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Statement Before the Commission on
Wartime Contracting in Iraq and
Afghanistan

For Release on Delivery
Expected at 9:30 a.m. EST
Monday, November 2, 2009

CONTINGENCY
CONTRACTING

Further Improvements
Needed in Agency Tracking
of Contractor Personnel and
Contracts in Iraq and
Afghanistan

Statement of John P. Hutton, Director
Acquisition and Sourcing Management



GAO

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Chairman Thibault, Chairman Shays, and Commissioners:

Thank you for inviting me here today to discuss ongoing efforts by the Department of Defense (DOD), the Department of State (State), and the U.S. Agency for International Development (USAID) to track information on contractor personnel and contracts in Iraq and Afghanistan. Reliable, meaningful data on contractors and the services they provide are necessary to inform agency decisions on when and how to effectively use contractors, provide support services to contractors, and ensure that contractors are properly managed and overseen. The importance of such data is heightened by the unprecedented reliance on contractors in Iraq and Afghanistan and the evolving U.S. presence in the two countries.

My statement focuses on (1) how information on contractor personnel and contracts can assist agencies in managing and overseeing their use of contractors and (2) the status of DOD, State, and USAID's efforts to track statutorily-required information on contractor personnel and contracts in Iraq and Afghanistan, as well as our recent recommendations to address the shortcomings we identified in their efforts. This statement is drawn from our October 2009 report on contracting in Iraq and Afghanistan,¹ which was mandated by section 863 of the National Defense Authorization Act for Fiscal Year 2008 (NDAA for FY2008),² and a related April 2009 testimony.³ 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.

Background

Section 861 of the NDAA for FY2008 directed the Secretary of Defense, the Secretary of State, and the USAID Administrator to sign a memorandum of

¹GAO, *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).

²Pub. L. No. 110-181, § 863.

³GAO, *Contingency Contracting: DOD, State, and USAID Are Taking Actions to Track Contracts and Contractor Personnel in Iraq and Afghanistan*, [GAO-09-538T](#) (Washington, D.C.: Apr. 1, 2009).

understanding (MOU) related to contracting in Iraq and Afghanistan.⁴ The law specified a number of issues to be covered in the MOU, including the identification of common databases to serve as repositories of information on contract and contractor personnel. The NDAA for FY2008 required the databases to track at a minimum:

- for each contract,
 - a brief description of the contract,
 - its total value, and
 - whether it was awarded competitively, and
- for contractor personnel working under contracts in Iraq or Afghanistan,
 - total number employed,
 - total number performing security functions, and
 - total number who have been killed or wounded.

In July 2008, DOD, State, and USAID signed an MOU in which they agreed the Synchronized Predeployment and Operational Tracker (SPOT) would be the system of record for the statutorily-required contract and contractor personnel information. The MOU specified SPOT would include information on DOD, State, and USAID contracts with more than 14 days of performance in Iraq or Afghanistan or valued at more than the simplified acquisition threshold, which the MOU stated was \$100,000, as well as information on the personnel working under those contracts.

While DOD is responsible for all maintenance and upgrades to the SPOT database, each agency agreed in the MOU to ensure that data elements related to contractor personnel, such as the number of personnel employed on each contract in Iraq or Afghanistan, are accurately entered into SPOT by its contractors. SPOT is designed to track contractor personnel by name and record information such as the contracts they are working under, deployment dates, and next of kin. Contract data elements, such as value and extent of competition, are to be imported into SPOT from the Federal Procurement Data System – Next Generation (FPDS-NG), the federal government’s system for tracking information on contracting actions.

⁴Pub. L. No. 110-181, § 861, as amended by Pub. L. No. 110-417, § 854 (2008).

Contractor and Contractor Personnel Information Can Help Agencies Address Management and Oversight Challenges

The need for information on contracts and contractor personnel to inform decisions and oversee contractors is critical given DOD, State, and USAID's extensive reliance on contractors to support and carry out their missions in Iraq and Afghanistan. We have reported extensively on the management and oversight challenges of using contractors to support contingency operations and the need for decision makers to have accurate, complete, and timely information as a starting point to address those challenges. Although much of our prior work has focused on DOD, the lessons learned can be applied to other agencies relying on contractors to help carry out their missions. The agencies' lack of complete and accurate information on contractors supporting contingency operations may inhibit planning, increase costs, and introduce unnecessary risk, as illustrated in the following examples:

- Limited visibility over contractors obscures how extensively agencies rely on contractors to support operations and help carry out missions. In our 2006 review of DOD contractors supporting deployed forces, we reported that a battalion commander in Iraq was unable to determine the number of contractor-provided interpreters available to support his unit.⁵ Such a lack of visibility can create challenges for planning and carrying out missions. Further, knowledge of who is on their installation, including contractor personnel, helps commanders make informed decisions regarding force protection and account for all individuals in the event of hostile action.
- Without incorporating information on contractors into planning efforts, agencies risk making uninformed programmatic decisions. As we noted in our 2004 and 2005 reviews of Afghanistan reconstruction efforts, when developing its interim development assistance strategy, USAID did not incorporate information on the contractor resources required to implement the strategy.⁶ We determined this impaired USAID's ability to make informed decisions on resource allocations for the strategy.

⁵GAO, *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).

⁶GAO, *Afghanistan Reconstruction: Deteriorating Security and Limited Resources Have Impeded Progress; Improvements in U.S. Strategy Needed*, [GAO-04-403](#) (Washington, D.C.: June 2, 2004) and *Afghanistan Reconstruction: Despite Some Progress, Deteriorating Security and Other Obstacles Continue to Threaten Achievement of U.S. Goals*, [GAO-05-742](#) (Washington, D.C.: July 28, 2005).

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- A lack of accurate financial information on contracts impedes agencies' ability to create realistic budgets. As we reported in July 2005, despite the significant role of private security providers in enabling Iraqi reconstruction efforts, neither State, DOD, nor USAID had complete data on the costs associated with using private security providers.⁷ Agency officials acknowledged such data could help them identify security cost trends and their impact on the reconstruction projects, as increased security costs resulted in the reduction or cancellation of some projects.
 - Lack of insight into the contract services being performed increases the risk of paying for duplicative services. In the Balkans, where billions of dollars were spent for contractor support, we found in 2002 that DOD did not have an overview of all contracts awarded in support operations.⁸ Until an overview of all contractor activity was obtained, DOD did not know what the contractors had been contracted to do and whether there was duplication of effort among the contracts that had been awarded.
 - Costs can increase due to a lack of visibility over where contractors are deployed and what government support they are entitled to. In our December 2006 review of DOD's use of contractors in Iraq, an Army official estimated that about \$43 million was lost each year to free meals provided to contractor employees at deployed locations who also received a per diem food allowance.⁹

Many recommendations from our prior work on contractors supporting contingency operations focused on increasing agencies' ability to track contracts and contractor personnel so that decision makers—whether out in the field or at headquarters—can have a clearer understanding of the extent to which they rely on contractors, improve planning, and better account for costs. While actions have been taken to address our recommendations, DOD, State, and USAID officials have told us that their ability to access information on contracts and contractor personnel to inform decisions still needs improvement. Specifically, information on contracts and the personnel working on them in Iraq and Afghanistan may

⁷GAO, *Rebuilding Iraq: Actions Needed to Improve Use of Private Security Providers*, [GAO-05-737](#) (Washington, D.C.: July 28, 2005).

⁸GAO, *Defense Budget: Need to Strengthen Guidance and Oversight of Contingency Operations Costs*, [GAO-02-450](#) (Washington, D.C.: May 21, 2002).

⁹[GAO-07-145](#).

reside solely with the contractors, be stored in a variety of data systems, or exist only in paper form in scattered geographical regions. These officials indicated that the use of SPOT has the potential to bring some of this dispersed information together so that it can be used to better manage and oversee contractors.

Despite Some Progress, SPOT Not Yet Fully Implemented to Track Contractor Personnel and Contracts

DOD, State, and USAID have made progress in implementing SPOT. However, as we reported last month, DOD, State, and USAID's on-going implementation of SPOT currently falls short of providing agencies with information that would help facilitate oversight and inform decision making, as well as fulfill statutory requirements. Specifically, we found that the agencies have varying criteria for deciding which contractor personnel are entered into the system and, as a result, not all required contractor personnel have been entered. While the agencies have used other approaches to obtain personnel information, such as periodic contractor surveys, these approaches have provided incomplete data that should not be relied on to identify trends or draw conclusions. In addition, SPOT, which was intended to serve as a central repository of information on contracts performed in Iraq or Afghanistan, currently lacks the capability to track required contract information as agreed to in the MOU.

Tracking Information on Contractor Personnel in Iraq and Afghanistan

DOD, State, and USAID have been phasing in the MOU requirement to use SPOT to track information on contracts and the personnel working on them in Iraq and Afghanistan. In January 2007, DOD designated SPOT as its primary system for collecting data on contractor personnel deployed with U.S. forces and directed contractor firms to enter personnel data for contracts performed in Iraq and Afghanistan. State started systematically entering information for both Iraq and Afghanistan into SPOT in November 2008. In January 2009, USAID began requiring contractors in Iraq to enter personnel data into SPOT. However, USAID has not yet imposed a similar requirement on its contractors in Afghanistan and has no time frame for doing so.

In implementing SPOT, DOD, State, and USAID's criteria for determining which contractor personnel are entered into SPOT varied and were not consistent with those contained in the MOU, as the following examples illustrate:

- Regarding contractor personnel in Iraq, DOD, State, and USAID officials stated the primary factor for deciding to enter contractor personnel into SPOT was whether a contractor needed a SPOT-

generated letter of authorization (LOA).¹⁰ However, not all contractor personnel, particularly local nationals, in Iraq need LOAs and agency officials informed us that such personnel were not being entered into SPOT.

- For Afghanistan, DOD offices varied in their treatment of which contractor personnel should be entered into SPOT. Officials with one contracting office stated the need for an LOA determined whether someone was entered into SPOT. As a result, since local nationals generally do not need LOAs, they are not in SPOT. In contrast, DOD officials with another contracting office stated they follow DOD's 2007 guidance on the use of SPOT. According to that guidance, contractor personnel working on contracts in Iraq and Afghanistan with more than 30 days of performance and valued over \$25,000 are to be entered into SPOT—as opposed to the MOU threshold of 14 days of performance or a value over \$100,000.

These varying criteria and practices stem, in part, from differing views on the agencies' need to collect and use data on certain contracts and the personnel working on them. For example, some DOD officials we spoke with questioned the need to track contractor personnel by name as opposed to their total numbers given the cost of collecting detailed data compared to the benefit of having this information. However, DOD officials informed us that the agencies did not conduct any analyses of what the appropriate threshold should be for entering information into SPOT given the potential costs and benefits of obtaining such information prior to establishing the MOU requirements. As a result of the varying criteria, the agencies do not have an accurate or consistent picture of the total number of contractor personnel in Iraq and Afghanistan.

Although officials from all three agencies expressed confidence that SPOT data were relatively complete for contractor personnel who need LOAs, they acknowledged SPOT does not fully reflect the number of local nationals working on their contracts. Agency officials further explained ensuring SPOT contains information on local nationals is challenging

¹⁰An LOA is a document issued by a government contracting officer or designee that authorizes contractor personnel to travel to, from, and within a designated area and to identify any additional authorizations, privileges, or government support the contractor is entitled to under the contract. Contractor personnel need SPOT-generated LOAs to, among other things, enter Iraq, receive military identification cards, travel on U.S. military aircraft, or, for security contractors, receive approval to carry weapons.

because their numbers tend to fluctuate due to the use of day laborers and local firms do not always track the individuals working for them.

Absent robust contractor personnel data in SPOT, DOD, State, and USAID have relied on surveys of their contractors to obtain information on the number of contractor personnel. However, we determined the resulting data from these surveys are similarly incomplete and unreliable and, therefore, should not be used to identify trends or draw conclusions about the number of contractor personnel in each county. Additionally, officials from all three agencies stated that they lack the resources to verify the information reported by the contractors, particularly for work performed at remote sites where security conditions make it difficult for U.S. government officials to regularly visit.

- According to DOD officials, the most comprehensive information on the number of DOD contractor personnel in Iraq and Afghanistan comes from the U.S. Central Command's (CENTCOM) quarterly census.¹¹ As shown in table 1, DOD's census indicated there were 200,807 contractors working in Iraq and Afghanistan as of the second quarter of fiscal year 2009, which is 83,506 more than what was reported in SPOT. However, DOD officials acknowledged the census numbers represent only a rough approximation of the actual number of contractor personnel in each country. For example, an Army-wide review of fiscal year 2008 third quarter data determined approximately 26,000 contractors were not previously counted. Information on these contractors was included in a subsequent census. As a result, comparing third and fourth quarter data would incorrectly suggest that the number of contractors increased, while the increase is attributable to more accurate counting. Conversely, there have also been instances of contractor personnel being double counted in the census.

¹¹CENTCOM is one of DOD's unified combatant commands. It is responsible for overseeing U.S. security interests in 20 countries—including Iraq and Afghanistan—that stretch from the Arabian Gulf region into Central Asia. CENTCOM initiated its quarterly census of contractor personnel in June 2007 as an interim measure until SPOT is fully implemented. The census relies on contractor firms to self-report their personnel data to DOD components, which then aggregate the data and report them to CENTCOM at the end of each quarter.

Table 1: DOD-Reported Data on the Number of Contractor Personnel in Iraq and Afghanistan, Second Half of Fiscal Year 2008 and First Half of Fiscal Year 2009

	Fiscal year 2008		Fiscal year 2009	
	Third quarter	Fourth quarter	First quarter	Second quarter
Iraq	162,428	163,446	148,050	132,610
Afghanistan	41,232	68,252	71,755	68,197
Total	203,660	231,698	219,805	200,807

Source: GAO analysis of CENTCOM census data.

- Although State reported most of its contractor personnel are currently entered into SPOT, the agency relied on periodic inquiries of its contractors to obtain a more complete view of contractor personnel in the two countries. State reported 8,971 contractor personnel were working on contracts in Iraq and Afghanistan during the first half of fiscal year 2009. Even relying on a combination of data from SPOT and periodic inquiries, it appeared State underreported its contractor personnel numbers. For example, although State provided obligation data on a \$5.6 million contract for support services in Afghanistan, State did not report any personnel working on this contract.
- USAID relied entirely on contractor surveys to determine the number of contractor personnel working in Iraq and Afghanistan. The agency reported 16,697 personnel worked on its contracts in Iraq and Afghanistan during the first half of fiscal year 2009. However, we identified a number of contracts for which contractor personnel information was not provided, including contracts to refurbish a hydroelectric power plant and to develop small and medium enterprises in Afghanistan worth at least \$6 million and \$91 million, respectively.

Tracking Information on Contracts with Performance in Iraq and Afghanistan

Although some information on contracts is being entered into SPOT, the system currently lacks the capability to accurately import and track the contract data elements as agreed to in the MOU. While the MOU specifies contract values, competition information, and descriptions of the services being provided would be pulled into SPOT from FPDS-NG, this capability is not expected to be available until 2010. Once the direct link is established, pulling FPDS-NG data into SPOT may present challenges because of how data are entered. While contract numbers are the unique identifiers that will be used to match records in SPOT to those in FPDS-NG, SPOT users are not required to enter the numbers in a standardized manner. In our review of SPOT data, we identified that at least 12 percent of the contracts had invalid contract numbers and, therefore, could not be

matched to records in FPDS-NG.¹² Additionally, using contract numbers alone may be insufficient since specific task orders are identified through a combination of the contract and task order numbers. However, SPOT users are not required to enter task order numbers. For example, for one SPOT entry that only had the contract number without an order number, we found that DOD had placed 12 different orders—ranging from a few thousand dollars to over \$129 million—against that contract. Based on the information in SPOT, DOD would not be able to determine which order’s value and competition information should be imported from FPDS-NG.

As SPOT is not yet fully operational as a repository of information on contracts with performance in Iraq and Afghanistan, DOD, State, and USAID relied on a combination of FPDS-NG, agency-specific databases, and manually compiled lists of contract actions to provide us with the contract information necessary to fulfill our mandate. None of the agencies provided us with a cumulative listing of all their contract actions for Iraq and Afghanistan. Instead, they provided a total of 48 separate data sets that we then analyzed to identify almost 85,000 contracts with performance in Iraq and Afghanistan that totaled nearly \$39 billion in obligations in fiscal year 2008 and the first half of fiscal year 2009. Our analyses involved compiling the data from the multiple sources, removing duplicate entries, and standardizing the data that were reported.

Prior Recommendation for Executive Action and Concluding Observations

To address the shortcomings we identified in the agencies’ implementation of SPOT, we recommended in our October 2009¹³ report that the Secretaries of Defense and State and the USAID Administrator jointly develop and execute a plan with associated timeframes for their continued implementation of the NDAA for FY2008 requirements, specifically

- ensuring that the agencies’ criteria for entering contracts and contractor personnel into SPOT are consistent with the NDAA for FY2008 and with the agencies’ respective information needs for overseeing contracts and contractor personnel;

¹²Contract numbers consist of 13 alphanumeric characters. We considered a contract number invalid if the contract number entered into SPOT had a different number of characters.

¹³[GAO-10-1](#).

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- revising SPOT's reporting capabilities to ensure that they fulfill statutory requirements and agency information needs; and
 - establishing uniform requirements on how contract numbers are to be entered into SPOT so that contract information can accurately be pulled from FPDS-NG as agreed to in the MOU.

In commenting on our recommendation, DOD and State disagreed with the need for a plan to address the issues we identified. They cited ongoing coordination efforts and anticipated upgrades to SPOT as sufficient. While USAID did not address our recommendation, it similarly noted plans to continue meeting with DOD and State regarding SPOT. We believe continued coordination among the three agencies is important. They should work together to implement a system that is flexible across the agencies but still provides detailed information to better manage and oversee contractors. However, they also need to take the actions contained in our recommendation if the system is to fulfill its potential. By jointly developing and executing a plan with time frames, the three agencies can identify the concrete steps they need to take and assess their progress in ensuring the data in SPOT are sufficiently reliable to fulfill statutory requirements and their respective agency needs. Absent such a plan and actions to address SPOT's current shortcomings, the agencies will be reliant on alternative sources of data—which are also unreliable and incomplete. As a result, they will continue to be without reliable information on contracts and contractor personnel that can be used to help address some longstanding contract management challenges.

Messrs. Chairmen, this concludes my prepared statement. I would be happy to respond to any questions you or the other commissioners may have.

GAO Contacts and Acknowledgement

For further information about this statement, please contact John P. Hutton (202) 512-4841 or huttonj@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, Assistant Director; Noah Bleicher; Raj Chitikila; Christopher Kunitz; Heather Miller; and Morgan Delaney Ramaker.

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