 airplanes to make up for the wear and tear that we had on the fleet. I can't tell you how much that meant to us.

The 15 aircraft helps us do the same kind of thing. It allows us to now spread that wear and tear over the overall fleet because where that wear and tear is happening is in the airplanes that are flying into Afghanistan and Iraq.

General LICHTE. I will say, big picture-wise, we had programmed to fly them about 1,000 hours a year. They are up around 1,100. So, what we are doing is using fleet management, taking some of those that have been at home, maybe at the Guard and Reserve

that haven't had the high rate of flight, using those more. So we are trying to balance this out, coupled with, as General McNabb pointed out, the result of getting some extra aircraft to bring us up to higher numbers.

It is fleet management and we are controlling it very closely.

Mr. MURTHA. Mr. Moran.

KC–X PROCUREMENT

Mr. MORAN. Thanks, Mr. Chairman. I may not get into quite the prelude that my colleague got into in asking my question, but I do want to get just a little bit into the tanker issue.

I understand that there was a review of the KC–X procurement program just last week, and we are told that some of the requirements in the RFP were reduced. I don't think you mentioned that in your testimony, did you?

Is that true or false?

General LICHTE. The initial stage is, we have not changed our requirements. What we are looking at and where that comes from is, how do you translate requirements into language? And I am going to let the acquisition expert just give you the rest of the story.

Mr. MORAN. Okay. I don't want to get a long explanation. Let me give you another question you can answer at the same time.

I understand that they may be looking at low-cost versus best value. I gather that is far more than just semantics. What does it mean?

General FULLHART. Sir, I will try to give you the short answer that you desire.

Mr. DICKS. Can you speak up? We are having a hard time hearing you. Get a little closer.

General FULLHART. The green light is on. Is that all right, sir?

There are two key documents in terms of requirements. The capabilities development document is the core document. And what General Lichte is referring to is, those are the requirements levied by the warfighter and that are approved by the AFROC and JROC, if I could use those acronyms with you; those are the formal bodies.

Those requirements are translated into things that you then put into a request for proposal. Those are the systems requirements, document requirements. Those were the famous 800-plus requirements that I think people have heard about. With great credit to the warfighter to the acquisition community, they have gone through a very extensive review of those requirements to look at, how do you clarify them, how do you make sure there are not redundancies. Because that was one of the findings from the last——

Mr. MORAN. So there is no substantive change in the requirements, you are just making them clearer, more concise?

General FULLHART. Exactly.

Mr. MORAN. It does seem to me to be a substantive change, though, if the policy is to seek low cost versus best value.

General FULLHART. Yes, sir. And all those things are on the table, because clearly, until we have, as the Secretary of Defense has indicated, a new Under Secretary for Acquisition Technology and Logistics, we haven't had a dialogue between OSD and the Air

Force on both the acquisitions strategy as well as the source selection strategy.

Mr. MORAN. You haven't had the dialogue?

General FULLHART. We have not, sir.

Mr. MORAN. Let me ask you, there seems to be pushback against the idea of having a mixed buy of tankers.

Do you have a policy or a clear issue with regard to the idea of having two different types of tankers?

General FULLHART. Well, sir, as I think you know, the Secretary of Defense is on the record both in testimony and in public comments that, at this time, the fiscal realities are that we think that one tanker program is the way to go.

Mr. MORAN. And you agree with that? That is what I am asking. Was that your recommendation?

General FULLHART. Well, sir, we haven't made a formal recommendation. But all the indications that I have seen, or the data that I have seen, do point out the fact that clearly if you are acquiring two aircraft at the same time, the costs are going to be higher. How you rationalize that in the fiscal environment is a dialogue that certainly we want to have with this committee and others.

MRAP TRANSPORTATION

Mr. MORAN. Well, I know what Secretary Gates said. I just wanted to hear what you might say.

Let me ask you about the transportation of MRAPs. You have already sent 12,000 MRAPs to Iraq and Afghanistan in the last year and a half or so. I want to know what you are going to do with those MRAPs in Iraq. It is enormously expensive to move them, but the DOD made the policy to transport them by air, particularly into Iraq because you can't trust getting them across land through Pakistan.

Can you tell us what your plan is and give us some sense of the cost of moving these MRAPs out of Iraq, recapitalizing them maybe, getting them back into Afghanistan?

General MCNABB. Congressman, I will take that one.

What we initially did was—because lives were at stake, we basically said, hey, if you needed to go by air so that we can get those to the warfighter the fastest possible way, obviously we took the initial ones in there.

It is about a tenth of the cost to take it by surface. You are right about Afghanistan. We will take it, if we can, by surface as far forward as possible, and then take it for the last leg by air.

Obviously, we don't take that through a ground line of communication (LOC) through Pakistan; we take that by air. We will take MRAPs in that final leg into Afghanistan by air.

Whatever we can do by surface, we will as long as——

Mr. MORAN. What surface is there? There is no surface between Iraq—I mean, maybe some surface Iraq out to Saudi Arabia. But you are using the port there, I guess, in the Basra area anyway. So you are floating them, and then you are flying them.

You are going to land them in Pakistan, so there is really no surface that you can use, is there?

General MCNABB. Right, in Afghanistan. If I am moving them from Iraq to Afghanistan, pretty much you are exactly right.

But in many cases these are different types of MRAPs. They are lighter. There are different types that they need in Afghanistan. So primarily what we will do is, we will take those in. Like I said, those last legs will come in by air to make sure that we don't put them at risk as we take them through the ground Loc.

So you are exactly right. It is about—again, about a tenth of the cost to take it by surface. And again, whatever we can do as far forward as we can by surface and do the last part by air, that makes us money.

Currently, about 72 percent of the MRAPs have moved by surface and, you know, roughly 28 percent by air, but that was going into Iraq. Now we are going to Afghanistan.

Mr. MORAN. The proportion is going change dramatically, though, as you get into Afghanistan.

I am out of time so I am not going to ask a question, but I just want to make a point.

FUEL LOGISTICS

Fuel logistics—we can ask a question on this for the record—but they represent 70 percent of the materiel that the Army ships into battle. It is something we need to look at. That is an enormous cost, just fuel logistics, and it is going to continue to be as we ramp up in Afghanistan.

So we will present a question for the record.

General MCNABB. Congressman, I will be glad—as TRANSCOM and especially as the J–4, obviously getting fuel into Afghanistan has always been just really a key issue.

We try to make sure we have lots of options coming in from different directions. A lot of our fuel, in fact, 65 to 70 percent comes in from the north; only 30 percent comes in from the Pakistan side, to give you an idea. And the idea is you want to have multiple ways of getting it in.

That is one of the big things—as we bring in additional forces, is to make sure that we have got the fuel in place in Afghanistan, something General Petraeus, something we watch very closely with CENTCOM and also with DOA and DESC, who is responsible for that. But we watch it every day to make sure that we are keeping that fuel flowing.

Mr. MORAN. Thank you, General.

Thank you, Chairman.

COMBAT SEARCH AND RESCUE

Mr. FRELINGHUYSEN. Thank you, Mr. Chairman.

Gentlemen, thank you for being with us this morning. I have not forgotten my trip out to the Air Mobility Command several years ago. The logistical footprint of what your young people do across the world is amazing; and no matter what anyone thinks about what happens in Iraq and Afghanistan, the support and the operations under that command are truly remarkable, night and day.

And it is amazing, of all the flights and tanker issues, that you don't really hear of some of the problems that could come from such aged tankers. It is truly remarkable.

Your second highest priority behind the tanker replacement—and I know the chairman has been to Nellis Air Base. And, you know, sometimes in life when you make a promise—when I met with some of those crews, talking about the combat search and rescue helicopters, those guys and gals that are involved—and they are going to be, you know, really involved in Afghanistan.

I learned yesterday—I guess this isn't confidential—there is not 1 mile of rail in Afghanistan. You would think there might have been.

General MCNABB. Right.

Mr. FRELINGHUYSEN. But the air support of getting our injured—well, obviously getting our troops there, setting up a whole new series of air bases, where does the CSAR contract stand? I mean, what in the devil is going on here? Is there any optimistic news on the horizon?

General FULLHART. Yes, sir, there is.

In fact, on the day of the Inauguration we received the best and final proposals from the three vendors who are vying for that contract. We are in source selection as we speak, and we are on track for an April review by OSD in getting that contract signed and getting started with production.

Mr. FRELINGHUYSEN. So we are making some progress?

General FULLHART. Yes, sir.

Mr. FRELINGHUYSEN. The combat search and rescue, obviously there have been situations where remarkable things have happened——

General FULLHART. Absolutely.

Mr. FRELINGHUYSEN [continuing]. In terms of rescuing.

What is the medevac component? Hasn't the Secretary of Defense directed the use of CSARs for medevac?

General FULLHART. Sir, I can take that; that is an operational question which I can take for the record.

[The information follows:]

The medical evacuation (MEDEVAC) component exists under the U.S. Army for the specific mission of evacuating injured personnel. The mission is performed by U.S. Army rotary-wing assets. Due to enduring requirements for MEDEVAC capability, the Air Force has assisted the U.S. Army in performing this mission in U.S. Central Command with HH–60G Combat Search and Rescue (CSAR) helicopter assets, which are inherently capable of performing the MEDEVAC mission with their advanced mission abilities.

The Secretary of Defense has recently directed additional Air Force CSAR assets to enhance the MEDEVAC capability in Afghanistan. However, this has not been the first time that Air Force CSAR assets have been used for MEDEVAC operations in this theater. Since the initiation of U.S. Central Command combat operations, deployed Air Force CSAR helicopters have always performed MEDEVAC missions, when requested, due to their inherent capability to execute missions in demanding environmental and threat conditions, such as night low illumination conditions. Starting in January 2006, Air Force CSAR helicopters were also deployed solely to perform the MEDEVAC role in Afghanistan due to shortages of available U.S. Army aircraft. In February 2009, to further support the Secretary of Defense's MEDEVAC initiatives, all Air Force helicopters located in Afghanistan were tasked to perform the MEDEVAC mission, including those assigned for CSAR alert. In addition, to further improve MEDEVAC response with more aircraft, the Air Force will temporarily cease advanced tactics training at the HH–60G Weapons School at Nellis Air Force Base, Nevada in March 2009 to provide these aircraft and instructors for combat operations in Afghanistan.

General FULLHART. But certainly they play in all those roles. I have a colleague who is in that business, and his story to me was

that since 2001 in Iraq and Afghanistan alone that they have been responsible for about 2,600-plus savings out there. So there are a lot of mothers and fathers and husbands and wives out there who are grateful.

Mr. FRELINGHUYSEN. They don't have any roads. With all due respect, the few roads that are out there, we have built.

General FULLHART. Yes, sir.

Mr. FRELINGHUYSEN. And these helicopters, one thing we know about Afghanistan, high altitudes.

General FULLHART. Absolutely.

Mr. FRELINGHUYSEN. How does that fit into the overall equation? And how does it meet, should we say, other operations that are important, Special Ops and——

General FULLHART. Certainly. The contract that we are going to be letting for the replacement CSAR–X helicopter specifically addressed the need for that platform to be able to operate in higher altitudes and higher heat conditions because that is a limitation that we are facing in places like Afghanistan today.

Mr. FRELINGHUYSEN. And satisfy my curiosity.

Afghanistan is not Iraq—obviously, a far more or less hospitable terrain, horrendous situation. What sort of evacuation procedures are you looking at, planning for? You are obviously—we have a higher rate of injury and deaths in Afghanistan now.

What are we doing relative to evacuations that are different from Iraq?

General MCNABB. Actually, we will end up—as you said, it is that front end portion of how do you get the forces to the hospital. And once we stabilize them, to get them aboard an aircraft.

Once we get them aboard a C–17, KC–135, the new KC–X, then that is going to be pretty much the same. We will bring them pretty much the same into Landstuhl unless we need to bring them all the way home, just like we do now using air refueling. That, as you said, has been one of the greatest things we have done in our promise to these great Americans that have raised their hands.

Mr. MURTHA. I think what Mr. Frelinghuysen is saying, we had a hearing yesterday, or the day before yesterday, and they talked about 72 minutes and the death rate is almost twice as much in Afghanistan as it is in Iraq.

General MCNABB. Right.

Mr. MURTHA. That is because it takes so long to get them in. We are in the business of trying to get the resources to you, and we can't get an answer in many of these things.

CSAR is absolutely essential. And what Mr. Frelinghuysen is talking about is, let's get these things out there, whether it is tankers or CSARs or whatever it is, and—so we can reduce the time it takes to get these troops to the hospital.

General MCNABB. Absolutely.

Mr. FRELINGHUYSEN. And do we have, quite honestly, enough aircraft to do what we need to do——

General MCNABB. On the aircraft side——

Mr. FRELINGHUYSEN [continuing]. To shorten that period of time?

General MCNABB. It is really going to be that helicopter movement that you are talking about.

Mr. FRELINGHUYSEN. Do we have shortfalls in these types of helicopters? Do we, because of this mess-up or the delay with the CSAR contract?

General FULLHART. Sir, what I will do is take that for the record as an operational question.

But what I will tell you is that this contract is intended to replace 101 of the current fleet with 141 of the new fleet, which is meant to address the——

[The information follows:]

Yes, but not because of the delay with Combat Search and Rescue (CSAR) contract. In 2003, the Air Force developed the Personnel Recovery Vehicle Operational Requirements Document. In 2005, it was converted the CSAR–X capability development document. This document identified a base-line fleet of 141 aircraft. The current HH–60G fleet stands at 101 from an original fleet of 112, a capability gap of 40 airframes.

The delay of CSAR–X is not causal in the shortfall of rescue helicopters we currently face. Desired Initial Operational Capability of CSAR–X was Fiscal Year 2013. Without an acceleration of this original initial operational capability, CSAR–X would not have been able to alleviate the shortfall in today's rescue assets.

Mr. MURTHA. But you are only going to buy 10 a year, one a month. I mean, we can't save any money when we buy that small a fleet.

You guys have got to give us figures where we can save money and get the stuff out in the field. That is the problem we have, and there is no question, CSARs is something that fits into a supplemental because it is so directly related to the warfighting. You need to get that information to us so we could put the money in to reduce the hazards to the troops out in the field.

General FULLHART. Yes, sir. I will take that back.

And as we have indicated, there are meetings going on as we speak to try to determine the future.

Mr. FRELINGHUYSEN. We have wounded soldiers, I assume, still being flown into Balad. And then they go out from there. I assume we have the same sort of logistical responsibilities in Afghanistan. And are there shortfalls in aircraft assets for the theater?

So we are going to get that information; we don't have it now? That is unfortunate.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Hinchey.

STEWART AIR NATIONAL GUARD BASE

Mr. HINCHEY. Thank you, Mr. Chairman.

Generals, thank you very much. In the context of this hearing and your response to the questions, I even understand a little more clearly the complexity and the difficulty of the circumstances that you are dealing with in light of the new political circumstances that we have with the new President. So I can appreciate what is going on here.

But at the same time, as our chairman has been saying, we need to know more information, as much as we can get from you and as quickly as possible.

I just want to mention a situation that is a little local in my context. The 105th Airlift Wing is located at the Stewart Air National Base in New York; and it is a fairly large and fairly active operation there.

They are pretty much dominated by the C–5As. And the C–5As, as we know and has been discussed here, are running low. They have been around a long time and there is increased concern about the safety and security of the people who are operating them and using them. But there is also a certain amount of growing concern about some of the people who live in the area around the airport, that there may be some problem that might result.

In any case, the C–5As were supposed to be replaced by C–17s in 2010, but that is now in the process of changing, or at least potentially so. Well, we know that there are some changes.

I would like for you, if you would, to just give us a little clarity with regard to that. And in the short time that I have, I just want to mention just a couple of things in the context of this situation which you might be able to answer.

C–5A MODERNIZATION

Could you describe for us the challenges of modernizing the C–5As, which are older than the C–5Bs, and I know that that has been part of the problem because there is such a challenge to modernize them. Can you give us some information about that?

If all of these C–5As need to be replaced, is there a reason—what is the reason why we wait to do so? Why are we putting it off if they need to be replaced? And it is pretty clear that they do.

And just my own situation, when do you expect that the changes at the Stewart Air Base are likely to be made? And when will the mobility and capabilities requirements study, which has focused on these issues, when is that going to be completed and what do you think we are going to get as a result of that?

General LICHTE. If I could take that, sir, I just visited Stewart—twice in the last 6 months. I agree with you. They are a fantastic group of folks. General Johnston has a great team up there. Some of the things you talk about with modernizing the C–5A, your folks are up there coming up with innovative and creative ideas. One thing they showed me is, two of the NCOs have figured out a new way of doing the landing gear panel on the C–5. It is very complicated. The gears all have to spiral and turn and everything all at the same time. They were able to figure out a better way to do that, to test it without having to launch an aircraft. They are trying to help with modernization efforts.

But you point out that the C–5A is old. And when you put new equipment on it, it is the digital interface with the old round dials. And when you say, What is the challenge for modernizing C–5s, it comes down to dollars. And as we have looked at this over the years, it was cheaper to modernize C–5s with new equipment, new engines to keep them going than to afford new C–17s.

And so it has been a balance, and that is why we struck the difference of 205 C–17s, 111 C–5s, fully modernized, all of them get avionics upgrades and 52 of them get the new engines.

When will MCRS, the Mobility Capabilities Requirements Study come out? We hope about a year—well, at the end of the year we should have something for the results of that.

We have been doing a lot of studies over all the years. We come out with about the same each time because it is based on deliberate war plans; and we are waiting to see the results of the MCRS be-

cause we did factor in some new items on this Mobility Capabilities Requirements Study. So we are hoping to get that.

The reason we held up on distributing the C–17s, as you discussed about Stewart perhaps being in line for C–17s, was if this study comes out with new requirements, higher requirements, and we don't get permission to retire any C–5A models, we are kind of stuck with, where do we put these aircraft? And that is why we said, we are better off distributing them among the C–17 bases we have right now until we get the final decision and then we will go back and address it.

We are certainly aware, very much aware of Stewart's contribution, the fact that it could do the mission with C–17s as well. We just want to make sure we get it right for the taxpayers so we don't have to do this two or three times.

Mr. HINCHEY. So are you looking at the possibility of the danger, the increasing danger of the C–5As and the rate that they have been used so steadily and effectively?

General LICHTE. Right.

Mr. HINCHEY. But the age and the aging, in spite of the fact that the modernization process is——

General LICHTE. The age is a factor that comes out, and quite frankly, we put it back on our NCOs and airmen who are fixing and repairing those aircraft. They do a marvelous job. Just like Mr. Young said, those folks go out there and even though they are working on aircraft sometimes twice as old as them, they take great pride in launching those aircraft and making them successful.

But that—for me and General McNabb and General Fullhart, we want to make sure that that doesn't continue forever. We want to get new requirements out there, we want to try to do it. And again, we appreciate the great work that the committee does to help us on it.

Mr. DICKS. Would the gentleman yield?

Mr. HINCHEY. Just one last thing, if I could.

Mr. DICKS. What is the mission reliability rate of the C–5 and the C–17?

General LICHTE. I will give it to you exactly. The C–5As are—47.9 is the mission capable rate; C–5B is 57.8; and the C–5M, we hope to go greater than 75 percent or higher; and for the C–17, the C–17 is 86.4, to be exact.

Mr. HINCHEY. I would just—if I may, one last thing.

I just hope, and I would expect that this is going to happen, that the people who are putting this budget recommendation together which is going to come to us, which our Chairman has been so focused on, will understand your understanding of the circumstances that we are dealing with, with issues like the C–5A and how that issue has to be addressed; and also to put it into context of the economic development program in which we are engaged and the jobs that are associated with the development of the new aircraft.

All of that, I think, is very important.

General LICHTE. Yes, sir.

General MCNABB. Congressman, I couldn't agree with you more on that, to bring that all together.

There is no question that if you can't trust an airplane, you have to treat it differently. In other words, you will have to put in four to make two, three to make two. And you have to build in—you can't carry cargo into places because—if you are afraid that it will break.

So we have to manage the fleet differently because of that. And I think that all plays—and again, I echo what General Lichte says, it is amazing what our folks who are out there do.

Stewart has been instrumental across the C–5 fleet making sure that when we—we put the C–5 into battle, they have been ready to take care of anything we need done, to include bringing in other airplanes to do heavy maintenance there at Stewart.

So again I tell you a great unit that has been, and we really do appreciate that.

Mr. HINCHEY. Well, thank you very, very much.

Thank you, Mr. Chairman.

Mr. MURTHA. You have no choice is what it amounts to. The same way with the line. We may have put enough money into this, the C–17 line, but the subcontractor is going to run out. This is the problem we are going to have down the road if you guys don't make a decision there down the line before long.

Mr. Tiahrt.

TANKER REPLACEMENT

Mr. TIAHRT. Thank you, Mr. Chairman. Have we decided whether the tanker competition is going to come out of OSD or out of the Air Force? Has that decision been made?

General FULLHART. Sir, that is a decision that has not yet been made.

Mr. TIAHRT. We don't yet know. I keep seeing ads for a KC–45. Did we actually terminate the contract with Airbus and Northrop Grumman?

General FULLHART. Yes, sir, we did.

Mr. TIAHRT. Was there a term liability clause in there that was employed? And I would like to know how much was spent there.

General FULLHART. I can provide that to you for the record.

Mr. TIAHRT. All right. Thank you.

[The information follows:]

The contract contained both the cost reimbursement termination clause as well as the limitation of funds clause. The contractor had billed for approximately $60 million prior to the termination. The Air Force and the Defense Contract Management Agency are currently in the process of negotiating a settlement price to the terminated contract.

Mr. TIAHRT. We heard about low cost, best value. Mr. Moran brought that up.

SUBSIDIES

How are you going to deal with these ongoing problems, though, that were apparent in the previous proposals, like the startup subsidies that the United States Trade Representative says are illegal? Are we going to turn a blind eye to those again, or will they be taken into consideration in the next go-around?

General FULLHART. Sir, it is my understanding that those are being adjudicated in the WTO, and so we await the outcome of those.

Certainly, we are following whatever laws have been passed by Congress in terms of our Federal acquisition regulations, and we will certainly abide by those.

Mr. TIAHRT. So as far as the contract itself, it will have no contractual consideration for these startup subsidies?

General FULLHART. Sir, it would be premature for me to know at this point what the future contract——

Mr. TIAHRT. This is an ongoing problem. There needs to be either some kind of reconciliation if it occurs after the contract award, if there is an impact—a little late when it is downstream. I think it should be taken into consideration as we move forward, that this is an unfair advantage that some corporations have in this process. And I don't know how you get a true low cost if you don't take into consideration illegal subsidies.

What about these regulations that are waived in the DFARS for foreign suppliers, the things like Buy American Act, cost accounting standards, international trafficking in arms regulations, the Foreign Corrupt Practices Act, the Berry amendment? The DFARS waives these; Congress doesn't waive these considerations.

In waiving those regulations, are you going to take into consideration the difference in cost of employing these, or are you going to waive them for American manufacturers as well as the foreign manufacturers?

General FULLHART. Sir, I can take that one for the record.

My understanding of the Buy American Act is that there are memorandums of agreement that have been signed that, in effect, many of the countries in Europe and others are treated as an equal.

[The information follows:]

No waivers have been processed with regard to the KC-X competition. On any future KC-X source selections, offerors will need to comply with current Defense Federal Acquisition Regulation Supplement guidance for the Buy American Act, cost accounting standards, international trafficking in arms regulations, the Foreign Corrupt Practices Act, and the Berry amendment.

Specifically, the Buy American Act allows for acquisition of commercial derivative supplies from qualifying countries to include France. Pursuant to 10 U.S.C. 2533, the Secretary of Defense may enter into agreements with partners in national security for the purposes of the Buy American Act. These agreements are established through Defense Cooperation Agreement letters signed by the Secretary of Defense.

The Department of Defense does not determine the applicability of Cost Accounting Standards (CAS). That is the prerogative of the CAS Board, a five member board, chaired by the Office of Federal Procurement Policy and is comprised of members of industry, academia, and government. The CAS Board regulations allow for modified coverage for foreign concerns and U.S. firms in certain circumstances. Most of our major trading partners have financial systems requirements similar to our cost accounting standards. However, modified coverage does require the application of CAS 401 and 402, which provide for consistency in estimating, accumulating, and reporting costs as well as consistency in allocating costs incurred for the same purpose. Also, CAS does not apply to commercial products utilized in the manufacture of an end item being delivered to the government and CAS does not apply to contracts and subcontracts with foreign governments as set forth in Federal Acquisition Regulation appendix 1 subpart 9903.2011. In this case, the KC-X tanker contract is compliant with CAS requirements.

The Air Force did not waive the requirements of the international trafficking in arms regulations (ITAR). While there are elements of the KC-X tanker acquisition which are subject to ITAR restrictions, the KC-X program team verified that the

competing contractors complied with the ITAR restrictions for the applicable elements.

The Foreign Corrupt Practices Act (FCPA) is designed to impact the way U.S. firms do business in foreign markets. The Department of Defense did not waive the FCPA, which applies only to practices by foreign corporations. All offerors are required by section K of the Request for Proposal/contract to certify that they are in compliance with all laws and regulations.

The National Defense Authorization Act for Fiscal Year 2007 removed the specialty metals requirement from 10 U.S.C. 2533a (the "Berry Amendment") and established a new specialty metals requirement at 10 U.S.C. 2533b. The specialty metals requirement flows down to subcontractors and it now applies to procurement of "end items, or components thereof', not just specialty metals. As a result of extensive pressure from industry, the National Defense Authorization Act for Fiscal Year 2008 granted additional flexibilities in sections 804 and 844 to include and exception for commercial derivative military aircraft.

This new exception for commercial derivative military articles allows contractors to certify that the contractor or its subcontractors have entered into agreements to purchase an amount of domestically melted or produced metal, in the required form, for use during the period of contract performance in the production of the commercial derivative military article.

Mr. TIAHRT. So you are going to waive them for the American manufacturers as well as the foreign manufacturers?

General FULLHART. Sir, I have no idea.

Mr. TIAHRT. In order to treat them as equal, that would be a fair thing to do. But that is an ongoing problem that I think needs to be taken into consideration. Do you waive regulations for foreign suppliers that have a significant portion of this—I mean, the first five airplanes, according to the EADS proposal will be built in France. So we are going to completely waive those regulations for those five and maybe the subsequent ones?

I think that is an ongoing problem that needs to be addressed in this bid, because I don't know how you achieve a low cost versus best value if you don't take that into consideration.

Also, what about proposals that have false pretenses employed in them? And I will tell you a little story because it is Army that did this instead of the Air Force, but it is a lesson learned that needs to be a OSD lesson learned.

The light utility helicopter contract was awarded to EADS with a proposal that included work done in America to—it managed to, with the proposals, to meet Buy American standards; but then, once it was signed into contract, that work was pulled back to Europe. The airframe was pulled back, the avionics were pulled back, some of the fire walls were pulled back around the engine.

And I know this because they were Kansas companies that were part of a successful bid, part of a successful manufacturing plan that, once it came into a contract, they just kept that work over in Europe. So there was a false pretense in obtaining the contract.

What mechanism will you put in place to make sure that there are no false pretenses in their proposed manufacturing plan? Because that has a great deal of—if you make a decision based on the data in front of you, and then they change the rules of the game afterwards—and in the clause of every contract that I have looked at that comes out of EADS, there is a paragraph that says, We are going to make manufacturing decisions based on best economic principles for the company—and I can understand that—but that is code that says, We are going to keep this work in Europe.

And we know for a fact that what we saw in the last proposal, the work was going to stay in Europe for at least the first five.

And the same thing happened in the light utility helicopter contract. The first five helicopters were built in Europe. And then a letter came to Spirit Aerospace in Wichita, Kansas, that said, you know, We have got this ongoing line in Europe; and we are doing okay and we think it would cost a little extra money to move this work to America, so we are just going to cancel our contract with you. And there was no penalty.

And I asked the Army, what mechanism did you have in place? Zero. Nothing. Nada. No way to go back and say, By the way, you gave us a false premise, and there is a pretty good reason to believe that you misled us.

So what mechanism do we have?

And this is an ongoing problem. There needs to be a mechanism in place that promises made are promises kept. Because promises build hope, but keeping promises builds trust. And right now I don't trust the people that you awarded the contract to last time.

So this is an ongoing problem. And I don't think you can have a low cost, best value evaluation without these mechanisms in place.

General FULLHART. Well, sir, I appreciate those views, and I am certain that will be part of the discussion. It will be ongoing as the OSD and the Air Force—when we finally get together to talk about things, it will be part of the consideration.

Mr. TIAHRT. You do hold them accountable for requirements. This ought to be a requirement.

General FULLHART. Thank you, sir.

Mr. DICKS. Would the gentleman yield just briefly?

Mr. TIAHRT. Glad to.

INDUSTRIAL BASE

Mr. DICKS. We had a hearing with Secretary Young. One of the things we brought out to him was, on every one of these procurements, you are supposed to do an evaluation of the impact on the U.S. industrial base.

As far as I am concerned, I don't think that study was ever done. And since we are starting this acquisition again, I just want to reiterate to General Fullhart that we have to do that. That is a statute.

We will be glad to get that to you so that you know; I don't think it was done last time; I think it was kind of waived by the Air Force. But we need you to—it is a 10 U.S.C. 2440, implemented by FAR Part 34 and DOD instruction 5002, which require development of a program acquisition strategy which looks into the impact on the industrial base in the United States.

Thank you, Mr. Chairman.

Mr. TIAHRT. This illustrates my point, because if you had done an industrial impact—what was the title of it again, Norm?

Mr. DICKS. 10 U.S.C. 2440.

Mr. TIAHRT. If that had been conducted on the light utility helicopter based on the proposal, based on what is happening today, you would have two different scenarios.

So a decision was made based on the first one, which was a false premise; and the impact is now felt with people who are looking

for a job here in America. I mean, this is hometown stuff. This is stuff that we are all worried about.

There are intellectual property repercussions. There are a whole lot of things that impact our industrial base that are based on a document that may or may not be fulfilled. And somehow we have to have the mechanism to say, Tell me anything you want, but whatever you tell me, I am going to hold you accountable for.

General FULLHART. Yes, sir. I understand. Thank you.

Mr. TIAHRT. Thank you, Mr. Chairman.

Mr. MURTHA. Ms. Kilpatrick.

TANKER REPLACEMENT TIMELINE

Ms. KILPATRICK. Thank you, Mr. Chairman.

Good morning, Generals. The awarding of the acquisition was let, pulled back. I am assuming now it is somewhere in house being relooked at. I understand the Secretary is very much involved in it.

The first question from me is, will it harm our fleet, our defense capabilities, or any of that as we wait for the administration, the Congress, to act? I know that 40 years they can operate. Are we close to that or do we have another 2, 3, 4 years to debate this?

General LICHTE. Well, we hope that it will happen soon. I can assure you that everyone has been involved with working with the old administration, and now the new administration, in laying everything out. As General Fullhart pointed out, the Secretary of Defense is just waiting for his Under Secretary for Acquisition, Technology and Logistics to be in place; and then we hope it is going to go.

We have laid out the requirements from Air Mobility Command side. We have been talking about the need for a new tanker for a number of years. We have always known that because of the length of time that it will take, it will take us out until about 2040 before all the KC–135s are recapitalized; and we are doing the best we can with what we have.

And so we just hope it accelerates. And we appreciate all the support we have been getting.

Ms. KILPATRICK. So it must not be absolutely settled during this 111th Congress. You would like it, but we can still——

General LICHTE. No. It needs to be started because if it doesn't—first of all, if everything goes right, we don't see the first airplanes showing up until about 2015.

On the tanker side, we have a number of KC–135s, but we also have KC–10s, 59 of them. They were supposed to be the bridge to the new tanker, but we haven't modernized those as well. So we have to get on or we will find ourselves at a tremendous shortage of tanker aircraft.

General MCNABB. Congresswoman, if I could add to that. I say it is my number one priority. There is no question about it. We need them sooner. We need them now. We needed them yesterday, because as soon as we get on with that, we will have a capability that I think will be essential to what we are trying to do around the world.

Mr. MURTHA. Would the gentleman yield? Go back to that 2015. Start when you said 2015.

General LICHTE. 2015 is the time that, for air traffic control management, we need new avionics in the KC–10; otherwise, we are not allowed to fly in some of the sweet airspace—first of all, primarily in Europe, and then it expands around the rest of the world.

That was the KC–10 that I was talking about.

Mr. DICKS. The gentleman has a good point here.

Let's ask a question: When he has got it, when would be the IOC if we got a decision in this year, when would be the initial operating capability?

Mr. MURTHA. We can work out a compromise in the supplemental. When would you get your first airplane out there?

We tell you to buy the airplane.

General LICHTE. Well, as you know, both companies had different dates that they could get the aircraft out.

Mr. MURTHA. What is the first one that we could get out in the United States, built in the United States?

Mr. DICKS. Two or 3 years?

General FULLHART. Yes, sir, about 3 to 4 years; in that range because you have the development period, the testing period. Once you get through that, then you start delivering to the warfighter.

Mr. MURTHA. Is that because of the requirements you put on that are absolutely essential to the thing? These airplanes were already built, flying.

General LICHTE. These first ones would go out to Edwards Air Force Base and do the test to make sure that all our aircraft can refuel behind them, to make sure it has everything, and anything that was added or included—we have the performance data to make sure that our air crews are ready to fly them.

And so I would expect to see it—as quickly as it comes, it is going to start flying. As soon as the aircraft arrives, we will start flying it at the test program. And then usually it is about close to 2 years of tests. And then it shows up—just like with the C–5M with the reengining, it is going to take a while.

It has been in tests for a while. It is going to go through some operational tests, and then we put it on the line.

Mr. DICKS. Mr. Chairman, it is much better if we did this from scratch. It would be 20 years 15 years—much shorter by having a commercial derivative.

Mr. MURTHA. Ms. Kilpatrick.

MIXED FLEET

Ms. KILPATRICK. Never miss a plug. I like that, Chairman, over there.

That was one thing. Then it talks about the mixed, which means to reinforce or something, or new fleet. I didn't hear a clear answer up here.

Which is better? The cost, yes, you considered it, but I am not sure it is the only thing that you consider. Does it matter to the Air Force?

And we are appropriators. And you all can't say much to the President and OMB and SDD and all that—that was the wrong acronym.

But you know, if you can't say it, just say the other people make that decision.

General MCNABB. Obviously, the Secretary of Defense has been very clear on how he sees that. And obviously, Congressman Murtha, the chairman, has come on and said, Here are some different ways of looking at it.

I think they are looking at all ways. I know that is kind of how I understand it. They are looking at every avenue and mix and how you might do that.

I would also just say that from the standpoint of TRANSCOM, both of the bidders when they came in with the tankers, they came in with magnificent bids that would have met all the requirements that we needed.

Ms. KILPATRICK. I don't want to go back to that.

General MCNABB. I would say that as long as it meets the requirements we have laid out, TRANSCOM is going to be happy. And right now everybody is coming in with bids that have more than met our requirements. So we are happy.

Ms. KILPATRICK. Let me ask one other thing.

I am going to leave that because we can go, in here, all day on that one.

PIRACY

Piracy, I keep hearing it is in one part of the world. And I know, General McNabb, it is also one of your priorities. What is the status of it? Are we there? I know you work with a coordinated effort here. Is it larger or smaller? Where are we going with that?

General MCNABB. Well, I do think that, as you say, it is a global problem. It is a global transportation problem that has to be dealt with. What we have done with our sealift fleet is, we have worked tactics, techniques and procedures along with the Navy to make sure that they have got a good concept of how we escort our ships through.

We have gone out to industry and helped them with assessments to make sure that they are able—you know, they have got all the latest, here is how you deal with that. And I think that is all working very well; there have not been any attacks on our ships.

It is a constant problem. It is one that I think we will have to live with and make sure that we are always thinking ahead about how do we do this. Again, it is not necessarily our Military Sealift Command ships. It is more our container ships that our commercial partners are carrying our stuff with it.

We track that very carefully. We watch them. We have special ways of working with the Navy to make sure that they get escorted when required. All of those things are taking place.

But it is one of those concerns I have every day.

Ms. KILPATRICK. Thank you very much.

Thank you, Mr. Chairman.

Mr. MURTHA. Thank you, Mr. Chairman.

The gentleman from Georgia.

INVENTORY, AIRCRAFT RETIREMENTS, CHINOOKS, C–130JS, AND C–5S VS C–17S

Mr. KINGSTON. Thank you, Mr. Chairman. Gentlemen I have four unrelated questions. And what I was going to do is just go

ahead and ask them; and whatever you can't get to, if you could answer it for the record.

The first question has to do with the inventory, that we often interfere with your ability to control in terms of airplanes that you want to mothball. I think, actually, Congress did make some progress and gave you more flexibility. So I wanted to hear how that was going.

The second question actually has to do with Chinooks in Afghanistan. I was talking to an Army Guard unit from Georgia yesterday, who will be using them. But I was wondering what the split was between Air Force and Army on Chinooks. Do we have enough in theater there? Getting back to what Rodney was asking in terms of transportation over there, and Guard versus regular Air Force, I just wanted a comment on that. I just would be interested in what you had to say.

And then on the C–130Js, there were 34 in the fiscal year 2008 supplemental. There were none requested in the 2009 President's budget, and I was wondering if there would be any in the 2010 budget.

And the last question was following up on Mr. Dicks's question about the reliability of the C–5 versus the C–17. And if I heard you correctly, you said that C–17 was at 86 percent, and the best C–5 was, I think, 46 percent. That is a huge disparity, so I was wondering if you could maybe tell us more about that difference. Because that being the case, it would appear to be, you know, let's just use C–17s.

So those are my questions.

General MCNABB. Congressman, how about I hit the first two?

On inventory, there is no question that as we get new aircraft, we like to have permission to retire the old. What really makes our system is the crews, the maintenance, the facilities, all of those. And so our ability to say, Hey, if we get new things, we need to retire the old because those crews, we need to transfer them over to the new assets.

Many of the new assets can handle a higher utilization rate. They are much better, much more valuable, and we can make them much more useful by doing that. We need the maintainers to do the same thing. If we don't retire the old ones, we can't transfer them.

So I would say, that ability to retire the old is absolutely essential.

Mr. KINGSTON. Isn't it something like $3 million a week to maintain those soon to be, or hopefully to be, mothballed airplanes? I know it is a big cost. Do you know what it is?

General MCNABB. I can get that for the record. But, of course, it depends on which fleet we are talking about, what kind of storage we need to bring them in. But many times we are required to keep them on the ramp and keep them crewed and with maintenance and all of the others.

[The information follows:]

The initial in-processing cost for a C–5 aircraft entering Type 1000 Storage is $49,000. Twice a year the aircraft is inspected at a cost of $262/inspection (annually $524). Every four years there is a re-preservation; estimated at $33,000 for C–5 aircraft.

But we need to get those young airmen moved across to the new assets so we take full advantage of the investment that is made. There is no question about that.

The Chinooks, the Air Force, as far as I know, doesn't own any Chinooks, so——

Mr. KINGSTON. It is all Army?

General MCNABB. All Army.

And then I will let you all answer the 130J and the reliability issue.

General LICHTE. Let me circle back. Because the biggest issue for us was KC–135 retirement, KC–135E models in particular. This year we were granted permission to retire them, so by the end of this year, all the E models will be retired.

It did cost money to go out and rotate the tires once a week, run the engines once a month. So that is where you were coming up with that figure.

I don't think it was quite as high as $3 million, but when you factor in how much money it also costs to put it into what we call Type 1000 storage out in the desert—my term is a "bubble wrap" around the airplane—that was expensive. We didn't think we needed to do that, but we were forced to do that.

We have been given permission now to retire the rest of the E models. Some of them will remain in Type 1000 storage. Some of them have just been retired, so they will just sit in the desert. Then we can use them for parts on other airplanes.

The same, by the way, for the 130 fleet, we are trying to do that.

We still have restrictions on the C–5 fleet, which we can't retire any.

With regard to the reliability, I will do that.

I will let you talk about C–130Js.

57.8 is the reliability for the C–5B, which is our youngest C–5 and the most modern C–5; we are trying to push that up to a reliability rate of 75 percent. And you are right, when you compare that even to the 86 percent of the C–17, we are hoping to get all the way up to 81 percent on the C–5. But still, the C–17 is more reliable.

General FULLHART. Sir, with regards to fiscal year 2010, that is part and parcel of the ongoing dialogue that OSD is running. And I simply just don't have insights into that at this time.

Mr. KINGSTON. We will know in 3 weeks.

General FULLHART. Yes, sir.

Mr. KINGSTON. Thank you.

Thank you, Mr. Chairman.

Mr. MURTHA. Mr. Rogers.

AFGHANISTAN, IRAQ, MANAS AIR BASE

Mr. ROGERS. You are going to be given a lot more work to do in the next few months with the anticipated buildup in Afghanistan and the build-down in Iraq. Are you ready for that?

And number two, what does the closing of the Manas Air Base in Kyrgyzstan do if that takes place to these needs?

General MCNABB. Yes, sir.

What we have been doing to make sure that we have whatever General Petraeus needs on the ground in Afghanistan: We have

been really working that hard with AMC and our own components to make sure that we are set. The portions we are doing are to make sure that we have more than one option on the ground and make sure that we have the air robust enough so that if, in fact, we have to take it in by air, we will be able to do that.

General Lichte has heard me say on a number of times, if we had to do a Berlin airlift kind of deal tonight, you need to be ready to do that; and his folks have been working very hard on that. The way you do that is make sure that airfields—we make sure that we can do very quick turns on aircraft, make sure that if we can get parking ramp and you get the throughput going on the different airfields there in Afghanistan.

We have been working that very closely with CENTCOM. And those are the kinds of things we have been working on. I think that the—we can provide this for the record.

But what we have done is increase the throughput at Bastion, at Kandahar and Bagram specifically, in some cases quadrupled the throughput there by working together, sending in teams to be able to do that. And that is on the air side.

On the ground side, you all know that we have been working on being able to come in also from the north, using what we call the "Northern Distribution Network," to make sure that we can take commercial kinds of cargo through the north if we can. We do that with fuel now. And I think that that is—we have 800-plus containers in the Northern Distribution route now. And we want to make sure that we take advantage of those supply chains to get in there.

We are working very closely with CENTCOM to make sure that we measure the flow that is going in there as they put the 17,000 troops in. And I think that from the standpoint of making sure that we meter that and are thinking ahead of that, that is all being worked very closely again with CENTCOM and with the folks in the Pentagon.

My take is, we want to make sure that everybody understands that they will not be slowed down because of our ability to resupply.

I think when you brought up Manas, I say that Manas is useful but not essential because we always have other options. In some cases that may be a little more expensive but we have them. And we don't want anybody to feel like they can slow us down by holding an airfield hostage or saying, Hey, if you don't have this, we can really take you out. We don't want anybody to believe that because they can't. We have other options to be able to do that.

Mr. ROGERS. So you have no problem with the equipment and the capability and the strategic capability of flying into Afghanistan?

General MCNABB. No, sir. In fact, I mentioned earlier my thanks to this committee; because of what you have done in the past, decisions that were made in the last 15, 20 years in this committee, specifically supporting things like the 130J, like the C–17, like Tunner loaders, that have allowed us to be able to get the velocity and reliability on our aircraft up and to be able to go into these smaller airfields. That has paid huge dividends for us.

DEFENSIVE COUNTERMEASURES

Mr. ROGERS. One last question. In Afghanistan especially I would suspect that you would be susceptible to a lot of ground-to-air attack. Are you equipped to handle that?

General MCNABB. Again, this committee has been superb in supporting us, our defensive systems and our tactics. We have been flying in Afghanistan, as you know. Many of you, if not all of you, have flown on our airplanes when they come in on night vision goggles and random approaches to make sure that every one is going to be a little bit different. So those kinds of tactics are what have allowed us to be able to maintain that flow that goes in there. My take is, that has really paid some big dividends for us.

When I think about Afghanistan and I think about the throughput, the C–17 is a perfect asset for that, something Congressman Dicks—way back when we talked about that throughput model. Afghanistan is that place. If you end up saying, I have got only a small parking spot, but I am going to have airplanes go through here, and they are going to leave the engines running, dump the load in 15 minutes and be off again, so I can bring the next airplane in. That is the CONOPS that we have been working on.

I will let General Lichte jump in here. But I have asked AMC. They have responded. They are all over this. But they know that they may be asked; our ultimate guarantor that we can get into Afghanistan and support General Petraeus is there. Again, the defensive systems is a big part of that. And again, the support of this committee has been huge.

Mr. MURTHA. Do you have the airplanes to do it?

General MCNABB. Yes, sir. As you said, the C–17, 130J, the kinds of assets you have given us, the C–27.

You asked me, Chairman, earlier about how that would fit. Given the more dispersed ops, the ability to have tails becomes important as well. And, in fact, being able to bed down small tails in that area also is important. There are places that different assets really come of age. That is where the C–27 fits.

MEDEVAC HELICOPTERS

Mr. MURTHA. CSAR takes 22 minutes to get somebody out of Afghanistan because you don't have enough helicopters. I told people, start lobbying for more helicopters and get them out in the field.

Now, I know that the Air Force has stepped up some of their resources there. You don't have the resources, so twice as many people are dying in Afghanistan before they get to the hospital. That is what we are talking about.

General MCNABB. Right.

Mr. MURTHA. You could do it, but do you have the resources to do it? That is what this committee wants.

Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

Mr. MURTHA. Let me talk about a couple things we have done. We put the money in for the C–17. We put the money in for the C–130 years ago. We put money in for SL–7. The 1991 war, if you didn't have SL–7, you wouldn't get the equipment past where it was. We put money in for ships, all those things.

So this Committee—and health care, we put money where we see there is a need. But if we don't get the information, then they give us hell on the floor. These guys get up here and they say, you shouldn't do this, you shouldn't do that.

Well, our job is to appropriate money, but we have to have figures in order to do that.

We can justify everything we put in this bill. Only 18 people voted against this bill. When it leaves here, it stays the same until it goes to conference, and it doesn't change. And they get all kind of railing against it. And the Senate feels the same way. When we come to a compromise, the bills pass very handily.

But information is the key, and we have got to have information from you or we can't do the things that we need to do to make sure the troops have what they need.

Mr. Young.

TANKER REPLACEMENT

Mr. YOUNG. Mr. Chairman, thank you very much. I want to go back to the tanker issue for just a minute.

A year ago when the tanker issue was really up in the air, I had the audacity to suggest, why doesn't the Air Force consider splitting the buy and having the two competitors both build tankers? I was ridiculed everywhere. I took raps from almost everybody who knew anything about the tanker issue. But today we are talking about doing just that. So I have got another weird suggestion that might not have any benefit today, might not ever have any benefit.

Why not consider—when the Air Force decides what they want in this tanker, why not have both companies build the same aircraft, build the same tanker, the same suppliers for spare parts, the same types of maintenance, same types of equipment on the ground at airports? It is probably as weird as my first suggestion last year. But this is something that has been going through my own mind.

General MCNABB. Let me let General Fullhart talk about that from an acquisitions standpoint.

General FULLHART. Sir, it is definitely an innovative idea, and I am not going to try to throw water on it.

I think some of the things that we would need to consider in that kind of construct is, do we lose the savings that we currently envision in terms of taking something that is already established and having to create something out of whole cloth, in other words, something that is new?

Certainly there is a business case to be made out there by companies that might be reluctant to share some of their own proprietary information. That is something they would have to work through, obviously.

It is a fascinating idea. Perhaps as the time comes; we will have to wait and see.

Mr. DICKS. Will the gentleman yield?

Mr. YOUNG. Sure.

Mr. DICKS. I guess what I would say to the gentleman's question—and I always have great respect for the gentleman. He is always serious in trying to do the right thing.

The advantage of this program is that you have these commercial planes already developed. So, I mean—you know, for them to build a 767, which would mean they would have to go through a whole development phase; or for Boeing to build an A–330, they would have to go through a whole development. It would raise the cost dramatically. It would be like building a brand-new airplane.

As we were talking about earlier, if you are going to do a brand-new airplane, it would take maybe 15 years to bring it in. So the whole idea here is to take these commercial planes off the shelf and then modify them for the military mission. And that saves us a ton of money; you can do that for $6 or $7 billion.

Now the reason Gates is against this is because—I mean the dual buy—is because, one, it would cost $6 or $7 billion to do both of them, so that is another pot of money. Then you would have to divide the buy.

I know the Chairman thinks we could double the buy. But it would be better to double the buy on the low-cost, small, correct airplane—you know who I am thinking of—and that would drive the costs down.

But to buy two different planes—and I would just also say to the gentleman, Pete Aldridge, when he made the first decision, buy 80, lease 20, which was overturned because of the scandal, he didn't even let Airbus compete because he said that they didn't have a plane that met their requirements.

If you look at the GAO report on two important issues, an Airbus can't meet the requirements. They had to be modified under pressure from the other body in order to be able to even compete.

So, again, I think the right thing to do is to stay with the commercial buy, pick one airplane and if we can enhance the spending for that, drive the cost down and buy more of them soon, that would be, I think, the best solution.

Mr. YOUNG. Well, I appreciate the gentleman's comments. And as usual, he is probably always right.

Mr. DICKS. I am not necessarily right. I have been wrong many times.

Mr. YOUNG. I admitted that this was a strange suggestion today, as the one I made last year that you are all talking about now.

Mr. DICKS. Not all of us.

Mr. YOUNG. If you are going to take an airplane off the shelf, why couldn't two contractors take the same airplane off the same shelf?

Mr. MURTHA. Okay, folks, we are going to solve this problem, and it is going to take a while, but we are going to work it out.

Mr. DICKS. Mr. Chairman, can I ask another question?

You are not going to end the hearing, are you?

Mr. MURTHA. I was going to end the hearing.

Mr. DICKS. Can I just finish one thing?

Mr. MURTHA. The gentleman from Washington.

TANKER FUEL USAGE

Mr. DICKS. You guys have your fuel charts up there. We sent you up fuel charts.

Can you give them to them? We have got some more.

Now here is what bothers me. This is what I was trying to say. But this is a Conklin & de Decker are a company that evaluates fuel consumption for commercial airplanes. So these are commercial numbers. These are not numbers that would relate to the military plane.

But if you look at these numbers—let's just take the $100 per barrel and let's cut it in half to $50. If you have the 767–200ER versus the A–330, the difference in consumption—now this is 179 airplanes. They fly 750 hours per airplane per year and over a 40-year period.

Now, General Fullhart remembers that the acquisition people made a mistake. They only had a 25-year life cycle. That is what the JROC had, 40. Mr. Young had to admit that they had to in the next go-round have a 40-year life cycle. So we are using a 40-year life cycle.

The difference in fuel consumption at $100 a barrel is $25 billion. Let's cut that to $50; It would be $12.5 billion. I mean, if that had been taken into account and evaluated, there is no way the A–330 could have won the competition to have the lowest cost. In fact, when the GAO redid the numbers, Boeing had the lowest cost and should have been awarded the contract.

Do you have any comments? I mean, does this not make an impression on any of you up there about this fuel consumption thing, which was not taken into account?

They accepted the numbers of the two contractors and didn't evaluate life cycle. And I have been given assurances that the next go-round we will have a valid life cycle. In fact, Mr. Murtha put language in the bill that says, you must do this and you must have an outside authority verify that these are the numbers.

I would like you to take these numbers. Mr. Murtha wants to know what the numbers are on the KC–135E. I think you guys could look at these numbers and then look at the KC–135E and give us back what your assessment is. I mean, I think we have to get this straightened out because last time they didn't even evaluate it.

And I would like to hear from you on this.

Mr. MURTHA. Let me say though, they don't make the decision this time. OSD is making the decision. So we could talk——

TANKER REQUIREMENTS

Mr. DICKS. But they are developing their requirements and they are giving all that information to OSD. That is what you guys just said, that they are preparing information for the Secretary about how to do this.

And the other thing, on those 800 requirements, Boeing vastly beat Airbus on those 800 requirements. That was not even looked at. And one of the criticisms of GAO was, you put out 800 requirements, one of the guys met most of them or a huge—it was like two-to-one at least, and that wasn't even evaluated. So that is another thing that bothers me.

And then, of course, I took the chairman out to Everett, Washington, to see where they build 767s. Now that is a lot different than an open piece of ground down in Alabama, you know, where you haven't got any workers and you haven't got a factory. And yet

the Air Force evaluation said that was a stronger proposal than Boeing with the 767 factory under way and proven machinists.

And the other thing that bothers me—but I will stop here for the fuel numbers. I would like your comments on the fuel numbers.

General FULLHART. Well, sir, I appreciate that information. And you are correct, we are looking at life-cycle costs. I am sure that will be part of this next round. So I will certainly take this back and appreciate your comments.

Mr. DICKS. I appreciate that.

[The information follows:]

Although the Government Accountability Office did not find a basis to object to the Air Force's evaluation of fuel consumption costs during the first tanker competition, the Air Force is working with the Office of the Undersecretary of Defense (Acquisition, Technology & Logistics) Defense Procurement and Acquisition Policy Office to ascertain what level of detail and specific methodology to evaluate fuel consumption in the future competition.

Mr. MURTHA. Mr. Tiahrt.

Mr. TIAHRT. We have heard a lot about a split buy, and last year there was a lot of criticism because one—the Boeing plane was supposedly not delivered yet. But today Boeing has delivered their airplanes to Japan and Italy, and they have flying booms that actually work. The KC–30 is delayed on their flying boom to Australia.

And a boom is a complex piece of equipment. It is pretty hard to handle that surge of fuel and absorb it. So when we talk about a split buy, there are significant barriers for having a split buy just based on the technology that has not been proven yet today versus what has been proven today.

We have an airplane that has been flying, that has been proven, that I think would be better to start more quickly like we had proposed back in 2003. We could have saved this country $15 billion had we moved forward back then.

I want to go on record saying that there is a better one available.

VIP/SAM AIRCRAFT

Mr. KINGSTON. Mr. Chairman, I don't want to move the topic, but I do have a question that is provincial. Gulfstream Aerospace announced today a layoff of 1,200 people, and in talking to their management, one of their concerns right now is this kind of anti-corporate jet discussion that is going on in the media. And I was wondering if—and I know that is happening to other aircraft manufacturers. That is not the only reason.

I mean, the big reason, of course, is the recession. But does this concern the Air Force in terms of losing some of the manufacturing ability? And would that be of any consequence? Or does this just sort of happen?

General LICHTE. Certainly, over the years we have relied on Gulfstream. In fact, we have a number of C–20 type aircraft that are getting old, and we were planning on replacing them with the C–37Bs, from Gulfstream.

You are right, there are a lot of comments out there on the system right now that will affect. However, quite frankly, I still think that the safe, comfortable and reliable transportation——

Mr. MURTHA. General, last year we tried to put three in. We didn't hear a word from the Air Force. It was like dead silence. I

mean, you know, they are hurting, Gulfstream is. And you know, anything you guys can speak up and put in the budget helps.

General LICHTE. Obviously, those types of aircraft are very helpful, because I think it is very important for our leaders to include——

Mr. MURTHA. But it is not in the budget, General.

General LICHTE. The problem becomes dollars available, sir. What is more important? If you ask me what is more important, I am going to tell you I need the tanker more than I need another Gulfstream.

Mr. MURTHA. I understand that.

But you see our problem. If we go through a budget, we want to buy as many as we can, to get the price down. We have to have information from you folks who are the experts in order to make that buy.

So just keep in mind the problems we have because we are going to be marking up long before these damn studies that you guys are working on all the time come up.

But I appreciate your time and your frankness and the committee will adjourn until sometime next week—10:00 a.m. Tuesday. Thank you very much.

[CLERK'S NOTE.—Questions submitted by Mr. Murtha and the answers thereto follow:]

KC–135 TANKER FLEET

Question. The Air Force has previously expressed concern that the KC–135 tanker fleet was suffering serious corrosion issues before the Global War on Terror even began.

Has the Air Force evaluated what affect the high operations tempo of the KC–135 tanker fleet and the adverse conditions of the environment in theater had on the service life of these aircraft?

Answer. The KC–135R/T fleet has experienced an average annual utilization (UTE) rate of 488 flying hours per aircraft between Fiscal Year 2004–Fiscal Year 2008. This UTE has negligible service life impact and negligible cost impact. However, certain specially configured KC–135s (notably those with Multi Point Refueling System, Roll-On Beyond Line-of-Sight Enhancement and Special Operations Air Refueling) have recently experienced significantly higher utilization rates. These aircraft make up a small percentage of the overall fleet and are actively managed and monitored to minimize impact. Currently the data does not reflect any adverse conditions that we can attribute to environmental conditions in theater.

KC–135 R/T 5-YEAR UTE

(Avg Hrs/Yr)

FY04	479
FY05	481
FY06	475
FY07	491
FY08	513

Question. Given the operations tempo of the tanker fleet, does the Air Force still believe that the fleet is structurally viable to 2040, as stated in the "KC–135 Economic Service Life Study," of February 2001?

Answer. The 2040 projection was based on use of the average tanker flying the fleet average flight hours until it reached the economic life of 39,000 hours. Certain configurations of KC–135, notably the Multi-Point Refueling System jets, have recently experienced significantly higher utilization rates based on their operational requirements. The Multi-Point Refueling System aircraft make up a small percentage (20 aircraft) of the overall fleet and are being monitored for any impact. If sus-

tained at the current utilization rate without any upgrades, these aircraft will reach their economic service life as early as 2020.

Question. What is the mission capability rate of the KC–135?

Answer. The mission capability rate for the KC–135 fleet is trending along at an even rate. In Fiscal Year 2006 the rate ended at 79.71 percent, in Fiscal Year 2007 at 79.35 percent and in Fiscal Year 2008 the rate was 80.04 percent. For the first two quarters in Fiscal Year 2009 the rate is holding at 79.95 percent, which is the established KC–135 mission capable standard.

NOTE. Mission capability rates only address unit possessed aircraft. To get a better picture of the overall fleet we also track aircraft availability (includes aircraft in depot status, etc). In Fiscal Year 2008 the KC–135 availability was 61.5 percent.

Question. How many of the KC–135s cannot be deployed because of flight restrictions or the lack of a capability to repair them if they have problems in theater?

Answer. As of February 28, 2009, 22 KC–135E models are grounded. All 37 KC–135E aircraft, including the 22 which are grounded, are scheduled for retirement in Fiscal Year 2009. There are no other KC–135s restricted due to condition. In theater repair capability is not a limiting factor for any KC–135 deployment but because of operational limitations we do not deploy KC–135Es to the theater.

KC–135 TANKER MAINTENANCE

Question. The current fleet of KC–135 aircraft is almost 50 years old. Based on the Air Force recapitalization plan of 12 to 15 aircraft per year, some aircraft will be 80 years old by the time they are replaced. In order to maintain the fleet, many upgrades will have to be conducted leading to significant costs.

Just last week, you were quoted about the cost of re-skinning aging KC–135s. When will this be started and at what costs?

Answer.

DISCUSSION OF APPROACH

KC–135 Skins Replacement has been manageable to date. Replacements in Programmed Depot Maintenance (PDM) have been limited and there is a reasonable amount of rework that can be accomplished before most of the skins require replacement. However, the lack of a methodology that accounts for the interaction of corrosion with fatigue generates uncertainty in the ability to accurately predict the degradation to the structure.

A future skin replacement program may be necessary. The following assumptions were made to estimate the cost and schedule for replacing the skins. The dates we have forecast for replacement were selected to gain the most benefit from the work that may be accomplished, therefore the initiation date was schedule and not technically driven. Furthermore, to minimize the impact to aircraft availability, it was assumed that no more than 12 aircraft would be down at any one time, and the tasks were grouped to be accomplished concurrently. Each estimate uses current year (FY09) dollars and is per aircraft.

AFT BODY SKINS

Replacement of these skins is already programmed to be done as part of PDM FY12–FY17.

Estimated cost per airplane: $0.3 million.

Schedule: FY12–FY17, 416 aircraft.

Max Aircraft Down: N/A–concurrent with PDM.

UPPER WING AND HORIZONTAL STABILIZER SKINS

These would be done concurrently, separate from PDM, in a speed line, and include replacement of substructure components that are important to continued use of the aircraft and accessible when the skins are removed.

Estimated cost per airplane: $6.7 million.

Schedule: FY16–FY34, 416 aircraft.

Max Aircraft Down: 12 (at any one time)

CROWN AND CENTER WING (WING BOX) UPPER SKINS

This replacement is planned further in the future since recent experience has not indicated significant problems with corrosion or cracking. They are planned to be done concurrently in a speed line and separate from PDM. We have accounted for planned retirements in this increment.

Estimated cost per airplane: $4.6 million.

Schedule: FY26–FY34, 230 aircraft.

Max Aircraft Down: 12 (at any one time)

Question. What is the impact of fatigue cracking on the fleet and how will the Air Force address these issues? Is the cracking driven by usage or age? What are the costs of addressing the issue?

Answer. To date fatigue cracking has not been a serious issue on the fleet. We continuously monitor the flying hours and use the Aircraft Structural Integrity Program (ASIP) to identify and monitor highly stressed areas of the aircraft and then repair or replace as necessary.

Fatigue cracking is driven by usage.

ASIP inspections are performed during programmed depot maintenance (PDM). As part of the ASIP program, individual aircraft receive a tailored set of inspections that monitor the aircraft for fatigue damage. The cost for the ASIP inspections during PDM runs from $75,300 to $125,500 (300 to 500 man-hours) per aircraft. Replacement of the aft body skins is a fatigue issue and will begin in Fiscal Year 2012 at estimated costs of 1,200 maintenance man hours ($301,200) per aircraft.

NOTE. Not asked in your question, but of significant concern, is the issue of corrosion which is driven by age, environment and design. In the coming years we will have to address major corrosion issues in the wing and horizontal stabilizers upper skins, the fuselage crown skins, landing gear trunnions, etc.

Question. The KC–135 was manufactured in the 1950s as basically a handmade aircraft with minimal corrosion protection unlike the C–17 that today uses laser precision tools with extensive corrosion protection.

How have manufacturing techniques impacted the corrosion on the KC–135? How is manufacturing different today?

Answer. The KC–135 was manufactured with very little sealant between mating surfaces, light but strong corrosion prone materials, and fasteners were installed dry creating a corrosion cell. Spot welds also eliminated fasteners and provided a way to attach the multiple layers of skins. This combination of spot-welds and corrosion prone materials creates an ideal corrosion environment.

Lessons learned have been incorporated as today's accepted industry practices. This includes installing fasteners wet with sealant, providing sealant on mating surfaces, chemical milled skins that eliminate mating surfaces, and availability of corrosion and stress corrosion resistant materials. Whenever possible, repairs performed in PDM use the most corrosion resistant material along with the industry standards for installation to prevent corrosion.

Question. Please discuss material degradation from exposure. Is KC–135 maintenance increasing in time and cost?

Answer. Maritime environments, such as Kadena Air Force Base, Japan, MacDill Air Force Base, FL, and Hickam Air Force Base, HI, promote metal degradation due to the corrosive elements found in those atmospheres. Because the locations increase the rate of corrosion occurring to our aircraft, we typically rotate the aircraft out of severe corrosion environments every two to four years. This ensures impacts to any single aircraft are reduced. Additionally, to overcome environmental impacts and to reduce the overall maintenance required on the fleet, an aggressive corrosion control program was implemented. This includes shorter wash cycles for severe environments and treating the aircraft with corrosion preventative compounds. All new replacement materials are less corrosion prone.

Programmed depot maintenance (PDM) hours have remained relatively constant since 2003. While the hourly rate changes yearly, the man-hour requirement for PDM has remained at approximately 28,000 maintenance man hours.

Air Force cost models show that overall logistics costs for operating the KC–135 have continued to climb in constant year dollars and the models project continued growth in the future. Base level maintenance costs, engine overhaul and PDM costs account for nearly all the increases in logistics costs above inflation. PDM cost increases are largely due to increases in direct material.

Question. Has the fleet experienced growth in depot possessed aircraft? What are the main drivers?

Answer. Yes. The fleet has experienced growth in depot possessed aircraft. Depot possessed aircraft consists of aircraft in programmed depot maintenance (PDM), unprogrammed depot level maintenance (UDLM) and aircraft modifications (Mods). The table below shows the recent growth.

	Number of A/C Depot Possessed		
	FY06	FY07	FY08
PDM	39	44	47
UDLM	1	2	0
Mods	15	24	29

	Number of A/C Depot Possessed		
	FY06	FY07	FY08
Totals	55	70	76

As indicated in the table above, there are a number of main drivers for this recent growth.

PDM growth is driven by a couple of factors at the organic and contract sources of repair. One factor in the PDM growth is due to a change in the mix of major structural repairs (MSRs). While the overall number of MSRs has decreased, the MSR mix has changed to repairs which limit concurrent maintenance. Another factor in PDM growth is PDM flow days have increased resulting in increased PDM depot possessions. Flow days increased due to process changes, materiel support issues, and contract PDM issues which impacted production. Lean process and material supportability improvement efforts have been implemented to improve flow days. Contract PDM issues are directly related to two Government Accountability Office (GAO) protests and Court of Federal Claims (CoFC) lawsuit on the September 2007 PDM contract award. GAO ultimately ruled in favor of the Air Force, but the CoFC did not and directed a re-solicitation of the contract.

Modifications growth is driven by two major modifications: Global Air Traffic Management (GATM) and Control Column Actuated Brake (CCAB). GATM was accelerated to more quickly provide this required capability to the warfighter. CCAB was implemented with an aggressive schedule to modify the KC–135 fleet as quickly as possible with this safety-oriented modification. Though resulting in a short-term increase in depot possessed aircraft, the modifications will be accomplished sooner and in the long-term provide much needed capability.

Question. What are the costs and available forecasts for the KC–135? What about the costs for the airframe, engines, and avionics modifications? What about the availability due to programmed depot maintenance?

Answer. Costs: The total funding associated with all KC–135 aircraft modifications currently in-progress is $1.636 billion. The preponderance of this funding is associated with two major aircraft modifications: Global Air Traffic Management (GATM) and KC–135 Communications Navigation Surveillance/Air Traffic Management (CNS/ATM) which is also known as Block 45. GATM began in 1999 and will complete in 2011, with a total program cost of $967.1 million (including spares) and modification of 419 C/KC–135 aircraft. Block 45 began in 2008 and will continue through 2021, with a total program cost of $587.0 million (including spares) and modification of 417 C/KC–135 aircraft. The remaining funding ($82.2 million) is associated with 21 avionics and airframe related modifications. Plans for two future avionics modifications scheduled to begin in Fiscal Year 2010 are estimated to cost $37.8 million.

Availability: The fleet has experienced growth in depot possessed aircraft. Depot possessed aircraft consists of aircraft in programmed depot maintenance (PDM), unprogrammed depot level maintenance (UDLM) and aircraft modifications. The total number of aircraft in the depot possessed category has grown from 55 in Fiscal Year 2006, to 70 in Fiscal Year 2007, to 76 in Fiscal Year 2008. There are a number of main drivers for this recent growth.

Growth in depot possessed aircraft is driven by two factors at the organic and contract sources of repair. One factor in the PDM growth is due to a change in the mix of major structural repairs (MSRs). While the overall number of MSRs has decreased, the frequency of MSRs limiting concurrent repairs has increased. The second factor in PDM growth is increased PDM flow days. Flow days increased due to process changes, materiel support issues and contract PDM issues which impacted production. Lean process and material supportability improvement efforts have been implemented to improve flow days. Contract PDM issues are directly related to two GAO protests and Court of Federal Claims (CoFC) lawsuit on the September 20 07 PDM contract award. GAO ultimately ruled in favor of the Air Force, but the CoFC did not and directed a re-solicitation of the contract. The CoFC decision is currently under appeal.

Growth in depot possessed aircraft due to modifications is driven by two major modifications, Global Air Traffic Management (GATM) and Control Column Actuated Brake (CCAB).

GATM, an upgrade to the aircraft's communication and navigation systems to enable free operation in civil airspace, was accelerated to more quickly provide this required capability to the warfighter. CCAB was implemented with an aggressive schedule to modify the KC–135 fleet as quickly as possible with this safety-oriented modification. Though resulting in a short-term increase in depot possessed aircraft,

the modifications will be accomplished sooner and in the long term will provide much needed capability.

FEE-FOR-SERVICE REFUELING

Question. The 2008 National Defense Authorization Act directed the Air Force to pursue a fee-for-service refueling capability over a five year period.

What is the requirement for a contractor supplied capability?

Answer. In our KC–X Analysis of Alternatives, commercial refueling services were evaluated. The analysis indicated that commercial services were not a viable permanent solution to replace the organic air refueling capability, but suggested the potential to augment the organic tanker fleet. It could be used to fill any potential shortfall that might occur while acquiring a new tanker.

Question. Is the Air Force today not able to meet its needs for refueling?

Answer. The Air Force meets current requirements for air refueling.

Question. How would the Air Force structure the program?

Answer. The program would be executed in two parts. The first part would be the preparatory period where the selected company or companies would be responsible for the boom modification, integration and certification of their chosen aircraft. We anticipate this would take two to three years. Once the aircraft and boom are certified, we would begin the service period of the program which is statutorily mandated at five years.

Question. What is the cost of the pilot program?

Answer. We are currently evaluating the data we received from the last request for information from industry. That data will help determine our acquisition strategy and the overall cost of the eight-year program.

Question. What type of aircraft do you foresee vendors attempting to use?

Answer. Potential vendors who have responded to our requests for information have indicated potentially using a wide range of aircraft including the B–767, A–330, DC–10 and B–707.

Question. Do you anticipate vendors using new aircraft or used?

Answer. Potential vendors have indicated potentially using both new and used aircraft.

Question. If the Fee-For-Service air refueling pilot program proves beneficial to the warfighter and the taxpayers will you re-evaluate the total number of KC–Xs required?

Answer. It is essential that we meet national security requirements with an organic capability. The Fee-For-Service pilot program will help determine if augmenting that organic capability with commercial air refueling services is a good value to the taxpayer.

Question. Would the companies flying the contract aircraft performing the refueling have the refueling boom and aircraft markings consistent with current KC–135 and KC–10 configurations?

Answer. We will require markings to comply with currently accepted standards necessary to safely refuel receivers.

OTHER C–5 MODERNIZATION PROGRAMS

Question. Due to the cost increases in the C–5 avionics modernization program, the Air Force reduced requirements and deferred some development activities to other programs. The Air Force waived 14 operations requirements and deferred the correction of nearly 250 deficiencies, to be addressed and funded in the re-engining and other future efforts.

What is the status of waivers and deficiencies?

Answer. A portion of prioritized outstanding deficiencies will be incorporated in the fielding of the next sustainment software build expected in June 2009. In addition, the C–5 Reliability Enhancement and Re-Engining Program Block Software Upgrade program and future sustainment software builds will address the remaining deficiencies dependent on the available funding and Air Mobility Command priority. Air Mobility Command is not experiencing operational limitations and is currently supporting the strategic airlift mission with over 49,000 operational avionics modernization program flight hours.

Question. How and when does the Air Force intend to fix these issues and at what cost?

Answer. The Air Force will go through an iterative process and address the deficiency reports based on the available funding and Air Mobility Command priority. The effort will be scoped and the cost will be determined as we go through this iterative process.

Question. Besides the avionics and re-engining modifications, what other major modifications does the Air Force believe are needed for the C–5? Why are they needed? When should these efforts start and what are the expected costs?

Answer. There are several major modification efforts currently needed for the C–5 besides avionics and re-engining modifications: Structural repair initiatives and Large Aircraft Infrared Countermeasures (LAIRCM). The structural repair initiatives being addressed today are the repair/replacement of the C–5A/C Aft Crown Skin and the C–5A/C Contour Box Beam Fitting. These modifications are needed due to stress corrosion cracking (SCC) susceptibility of these components, leading to unsafe operating conditions. The C–5A Aft Crown Skin is projected to cost approximately $534 million if the Air Force decides to pursue as a modification. There are currently two aircraft participating in the validation/verification process. The C–5A Box Beam Fitting is projected to cost approximately $150 million if the Air Force decides to pursue as a modification. There is currently no funding in the budget for either of these projects and are proceeding on a "repair as necessary" basis. LAIRCM is needed due to the requirement for the large aircraft like the C–5 to operate in infrared-threatened airspace, as stated in the LAIRCM operational requirements document 314–92, dated August 1998. The program was initiated in Fiscal Year 2007 for 52 C–5B/M aircraft and operates under an indefinite delivery, indefinite quantity contract for system acquisition/installation. There are 15 funded aircraft in the Fiscal Year 2009 budget.

Question. How much does it cost today to maintain a C–5 that has not been modernized, one that has only received the avionics modernization, and one that has received both the avionics and reengining modifications?

Answer. Operations and Support (O&S) costs are not available by specific tail number, we can only make predictions on the fleet-wide costs. The estimated O&S cost of the 111 C–5's if not modernized is $73.1 billion from 2005 through 2040. C–5 fleet instrumentation must be converted from analog to digital via modernization to provide capabilities needed to allow continued operations in European and Pacific airspace and address significant vanishing vendor issues.

The O&S cost of the 111 C–5's if they only receive the avionics modernization is $84.4 billion from 2005 through 2040. The avionics modernization program is a capability improvement not a reliability improvement and allows access to ever-restrictive airspace. There are significant costs associated with hardware/software updates and new maintenance requirements for these capabilities.

The O&S cost of the 111 C–5 Fleet that received both the avionics modernization and reengining modification is $66.6 billions from 2005 through 2040. The re-engining modification is a reliability improvement and also increases fuel efficiency with new engines. It includes a mix of legacy systems, avionics modernizations and re-engining modifications aircraft following the production schedules that vary up to steady state of 59 C–5As under the avionics modernization program and 52 C–5Ms for the re-engining modifications.

Question. What are the expected gains in reliability, maintainability, and availability of a modernized C–5?

Answer. Even though the C–5 Avionics Modernization Program (AMP) will realize some "reliability, maintainability, and availability" improvements, such improvements were not the program focus. The initial intent of the program was to address issues with obsolete parts, diminishing manufacturing source issues, the All-Weather Flight Control System and Global Air Traffic Management compliance requirements. This resulted in replacing the existing flight and engine instrument system and the flight control system with integrated, state-of-the-art, and cost effective systems. The C–5 AMP implemented the applicable emerging Civil Aviation Authority requirements for communication, navigation, and surveillance for operation in the global air traffic management environment.

C–5 Oversized Cargo

The C–5 is the only U.S. aircraft capable of carrying some oversized equipment such as generators and space launch systems.

Question. How many C–5s are required for this unique capability?

Answer. None. The C–5 program of record is not based on outsized cargo requirements. The Defense Department organic airlift requirements were studied and established in the 2000 Outsize/Oversize analysis of alternatives, the Mobility Capabilities Study 2005, the C–5 Nunn-McCurdy breach, and subsequent Joint Requirements Oversight Council. The current combined C–5 and C–17 programs of record meet these airlift requirements. There are 12 C–5 unique outsized cargo items which are transported on an infrequent basis to support Department of Defense and NASA requirements.

Question. Are there plans to retire equipment that must be carried by C–5s? If so, when?

Answer. At this time, there are currently no plans to retire equipment that must be carried by a C–5.

Question. Are there commercial carriers that could address this requirement?

Answer. If the cargo delivery is not time sensitive, some outsized C–5 unique cargo, (i.e., truck with 100 kilowatt generator and truck with 475 BTU HVAC) could be moved via a commercial surface carrier. If delivery is time-sensitive, the AN–124 (a foreign flag carrier) is of similar size and would be able to carry some of the C–5 unique outsize cargo. However, the AN–124 cannot carry NASA cargo which is transported on our space cargo modified C–5Cs and it will not carry the outsized cargo of special operations nor that of classified users.

C–17 Operations Tempo

Question. C–17s have been involved in a number of landing incidents in the Central Command Area of Operations of late, most notably just a couple of weeks ago when a C–17 landed at Bagram without its landing gear down. The Committee understands investigations are ongoing and is not looking for comment on the cause for each; however, the Committee is concerned these incidents may indicate a more serious problem.

What can you tell us about the latest incident and what other incidents have occurred in theater with C–17s?

Answer. Summarized below are a total of 12 C–17 landing incidents that have occurred in theater since January 2005. The accident investigation board for the latest incident is still in progress and its findings have not yet been released.

Date	Mishap Class	Synopsis
5 Jan 05	A	Main landing gear lug assembly failed on landing.
6 Jun 05	A	Hard landing following low visibility instrument approach.
7 Jul 05	B	Landing gear damaged when aircraft encountered 4 to 5 inches of standing water during landing rollout.
5 Aug 05	A	Aircraft landed with right main landing gear off the runway.
29 Aug 06	C	Underside of fuselage damaged during semi-prepared runway operations (i.e., dirt field).
5 Sep 06	C	Underside of fuselage damaged during semi-prepared runway operations (i.e., dirt field).
18 Dec 06	C	Tire failed during landing and damaged right main gear.
5 Jan 07	C	Tire failed during landing and damaged left main gear.
9 May 07	C	Underside of fuselage damaged during semi-prepared runway operations (i.e., dirt field).
24 Jul 08	C	Hot brakes caused fuse plugs to deflate 6 tires.
23 Dec 08	C	Aircraft veered off the runway during landing, un-commanded.
30 Jan 09	A	Aircraft landed with the landing gear retracted.

Question. What is your estimate on how fatigued your crew is and your aircraft fleet?

Answer. We have no indicators that lead us to believe the C–17 crew force is chronically stressed or fatigued at this time. C–17 crewmembers have spent an average of 94.8 days TDY for the last 12 months through February 2009. This compares to 74 days for C–5, 91.3 for C–130, 122.8 for KC–10, and 118.9 for KC–135 crewmembers. The average number of days TDY for C–17 crew members has actually decreased by over 30 days annually in the past 3 years. Waivers are rarely ever granted to time-tested crew duty day limits or cumulative monthly flying hour limits. Air Mobility Command (AMC) leadership and aircraft commanders proactively manage crew fatigue work/rest cycles to mitigate the potential for fatigue. Furthermore, AMC uses an operational risk management program to predict and proactively adjust missions to reduce risk factors such as fatigue.

AMC, Air Force Materiel Command, and Boeing have a joint process in place to analyze C–17 fleet equivalent flying hours (stress). Through close tracking of aircraft hours and specific aircraft stress points, plus appropriate fleet rotation, AMC maintains an active program to predict and manage the wear and tear on the C–17 fleet. Based on that analysis, we do not believe the C–17 aircraft fleet is currently fatigued.

Question. Are some of the issues a result of young pilots that just do not have experience in a war environment?

Answer. Pilot experience in a war environment is at the highest levels in the last two decades due to the support to operations in South West Asia. Air Mobility Command (AMC) uses an operational risk management program to predict and proactively adjust missions to reduce risk factors such as crew experience. For in-

stance, operational risk management analysis dictated that Bagram airfield be designated as a "special aircrew" airfield. This required aircrews with a higher level of experience in order to fly missions to Bagram. The two primary indicators of experience are the qualification levels of aircraft commander and instructor aircraft commander. Aircrew must have accumulated requisite amounts of flight experience, received a recommendation from unit leadership, and successfully passed a rigorous flight and academic training program to obtain these qualifications. AMC's aggregate C–17 pilot force is healthy (over 100% manned) in both these key instructor pilot and aircraft commander qualifications. Long-term, the two prime factors that can erode pilot experience are poor pilot retention and/or insufficient pilot flying rates. Currently, the Air Force, AMC, and C–17s have near record pilot retention rates and are regularly flying at rates that exceed programmed requirements due to ongoing operations.

Question. Is the constant operations tempo weighing too hard on the force?

Answer. No. We do not believe the C–17 crew force is overly stressed at this time. C–17 crewmembers have spent an average of 94.8 days TDY for the last 12 months through February 2009. This compares to 74 day for C–5, 91.3 for C–130, 122.8 for KC–10, and 118.9 for KC–135 crewmembers.

We have also changed the way we utilize the C–17 to help reduce the operations tempo of the C–17 crew force. We now provide two squadrons of C–17s to the theater on a full time basis, negating the need to continually move assets back and forth to support intra-theater operations. This reduced the average TDY days for the C–17 crew force by almost 30 days annually.

Question. What are your risk mitigation factors to combat a fatigued force?

Answer. From an operational perspective, we use a multi-tiered risk analysis process. The mission planners, the squadron leadership, and the aircraft commander all analyze the risks of a given mission prior to execution using Operational Risk Management. If an increased risk is identified, it is mitigated either by changing the crew composition (for example adding more experienced crewmembers) or by changing the mission conditions (for example flying during daylight hours).

As highlighted above, there is leadership involvement throughout the entire mission planning and execution chain to ensure we are providing the best resource, whether it is aircraft or aircrew to execute the mission.

Part of the leadership involvement includes monitoring aircrew flying hours during the previous 30, 60 and 90 days. Regulations allow a maximum number of hours during each of those periods to ensure we are not overstressing the crew members.

We also let our aircraft commanders make a safety call. During execution, if the aircraft commander deems that risk or fatigue may possibly endanger the mission, he or she is empowered to either lower the risk if possible or delay the mission until conditions improve.

Above all, Air Mobility Command instills a culture of safety at all levels.

Question. Has the Air Force considered increasing the crew ratio for strategic assets to address crew fatigue?

Answer. Currently, the operations tempo of the C–17 is such that there has been no requirement to increase the crew ratio. We continue to monitor the crew force and don't see any issue with crew fatigue across the force. With additional C–17s coming on-line, the additive effect of those aircraft should also continue to push down the operations tempo on the entire C–17 fleet.

Also, the C–17 has the highest crew ratio in the Mobility Air Forces (MAF) at 3.0 for the active component. Air Force Reserve Command (AFRC) C–17 associate units are manned at a 2.0 crew ratio. AFRC and Air National Guard unit equipped C–17 units vary between a 3.0 and 5.0 crew ratio. The next highest crew ratio in the MAF is 2.25 for active component C–130s. The C–5 crew ratio is 1.8 for the active units, with an equivalent 1.8 for their Associate Reserve Units.

FUTURE C–17 PROCUREMENT

Question. The C–17 program of record has increased over the last several years. The 2006 Quadrennial Defense Review and the 2005 Mobility Capabilities Study both determined a need for 180 C–17s to meet strategic airlift requirements; this number assumed that the entire C–5 fleet received avionics upgrades and new engines. In 2008, following a cutback in the C–5 modernization plans; officials stated a need for 190 aircraft. The two mobility studies are expected to identify airlift requirements and support decisions on future force size and mix.

How do the ongoing mobility studies address the C–17s dual role in providing both a strategic and tactical airlift capabilities?

Answer. The ongoing mobility studies utilize C–17s as either strategic or tactical aircraft while ensuring that no assets are utilized in both roles simultaneously. The

studies are structured to model aircraft throughout their entire mission capability spectrum. The models themselves determine which role provides the maximum impact to closure and will utilize them in that capacity.

Question. Will the studies quantify numbers expected to be used in a tactical intra-theater role and are these numbers then not considered available for meeting the strategic inter-theater requirements?

Answer. Yes. The studies will quantify the number of C–17s utilized in a tactical intra-theater role. The studies are structured to model cargo and personnel flow from end-to-end and thus capture any platform's utility across the array of missions it can perform. The end-to-end modeling structure ensures assets are not in use in more than one mission simultaneously.

C–17 As Strategic and Tactical Airlift

Question. The C–17 is the only airlifter capable of providing both strategic (inter-theater) and tactical (intra-theater) airlift.

How and to what extent is the C–17 currently employed in a tactical role supporting operations in Iraq and Afghanistan?

Answer. Currently, approximately 50 percent of Air Mobility Command's daily C–17 operations are directly supporting Iraq and Afghanistan with 28 percent of the C–17 sorties supporting intra-theater (tactical) missions. Of those, the tactical missions include using the C–17 for airdrop to remote forward operating bases; airland sorties to fully-improved runways, short-field (assault) runways and semi-improved surface runways. The C–17 will also use night vision goggles during both inter-theater and intra-theater missions. Based on the threat, many of the C–17 missions also accomplish tactical arrival and departures in combination with the use of defensive systems, such as LAIRCM, to mitigate the potential threat.

Question. Are its tactical airlift responsibilities expected to increase in the future?

Answer. The C–17 is an extremely versatile and capable aircraft. As operations in Afghanistan increase, so will the requirement for air-drop, semi-improved surface and air refueling operations. Airlift operations in Iraq will still be required to support the remaining forces in place, utilizing both intra-theater and inter-theater assets. Ultimately, the future requirement of the warfighter will dictate whether C–17s- will be needed to a greater extent in the tactical role. On a daily basis, command and control decisions are made to optimize the balance of C–17s and C–130s used in the tactical role.

Question. Is it the only aircraft capable of delivering Army Stryker units today within the theater of operations and to more austere fields?

Answer. The C–17 is not the only aircraft capable of delivering Army Stryker units. The C–5 is also capable of delivering Army Stryker units to theater airfields that can support it. The C–17, however, does have access to more austere airfields than the C–5.

Question. What other equipment cannot be delivered intra-theater by the C–130 fleet?

Answer. The C–130 can carry oversize equipment, bulk cargo, and passengers, but it cannot carry outsize equipment. Examples of outsize equipment include the Abrams M1 main battle tank, the AV8B Harrier aircraft, and the CH–47 helicopter. The C–17 can carry outsize equipment in addition to the equipment, cargo and passengers the C–130 can carry.

Bulk cargo can be loaded onto a 463L pallet and does not exceed 104 inches in width, 84 inches in length or 96 inches in height. Oversize cargo cannot be loaded onto a 463L pallet but does not exceed 810 inches in length, 117 inches in width or 96 inches in height. Outsize cargo exceeds 810 inches in length, 117 inches in width or 96 inches in height, but can be loaded onto C–17 or C–5 aircraft.

Joint Cargo Aircraft (JCA) Missions

Question. The Joint Cargo Aircraft (JCA), now designated the C–27J, is a joint program between the Army and Air Force to procure, field, and sustain a multifunctional fixed wing cargo aircraft.

Does the Air Force currently have a stated and validated need for the C–27J? Is it expected to replace any aircraft currently in inventory? What capability gap does it address? What is the analysis behind the 24 aircraft in the Air Force program of record?

Answer. Yes. The Air Force has a Department of Defense validated need for the C–27J to support the Time Sensitive/Mission Critical (TS/MC) resupply of Army forces. The C–27J is not expected to replace any aircraft currently in the Air Force inventory. However, the C–27J is expected to replace the Army's fleet of C–23s. The C–27J addresses TS/MC resupply capability gap approved by the Joint Require-

ments Oversight Council. The foundation of the analysis behind the Air Force program of record is the May 2007 Department of Defense validated the JCA Analysis of Alternatives for 75 aircraft to meet Army TS/MC resupply demand. The Department of Defense directed this requirement would be met jointly by the Army with 54 aircraft and the Air Force with 24 aircraft.

Question. Will the Air Force use the C–27J to perform intra-theater airlift operations as part of their common user pool or will it be dedicated to the Army's time sensitive cargo? Will Army aircraft be available for common user pool requirements? In a theater of operations, who will control scheduling and ownership of these assets?

Answer. The Department of Defense Quadrennial Roles and Missions Review Report, dated January 2009, determined Air Force C–27Js will conduct Army direct support missions when requested and the Army will integrate its C–27Js into the common-user pool when available/allocated. Scheduling control and ownership is done by the Deployment Distribution Operations Centers within geographic combatant command structures. It can better integrate and optimize distribution operations.

Question. Will distributing the Air Force C–27J fleet among five or six Air National Guard bases hamper or enable satisfying the Army's time sensitive/mission critical missions?

Answer. The Army's time sensitive/mission critical requirement is an in-theater need. Continental U.S. basing decisions should not affect in-theater utilization.

MOBILITY CAPABILITY STUDIES

Question. The Department has two studies ongoing to help determine the proper size and mix of future airlift forces, a congressionally-directed airlift requirements study by the Institute of Defense Analysis (IDA) and a mobility capabilities requirements study to project force requirement in 2016. Results from these studies, the timing, and use of information is crucial for making near-term decisions on C–17 procurement or shutting down the production line, C–5 and C–130 modernizations, potential C–5 retirements, and future airlift options. Some officials believe the studies indicate a need for more airlift due to increased troop strengths, heavier Army equipment, establishment of the African Command, and decreased forward presence of U.S. forces.

What are the preliminary results of the studies that can be shared at this time?

Answer. The Congressionally-directed airlift requirements study by the Institute of Defense Analyses was submitted to the Congress in March 2009. It found the current program of record for airlift is adequate to meet the requirements identified in MCS for moderate acceptable risk. The Office of the Secretary of Defense (PA&E) and U.S. Transportation Command led Mobility Capabilities and Requirements Study 2016 is in progress and there are no preliminary results available at this time. The report from that study is expected in December 2009.

Question. Are there indications that more airlift or a different mix is needed?

Answer. To date, there are no indications that more airlift or a different mix is needed. The Congressionally-directed airlift requirements study by the Institute of Defense Analyses (IDA) was submitted to Congress in March 2009. It found the current program of record for airlift is adequate to meet the requirements identified in MCS for moderate acceptable risk. The Office of the Secretary of Defense (PA&E) and U.S. Transportation Command led Mobility Capabilities and Requirements Study 2016 is in progress. The report from that study is expected in December 2009.

Question. What kind and detail of information will be briefed, and when?

Answer. The Congressionally-directed airlift requirements study by the Institute of Defense Analyses (IDA) was briefed to U.S. Transportation Command in December 2008 and submitted to Congress in March 2009. It found the current program of record for airlift is adequate to meet the requirements identified in MCS for moderate acceptable risk. The Office of the Secretary of Defense (PA&E) and U.S. Transportation Command led Mobility Capabilities and Requirements Study 2016 is in progress. This study will assess the end-to-end Joint Deployment and Distribution Enterprise to determine the mobility capabilities and requirements needed to support the National Security Strategy in 2016. The report from that study is expected in December 2009.

Question. When does the department expect to release its completed findings?

Answer. The Department expects to release its findings in December 2009.

MOBILITY CAPABILITY REQUIREMENTS STUDY METRICS

Question. It was reported last year that Department of Defense officials had not yet decided on the metrics and plans for using metrics to inform the 2016 mobility

requirements study. The prior study in 2005 lacked some important metrics and data to define and quantify capacity requirements as a basis for computing the size and optimal mix of airlift forces and for assessing the impacts of alternate force levels on achieving warfighting objectives

(Has the Department of Defense decided which metrics to use in its study? What are they? Do these metrics include a specific strategic airlift requirement expressed in million ton-miles per day? What are the primary metrics for evaluating tactical airlift requirements?

Answer. The Mobility Capabilities and Requirements Study has a set of 75 metrics arranged in three tiers. Tier I measures time definite delivery of units and sustainment and has direct impact on the warfighter. Tier II measures Availability of Joint Deployment and Distribution Enterprise Assets and Infrastructure. Tier II assets are watercraft, aircraft, ground transportation and infrastructure. Tier II metrics inform Tier I metrics. Finally, Tier III metrics are the basic measures that inform Tier II metrics and are used for analysis. Tails used and Million Ton Miles per Day are Tier III metrics.

Question. Does TRANSCOM plan to use metrics, including a ton-miles per day metric, for the study in describing any gaps, shortfalls, or redundancies in capabilities for the C–17 and the C–5?

Answer. The Mobility Capabilities and Requirements Study has a set of 75 metrics arranged in three tiers. Tier I measures time definite delivery of units and sustainment and has direct impact on the warfighter. Tier II measures Availability of Joint Deployment and Distribution Enterprise Assets and Infrastructure. Tier II assets are watercraft, aircraft, ground transportation and infrastructure. Tier II metrics inform Tier I metrics. Finally, Tier III metrics are the basic measures that inform Tier II metrics and are used for analysis.

Tails used and Million Ton Miles per Day are Tier III metrics. These metrics will be used to describe any gaps, shortfall, or redundancies in capabilities for the C–17 and the C–5.

Question. How will the study address the C–17's dual role in providing both strategic and tactical airlift capabilities? Do the studies quantify numbers to be used in a tactical intra-theater role and are these numbers then not considered available for the strategic inter-theater role?

Answer. The study is structured to model cargo and personnel flow from end-to-end and thus capture any platform's utility across the array of missions it can perform. The end-to-end modeling structure ensures assets are not in use in more than one mission simultaneously.

Question. To what extent will requirements include civil reserve air fleet requirements expressed in terms of passenger-miles per day metric and resulting overages and/or shortfalls expressed in the same metric?

Answer. The Mobility Capabilities and Requirements Study plans to measure aircraft use in tails and Million Ton Miles per Day. There is no specific plan to express the requirement in terms of Million Passenger Miles per Day for civil reserve air fleet passenger aircraft, but the tails measurement of this metric can be transformed into Million Passenger Miles per Day.

INDUSTRIAL BASE

Question. In the past few years, defense policy makers have expressed concern that further consolidation in the industry that designs and manufacturers U.S. military aircraft, which now consist of three prime contractors (in contrast to 11 in 1960), will cause the Department of Defense to acquire aircraft that are designed and produced in a far less competitive and innovative environment than they were in the past.

Describe the military combat aircraft industry?

Answer. Today's military combat aircraft industry consists of several tiers. The first tier consists of those few companies with the resources to provide the overall design and integration of systems into an airframe. The next tier consists of companies that produce major components, such as engines and avionics. Supporting these tiers are the firms that produce the various parts that make up the engines or major structural elements of the airframe and subsystems, such as integrated circuits, printed circuit boards, and metal or composite parts. At the foundation of the industry are the suppliers of the raw materials needed to fabricate all the parts.

Question. With the limited number of vendors, is the U.S. military able to maintain a high level of innovation in the military aircraft industry?

Answer. Yes. The U.S. military is able to maintain a relatively high level of innovation in the military aircraft industry. Although fewer in number today, vendors still have to compete for business in the military aircraft arena and it is in their

own self-interest to attract and retain talented individuals capable of the creative thinking that leads to innovative, new ideas. This talent is not limited only to the design and development of new weapon systems; rather, today's military aircraft industry has shown itself to be adaptable at generating innovative ideas for incorporating new technologies into existing aircraft as well. Innovation can also come from sources outside the traditional aerospace industrial base as evidenced by new developments in unmanned aerial systems and in composite materials, both of which have military aircraft applications. In this regard, the Air Force Science and Technology Program is fundamental in funding and focusing innovative research with industry and universities in areas directly feeding into the military aircraft industrial base, such as turbine engines. In addition, programs such as the University Research Initiative, Defense Acquisition Challenge, and Small Business Innovation Research are another avenue by which innovation is stimulated and rewarded. The Air Force does not depend on a limited pool of vendors, but uses a variety of avenues to seek out and encourage innovation.

Question. What are the prospects for innovation and competition in the military aircraft industry?

Answer. Prospects for both innovation and competition in the military aircraft industry are still viable despite today's smaller number of prime contractors; however, when looking at the industry's second and third tier suppliers, prospects are a bit less favorable. The U.S. aerospace industry has been at the forefront of innovation since the development of manned flight. The early stages of the industry were marked by the rise of many competing firms with innovations occurring at a rapid pace. As the technology and industry matured, market forces resulted in some firms choosing to exit with others consolidating to improve their ability to compete. Today's operating environment for the U.S. aerospace industry is still marked by innovation, while competition is now on a more global level—the military aircraft industry, as part of this larger U.S. aerospace industry, is subject to the same forces that act upon the entire industry. It should also be noted that innovative technologies stemming from the Air Force Science and Technology Program and its partnership with industry feed into the military aircraft industrial base enhancing its competitive edge. This is especially true in the area of turbine engines.

Question. What policy options does the U.S. military have concerning the consolidation of the U.S. aircraft industry?

Answer. There really are no specific U.S. military policy options as regards the consolidation of the U.S. aircraft industry; however, when there are concerns over the potential impact consolidation might have on competition, the military can take actions such as funding the development of competing prototypes to ameliorate those concerns. In addition, early systems engineering and development of reliable cost estimates position the U.S. military to better negotiate the best value for its procurement dollars. Along these lines, a recent report by the Defense Science Board titled, "Creating an Effective National Security Industrial Base for the 21st Century," recommended policy options to maintain competitive sources to include funding competitive suppliers, periodic competitions for system upgrades on major programs, and selecting two suppliers who would continue to compete for a share of the buy, among others. As long as the U.S. aircraft industry remains capable of effectively and efficiently providing for the needs of the warfighter, the focus of the U.S. military will be primarily on the products provided rather than the organization of that industry. Future Air Force warfighting capability needs and available funding will define the U.S. military aircraft industry.

Question. What do you see as the future for mobility aircraft production capability?

Answer. As in the past, the future capability to produce mobility aircraft will remain closely tied to the health of the U.S. aerospace industrial base as the military does not have the financial means to meet its current requirements while paying companies to maintain a "warm" industrial capacity in terms of either engineering talent or facilities. There are many areas where the commercial aerospace industry and the military aircraft industry overlap. In the case of fighter aircraft, the area of intersection is limited. In the case of mobility aircraft, the area of intersection can be significant. Even a cursory review of the various mobility aircraft used in the past would reveal those uniquely designed and produced for the military, such as the Lockheed C–141 Starlifter or the Boeing C–17 Skymaster III, and those adapted by the military from a commercial aircraft design, such as the Douglas DC–3 (C–47 Skytrain) or the McDonnell Douglas DC–10 (KC–10 Extender). In each case, the military benefits from having a viable commercial aerospace industry that can provide the engineering and design talent, as well as the facilities and supporting infrastructure of suppliers, to meet the infrequent demands of producing mobility aircraft.

This is not to say that there are no areas of concern. Some aspects of any military aircraft require different engineering design considerations than those used for commercial aircraft and the military operating environment tends to be more demanding. Until near the end of the Cold War, the demands of the military enabled the aerospace industry to develop and maintain a cadre of engineers conversant with these military unique design considerations and to maintain the facilities for production of those aircraft. The industry also included a large manufacturing base upon which to draw. That operating environment has changed. The current cadre of designers and engineers is aging and there are few new military aircraft, either mobility or combat, under consideration. The C–17 production line will soon close with no replacement and, while the C–130 continues in production, it has become its own replacement using the same production facilities. As such, it is expected that the military will be more dependent on the health of the U.S. aerospace industry than previously.

LARGE AIRCRAFT INFRARED COUNTER MEASURES (LAIRCM)

Question. LAIRCM is designed to counter the increasing threat that large, slow-moving cargo aircraft face from shoulder-fired missiles and missiles launched from vehicles. The system automatically detects the heat-seeking missiles and puts out a signal to confuse its path and direct it away from the aircraft.

What is the requirement for LAIRCM for the mobility fleet?

Answer. The current requirement for Large Aircraft Infrared Counter Measures (LAIRCM) capability was defined in the 1998 Operational Requirements Document and the 2001 Operational Requirements Document Annex. Air Mobility Command previously established a requirement of 444 LAIRCM-equipped aircraft. LAIRCM quantities are currently being readdressed in a Department of Defense-directed study. This study takes into account revised major contingency operations plans and threat progression since 2004, and results are due April 30, 2009.

Question. How is the Air Force addressing the requirement?

Answer. The Air Force is addressing the requirement through two ways: Adequate funding and ensuring growing requirements are documented within the Office of the Secretary of Defense. The Air Mobility Command funds, and seeks additional funds, to provide the increased protection of LAIRCM to as many aircraft as possible, ensuring enough aircraft remain available on a daily basis to support the warfighter's needs. LAIRCM quantities are currently being readdressed in an Office of the Secretary of Defense-directed study. This study takes into account revised Major Contingency Operations Plans and threat progression since 2004. The results of this study are due April 2009.

Question. How do you decide which aircraft will have this system installed and how do you develop the installation schedule?

Answer. Air Mobility Command decides which aircraft will have LAIRCM installed based on operational capability requirements. Mission taskings into higher threat environments have driven the current installation priority order of the C–17, followed by the C–130, C–5, C–40, C–37, C–20, KC–135, and KC–10 aircraft. Installation schedule is determined by the aircraft modification facility capacity and equipment procurement lead times.

Question. What is the cost of the LAIRCM per aircraft?

Answer. There are 17 different LAIRCM configurations with final costs depending on airframe type and configuration. The figures in the table below represent the final configuration costs per airframe. There have been lower costs based on "lite" configurations and/or use of baseline equipment. Equipment costs depicted in the table include costs for LAIRCM Line Replaceable Units, support, spares, and other costs. The C–130J cost depends on work scheduled to begin this year.

Cost of LAIRCM per aircraft ranges between $4–$10 million

[Dollars in millions]

Platform	Install Costs	Equipment Costs	Total Costs
C–17	$2.0	$5.8	$7.8
C–5	4.5	5.4	9.9
C–130 (various)	0.8	4.5	5.3
C–130J	1–4	4–6	5–10
VIP Special Air Mission	2–5	2–3.3	4–8.3

[CLERK'S NOTE.—End of questions submitted by Mr. Murtha.]

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