Statement before the Commission on Wartime Contracting in Iraq and Afghanistan

CONTINGENCY CONTRACTING

Observations on Actions Needed to Address Systemic Challenges

Statement of Paul L. Francis, Managing Director Acquisition and Sourcing Management

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Contingency Contracting: Observations on actions Needed to Address Systemic Challenges

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CONTINGENCY CONTRACTING

Observations on Actions Needed to Address Systemic Challenges

Why GAO Did This Study

The Department of Defense (DOD) obligated about $367 billion in fiscal year 2010 to acquire goods and services to meet its mission and support its operations, including those in Iraq and Afghanistan. GAO’s work, as well as that of others, has documented shortcomings in DOD’s strategic and acquisition planning, contract administration and oversight, and acquisition workforce. These are challenges that need to be addressed by DOD and by the Department of State and the U.S. Agency for International Development (USAID) as they carry out their missions in Iraq and Afghanistan and prepare for future contingencies.

Today’s statement discusses (1) contract management challenges faced by DOD, including those that take on heightened significance in a contingency environment; (2) actions DOD has taken and those needed to address these challenges; and (3) similar challenges State and USAID face. The statement is drawn from GAO’s body of work on DOD contingency contracting, contract management, and workforce, as well as prior reports on State and USAID’s contracting and workforce issues.

What GAO Found

DOD faces a number of longstanding and systemic challenges that hinder its ability to achieve more successful acquisition outcomes—obtaining the right goods and services, at the right time, at the right cost. These challenges include addressing the issues posed by DOD’s reliance on contractors, ensuring that DOD personnel use sound contracting approaches, and maintaining a workforce with the skills and capabilities needed to properly manage acquisitions and oversee contractors. The issues encountered with contracting in Iraq and Afghanistan are emblematic of these systemic challenges, though their significance and impact are heightened in a contingency environment. GAO’s concerns regarding DOD contracting predate the operations in Iraq and Afghanistan. GAO identified DOD contract management as a high-risk area in 1992 and raised concerns in 1997 about DOD’s management and use of contractors to support deployed forces in Bosnia. In the years since then, GAO has continued to identify a need for DOD to better manage and oversee its acquisition of services.

DOD has recognized the need to address the systemic challenges it faces, including those related to operational contract support. Over the past several years, DOD has announced new policies, guidance, and training initiatives, but not all of these actions have been implemented and their expected benefits have not yet been fully realized. While DOD’s actions are steps in the right direction, DOD needs to (1) strategically manage services acquisition, including defining desired outcomes; (2) determine the appropriate mix, roles, and responsibilities of contractor, federal civilian, and military personnel; (3) assess the effectiveness of efforts to address prior weaknesses with specific contracting arrangements and incentives; (4) ensure that its acquisition workforce is adequately sized, trained, and equipped; and (5) fully integrate operational contract support throughout the department through education and predeployment training.

In that regard, in June 2010 GAO called for a cultural change in DOD that emphasizes an awareness of operational contract support throughout all aspects of the department. In January 2011, the Secretary of Defense expressed concerns about DOD’s current level of dependency on contractors and directed the department to take a number of actions. The Secretary’s recognition and directions are significant steps, yet instilling cultural change will require sustained commitment and leadership.

State and USAID face contracting challenges similar to DOD’s, particularly with regard to planning for and having insight into the roles performed by contractors. In April 2010, GAO reported that State’s workforce plan did not address the extent to which contractors should be used to perform specific functions. Similarly, GAO reported that USAID’s workforce plan did not contain analyses covering the agency’s entire workforce, including contractors.

The recently issued *Quadrennial Diplomacy and Development Review* recognized the need for State and USAID to rebalance their workforces and directed the agencies to ensure that they have an adequate number of government employees to carry out their core missions and to improve contract administration and oversight.

View GAO-11-580 for key components.
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Chairman Thibault, Chairman Shays, and Commissioners:

Thank you for inviting me here today to discuss improvements needed in contracting and planning for the use of contractors in contingency environments. The Department of Defense (DOD) obligated about $367 billion in fiscal year 2010 to acquire goods and services to meet its mission and support its operations, including those in Iraq and Afghanistan. Our work, as well as that of the inspectors general and the commission itself, has documented critical shortcomings in DOD’s strategic and acquisition planning, contract administration and oversight, and acquisition workforce. Addressing these challenges is essential if DOD is to meet the warfighters’ needs in a timely and cost-conscious manner; mitigate the risks of fraud, waste, and abuse; and minimize the operational risks associated with contractors not only in today’s operations but also in future contingencies. These challenges not only need to be addressed by DOD but also by the Department of State and the U.S. Agency for International Development (USAID) as these agencies carry out the U.S. government’s diplomatic and development efforts in Iraq and Afghanistan.

My statement today will discuss (1) contract management challenges DOD has faced, including those that take on heightened significance in a contingency environment; (2) actions DOD has taken and those remaining to address these challenges; and (3) similar challenges facing State and USAID. This statement is drawn from our broad body of work on DOD contingency contracting, contract management, and acquisition workforce, including work reflected in our February 2011 high-risk update and our June 2010 testimony on operational contract support issues. Additionally, we relied on our work on State and USAID’s contracting and workforce efforts relevant to Iraq and Afghanistan. Our prior work was prepared in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audits 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.

DOD Faces Longstanding and Systemic Contract Management Challenges

DOD faces a number of longstanding and systemic challenges that have hindered its ability to achieve more successful acquisition outcomes—obtaining the right goods and services, at the right time, at the right cost. These challenges include addressing the issues posed by DOD’s reliance on contractors, ensuring that DOD personnel use sound contracting approaches, and maintaining a workforce with the skills and capabilities needed to properly manage the acquisitions and oversee contractors. The issues encountered in Iraq and Afghanistan are emblematic of these systemic challenges, though their significance and effect are heightened in a contingency environment.

DOD’s Increased Reliance on Contractors Poses Risks

Our concerns about DOD’s acquisition of services, including the department’s reliance on contractors and the support they provide to deployed forces, predate the operations in Iraq and Afghanistan. We identified DOD contract management as a high-risk area in 1992 and since then we continued to identify a need for DOD to better manage services acquisitions at both the strategic and individual contract levels. Similarly, in 1997 we raised concerns about DOD’s management and use of contractors to support deployed forces in Bosnia. We issued a number of reports on operational contract support since that time, and our recent high-risk update specifically highlighted the need for increased management attention to address operational contract support.

Contractors can provide many benefits, such as unique skills, expertise, and flexibility to meet unforeseen needs, but relying on contractors to support core missions can place the government at risk of transferring government responsibilities to contractors. In 2008, we concluded that the increased reliance on contractors required DOD to engage in a fundamental reexamination of when and under what circumstances it should use contractors versus civil servants or military personnel. Earlier

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this year, we reported that the department lacked good information on the roles and functions fulfilled by contractors.\footnote{GAO, Defense Acquisitions: Further Action Needed to Better Implement Requirements for Conducting Inventory of Service Contract Activities, GAO-11-192 (Washington, D.C.: Jan. 14, 2011).} Our work has concluded that DOD’s reliance on contractors is still not fully guided by either an assessment of the risks using contractors may pose or a systematic determination of which functions and activities should be contracted out and which should be performed by civilian employees or military personnel.

The absence of systematic assessments of the roles and functions that contractors should perform is also evident in contingency environments. For example, in June 2010 we reported that DOD had not fully planned for the use of contractors in support of operations in Iraq and Afghanistan and needed to improve planning for operational contract support in future operations.\footnote{GAO, Iraq and Afghanistan: DOD, State, and USAID Face Continued Challenges in Tracking Contracts, Assistance Instruments, and Associated Personnel, GAO-11-1 (Washington, D.C.: Oct. 1, 2010); Contingency Contracting: DOD, State, and USAID Continue to Face Challenges in Tracking Contractor Personnel and Contracts in Iraq and Afghanistan, GAO-10-1 (Washington, D.C.: Oct. 1, 2009); and Contingency Contracting: DOD, State, and USAID Contracts and Contractor Personnel in Iraq and Afghanistan, GAO-09-19 (Washington, D.C.: Oct. 1, 2008).} In addition, we reported that while U.S. Forces-Iraq had taken steps to identify all the Army’s Logistics Civil Augmentation Program (LOGCAP) contract support needed for the drawdown in Iraq, it had not identified the other contractor support it may need. We found that the May 2009 drawdown plan had delegated responsibility for determining contract support requirements to contracting agencies rather than to operational personnel. However, DOD contracting officials told us that they could not determine the levels of contractor services required or plan for reductions based on those needs because they lacked sufficient, relevant information on requirements for contractor services during the drawdown. Similarly for Afghanistan, we found that despite the additional contractors that would be needed to support the troop increase, U.S. Forces-Afghanistan was engaged in very little planning for contractors with the exception of planning for the increased use of LOGCAP.

Further, we have reported on limitations in DOD’s ability to track contractor personnel deployed with U.S. forces.\footnote{GAO-10-829T.} In January 2007, DOD
designated the Synchronized Predeployment and Operational Tracker (SPOT) as its primary system for tracking data on contractor personnel deployed with U.S. forces. SPOT was designed to account for all U.S., local, and third-country national contractor personnel by name and to contain a summary of services being provided and information on government-provided support. Our reviews of SPOT, however, have highlighted shortcomings in the system’s implementation in Iraq and Afghanistan. For example, we found that varying interpretations by DOD officials as to which contractor personnel should be entered into the system resulted in SPOT not presenting an accurate picture of the total number of contractor personnel in Iraq or Afghanistan. In addition, we reported in 2009 that DOD’s lack of a departmentwide policy for screening local or third-country nationals—who constitute the majority of DOD contractor personnel in Iraq and Afghanistan—poses potential security risks.\(^8\) We are currently assessing DOD’s process for vetting firms that are supporting U.S. efforts in Afghanistan.

Regarding planning for the use of contractors in future operations, since February 2006 DOD guidance has called for the integration of an operational contract support annex—Annex W—into certain combatant command operation plans, if applicable to the plan. However, 4 years later we reported that of the potential 89 plans that may require an Annex W, only 4 operation plans with Annex Ws had been approved by the department.\(^9\) As a result, DOD risks not fully understanding the extent to which it will be relying on contractors to support combat operations and being unprepared to provide the necessary management and oversight of deployed contractor personnel. Moreover, the combatant commanders are missing an opportunity to fully evaluate and react to the potential risks of reliance on contractors.

## Weaknesses in Contracting Approaches and Oversight Increase Risk

While the strategic level defines the direction and manner in which an organization pursues improvements in services acquisition, it is through the development, execution, and oversight of individual contracts that the strategy is implemented. Keys to doing so are having clearly defined and

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\(^8\) GAO, Contingency Contract Management: DOD Needs to Develop and Finalize Background Screening and Other Standards for Private Security Contractors, GAO-09-351 (Washington, D.C.: July 31, 2009).

valid requirements, a sound contract, and effective contractor management and oversight. In short, DOD, like all organizations, needs to assure itself that it is buying the right thing in the right way and that doing so results in the desired outcome. Our work over the past decade identified weaknesses in each of these key areas, whether for services provided in the United States or abroad, as illustrated by the following examples:

- In June 2007, we reported that DOD understated the extent to which it used time-and-materials contracts, which can be awarded quickly and adjusted when requirements or funding are uncertain.\(^\text{10}\) We found few attempts to convert follow-on work to less risky contract types and found wide discrepancies in DOD’s oversight.

- That same month we also reported that DOD personnel failed to definitize—or reach final agreement on—contract terms within required time frames in 60 percent of the 77 contracts we reviewed.\(^\text{11}\) Until contracts are definitized, DOD bears increased risk because contractors have little incentive to control costs. We then reported in July 2007 that DOD had not completed negotiations on certain task orders in Iraq until more than 6 months after the work began and after most of the costs had been incurred, contributing to its decision to pay the contractor nearly all of the $221 million questioned by auditors.\(^\text{12}\) We subsequently reported in 2010 that DOD had taken several actions to enhance departmental insight into and oversight of undefinitized contract actions; however, data limitations hindered DOD’s full understanding of the extent to which they are used.\(^\text{13}\)

- As early as 2004, we raised concerns about DOD’s ability to effectively administer and oversee contracts in Iraq. We noted that effective contract administration and oversight remained challenging in part

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because of the continued expansion of reconstruction efforts, staffing constraints, and need to operate in an unsecure and threatening environment.\(^\text{14}\) In 2008, we reported that the lack of qualified personnel hindered oversight of contracts to maintain military equipment in Kuwait and provide linguistic services in Iraq and questioned whether DOD could sustain increased oversight of its private security contractors.\(^\text{15}\) During our 2010 visits with deployed and recently returned units, we found that units continue to deploy to Afghanistan without designating contracting officer’s representatives beforehand and that those representatives often lacked the technical knowledge and training needed to effectively oversee certain contracts.\(^\text{16}\) Several units that had returned from Afghanistan told us that contracting officer’s representatives with no engineering background were often asked to oversee construction projects and were unable to ensure that the buildings and projects they oversaw met the technical specifications required in the drawing plans. We are currently assessing the training on the use of contract support that is provided to military commanders, contracting officer’s representatives, and other nonacquisition personnel before they deploy.

### Continuing Acquisition Workforce Challenges Hinder DOD’s Ability to Properly Manage Acquisitions

Underlying the ability to properly manage the acquisition of goods and services is having a workforce with the right skills and capabilities. DOD recognizes that the defense acquisition workforce, which was downsized considerably through the 1990s, faces increases in the volume and complexity of work because of increases in services contracting, ongoing contingency operations, and other critical missions. For example, while contract spending dramatically increased from fiscal years 2001 through 2008, DOD reported that its acquisition workforce decreased by 2.6 percent over the same period.

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\(^{16}\) While the responsibility for ensuring that a contractor meets the requirements as set forth in the contract rests with the contracting officer, a contracting officer’s representative may be appointed to provide day-to-day oversight. Contracting officer’s representatives are not normally contracting specialists, and often their oversight responsibility is an additional duty. Unlike the contracting officer, they cannot direct the contractor by making commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract; instead, they act as the “eyes and ears” of the contracting officer and serve as the liaison between the contractor and the contracting officer.
In April 2010, DOD issued an acquisition workforce plan that identified planned workforce growth, specified recruitment and retention goals, and forecasted workforce-wide attrition and retirement trends. As part of that plan, DOD announced that it would increase the size of two oversight organizations—the Defense Contract Audit Agency and the Defense Contract Management Agency—over the next several years to help reduce the risk of fraud, waste, and abuse in DOD contracts. However, we reported in September 2010 that DOD had not completed its assessment of the critical skills and competencies of its overall acquisition workforce and that it had not identified the funding needed for its initiatives until the conclusion of our review.\(^\text{17}\) The current budget situation raises questions as to whether DOD will be able to sustain its projected workforce growth and related initiatives. We are currently reviewing the Defense Contract Management Agency’s capacity for oversight and surveillance of contracting activity domestically in light of its role in contingency operations.

DOD has recognized the need to take action to address the challenges it faces regarding contract management and its reliance on contractors, including those related to operational contract support. Over the past several years, the department has announced new policies, guidance and training initiatives, but not all of these actions have been implemented and their expected benefits have not yet been fully realized. While these actions are steps in the right direction, we noted in our February 2011 high-risk update that to improve outcomes on the billions of dollars spent annually on goods and services, sustained DOD leadership and commitment are needed to ensure that policies are consistently put into practice.\(^\text{18}\) Specifically we concluded that DOD needs to

- take steps to strategically manage services acquisition, including defining and measuring against desired outcomes, and developing the data needed to do so;

- determine the appropriate mix, roles, and responsibilities of contractor, federal civilian, and military personnel;


\(^{18}\) GAO-11-278.
• assess the effectiveness of efforts to address prior weaknesses with specific contracting arrangements and incentives;

• ensure that its acquisition workforce is adequately sized, trained, and equipped to meet the department's needs; and

• fully integrate operational contract support throughout the department through education and predeployment training.

DOD has generally agreed with the recommendations we have previously made and has actions under way to implement them. I would like to touch on a few of the actions already taken by DOD. On a broad level, for example, improved DOD guidance, DOD's initiation and use of independent management reviews for high-dollar services acquisitions, and other steps to promote the use of sound business arrangements have begun to address several weaknesses, such as the department's management and use of time-and-materials contracts and undefinitized contract actions. Further, DOD has identified steps to promote more effective competition in its acquisitions, such as requiring contracting officers to take additional actions when DOD receives only one bid in response to a solicitation and revising its training curriculum to help program and acquisition personnel develop and better articulate the department's requirements.

Similarly, efforts are under way to reduce the department's reliance on contractors. In April 2009, the Secretary of Defense announced his intent to reduce the department's reliance on contractors by hiring new personnel and by converting, or in-sourcing, functions currently performed by contractors to DOD civilian personnel. To help provide better insights into, among other things, the number of contractors providing services to the department and the functions they perform and to help make informed workforce decisions, Congress enacted legislation in 2008 requiring DOD to annually compile and review an inventory of activities performed pursuant to contracts for services.19 In January 2011, we reported that while DOD had taken actions to reduce prior inconsistencies resulting from DOD components using different approaches to compile the inventory, it still faced data and estimating limitations that raised questions about the accuracy and usefulness of the data.20 Given this early state of implementation, the inventory and

20 GAO-11-192.
associated review processes are being used to various degrees by the military departments to help inform workforce decisions, with the Army generally using the inventories to a greater degree than the other military departments. Later this year we will review DOD’s strategic human capital plans for both its civilian and acquisition workforces, the status of efforts to in-source functions previously performed by contractor personnel, and DOD’s upcoming inventory of services.

Furthermore, DOD has taken several steps intended to improve planning for the use of contractors in contingencies and to improve contract administration and oversight. For example, in the area of planning for the use of contractors, in October 2008 the department issued Joint Publication 4-10, *Operational Contract Support*, which establishes doctrine and provides standardized guidance for and information on planning, conducting, and assessing operational contract support integration, contractor management functions, and contracting command and control organizational options in support of joint operations. DOD also provided additional resources for deployed contracting officers and their representatives through the issuance of the *Joint Contingency Contracting Handbook* in 2007 and the *Deployed Contracting Officer’s Representative Handbook* in 2008. In 2009, the Army issued direction to identify the need for contracting officer’s representatives, their roles and responsibilities, and their training when coordinating operational unit replacements.

Our work found that beyond issuing new policies and procedures, DOD needs to fundamentally change the way it approaches operational contract support. In June 2010, we called for a cultural change in DOD that emphasizes an awareness of operational contract support throughout all aspects of the department to help it address the challenges it faces in ongoing and future operations.\(^{21}\) This view is now apparently shared by the department. In a January 2011 memorandum, the Secretary of Defense expressed concern about the risks introduced by DOD’s current level of dependency on contractors, future total force mix, and the need to better plan for operational contract support in the future. Toward that end, he directed the department to undertake a series of actions related to force mix, contract support integration, planning, and resourcing. According to the Secretary, his intent was twofold: to initiate action now and to subsequently codify the memorandum’s initiatives in policy and through

\(^{21}\) GAO-10-829T.
doctrine, organization, training, materiel, leadership, education, personnel, and facilities changes and improvements. He concluded that the time was at hand, while the lessons learned from recent operations were fresh, to institutionalize the changes necessary to influence a cultural shift in how DOD views, accounts for, and plans for contractors and personnel support in contingency environments. The Secretary’s recognition and directions are significant steps, yet cultural change will require sustained commitment from senior leadership for several years to come.

While my statement has focused on the challenges confronting DOD, our work involving State and USAID has found similar issues, particularly related to not planning for and not having insight into the roles performed by contractors and workforce challenges. The need for visibility into contracts and contractor personnel to inform decisions and oversee contractors is critical, regardless of the agency, as each relies extensively on contractors to support and carry out its missions in Iraq and Afghanistan.

Our work has identified gaps in USAID and State’s workforce planning efforts related to the role and extent of reliance on contractors. We noted, for example, in our 2004 and 2005 reviews of Afghanistan reconstruction efforts that USAID did not incorporate information on the contractor resources required to implement the strategy, hindering its efforts to make informed resource decisions. More generally, in June 2010, we reported that USAID’s 5-year workforce plan for fiscal years 2009 through 2013 had a number of deficiencies, such as lacking supporting workforce analyses that covered the agency’s entire workforce, including contractors, and not containing a full assessment of the agency’s workforce needs, including identifying existing workforce gaps and staffing levels required to meet program needs and goals.

Similarly, in April 2010, we noted that State’s departmentwide workforce plan generally does not address the extent to which contractors should be

State and USAID Confront Similar Contracting Challenges


used to perform specific functions, such as contract and grant administration. As part of State’s fiscal year 2011 budget process, State asked its bureaus to focus on transitioning some activities from contractors to government employees. State officials told us, however, that departmentwide workforce planning efforts generally have not addressed the extent to which the department should use contractors because those decisions are left up to individual bureaus. State noted that in response to Office of Management and Budget guidance, a pilot study was underway regarding the appropriate balance of contractor and government positions, to include a determination as to whether or not the contracted functions are inherently governmental, closely associated to inherently governmental, or mission critical.

In the absence of strategic planning, we found that it was often individual contracting or program offices within State and USAID that made case-by-case decisions on the use of contractors to support contract or grant administration functions. For example, USAID relied on a contractor to award and administer grants in Iraq to support community-based conflict mitigation and reconciliation projects, while State relied on a contractor to identify and report on contractor performance problems and assess contractor compliance with standard operating procedures for its aviation program in Iraq. State and USAID officials generally cited a lack of sufficient number of government staff, the lack of in-house expertise, or frequent rotations among government personnel as key factors contributing to their decisions to use contractors.

Our work over the past three years to provide visibility into the number of contractor personnel and contracts associated with the U.S. efforts in Iraq and Afghanistan found that State and USAID continue to lack good information on the number of contractor personnel working under their contracts. State and USAID had agreed to use the SPOT database to track statutorily-required information. The system still does not reliably track the agencies’ information on contracts, assistance instruments, and associated personnel in Iraq or Afghanistan. As a result, the agencies relied on other data sources, which had their own limitations, to respond to our

25 GAO-10-357.
26 GAO-11-1, GAO-10-1, and GAO-09-19.
requests for information. We plan to report on the agencies’ efforts to track and use data on contracts, assistance instruments, and associated personnel in Iraq or Afghanistan later this year.

The agencies have generally agreed with the recommendations we have made to address these challenges. To their credit, senior agency leaders acknowledged that they came to rely on contractors and other nongovernmental organizations to carry out significant portions of State and USAID’s missions. For example, the Quadrennial Diplomacy and Development Review (QDDR), released in December 2010, reported that much of what used to be the exclusive work of government has been turned over to private actors, both for profit and not for profit. As responsibilities mounted and staffing levels stagnated, State and USAID increasingly came to rely on outsourcing, with contracts and grants to private entities often representing the default option to meet the agencies’ growing needs. Further, the QDDR recognized the need for the agencies to rebalance the workforce by determining what functions must be conducted by government employees and what functions can be carried out by nongovernment entities working on behalf of and under the direction of the government. As part of this effort, the QDDR called for State and USAID to ensure that work that is critical to carrying out their core missions is performed by an adequate number of government employees. The review also recommended that for contractor-performed functions, the agencies develop well-structured contracts with effective contract administration and hold contractors accountable for performance and results. Along these lines, the Administrator of USAID recently announced a series of actions intended to improve the way USAID does business, including revising its procurement approach.

The acknowledgment of increased contractor reliance and the intention to examine their roles is important, as is developing well-structured contracts and effectively administering contracts. Left unaddressed, these challenges may pose potentially serious consequences to achieving the U.S. government’s policy objectives in Iraq and Afghanistan. For example, in March 2011, the Secretary of State testified that the department is not in an “optimal situation,” with contractors expected to comprise 84 percent of the U.S. government’s workforce in Iraq. We recently initiated a review of State’s capacity to plan for, award, administer, and oversee contracts with performance in conflict environments, such as Iraq and Afghanistan. As part of this review, we will assess the department’s workforce both in terms of number of personnel and their expertise to carry out acquisition functions, including contractor oversight. We will also assess the status of
the department’s efforts to enhance its workforce to perform these functions.

Concluding Observations

The issues I discussed today—contract management, the use of contractors in contingency environments, and workforce challenges—are not new and will not be resolved overnight, but they need not be enduring or intractable elements of the acquisition environment. The challenges encountered in Iraq and Afghanistan are the result of numerous factors, including poor strategic and acquisition planning, inadequate contract administration and oversight, and an insufficient number of trained acquisition and contract oversight personnel. These challenges manifest in various ways, including higher costs, schedule delays, and unmet goals, but they also increase the potential for fraud, waste, abuse, and mismanagement in contingency environments such as Iraq and Afghanistan. While our work has provided examples that illustrate some effects of such shortcomings, in some cases, estimating their financial effect is not feasible or practicable. The inability to quantify the financial impact should not, however, detract from efforts to achieve greater rigor and accountability in the agencies’ strategic and acquisition planning, internal controls, and oversight efforts. Stewardship over contingency resources should not be seen as conflicting with mission execution or the safety and security of those so engaged.

Toward that end, the agencies have recognized that the status quo is not acceptable and that proactive, strategic, and deliberate analysis and sustained commitment and leadership are needed to produce meaningful change and make the risks more manageable. DOD has acknowledged the need to institutionalize operational contract support and set forth a commitment to encourage cultural change in the department. State and USAID must address similar challenges, including the use and role of contractors in contingency environments. The recent QDDR indicates that the agencies have recognized the need to do so. These efforts are all steps in the right direction, but agreeing that change is needed at the strategic policy level must be reflected in the decisions made by personnel on a day-to-day basis.

Chairman Thibault, Chairman Shays, this concludes my prepared statement. I would be happy to respond to any questions you or the other commissioners may have.
Contacts and Acknowledgments

For further information about this statement, please contact me at (202) 512-4841 or francisp@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals who made key contributions to this statement include Johana R. Ayers, Vince Balloon, Jessica Bull, Carole Coffey, Timothy DiNapoli, Justin Jaynes, Sylvia Schatz, Sally Williamson, and Gwyneth Woolwine.
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