

GAO

Testimony

Before the Committee on Homeland  
Security and Governmental Affairs  
Subcommittees, U.S. Senate

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For Release on Delivery  
Expected at 2:30 p.m. EST  
Thursday, January 24, 2008

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





Highlights of GAO-08-436T, a report to the Committee on Homeland Security and Governmental Affairs Subcommittees, U.S. Senate

## 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.

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](mailto:solisw@gao.gov).

January 24, 2008

## MILITARY OPERATIONS:

### Implementation of Existing Guidance and Other Actions Needed to Improve DOD's Oversight and Management of Contractors in Future Operations

## 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.

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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.

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## 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

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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.

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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.

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## 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.<sup>1</sup> 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

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<sup>1</sup> 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.

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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.

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## 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.

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## 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.

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## 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.<sup>2</sup> However, Joint Publication 4.0,<sup>3</sup> 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.<sup>4</sup> 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,<sup>5</sup> we noted that one reason the Army was unable to definitize the LOGCAP task orders was the frequent

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<sup>2</sup> 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).

<sup>3</sup> The Joint Chiefs of Staff, *Doctrine for Logistic Support of Joint Operations*, Joint Publication 4-0 (Washington, D.C.: April 2000).

<sup>4</sup> GAO, *Military Operations: DOD's Extensive Use of Logistics Support Contracts Requires Strengthened Oversight*, GAO-04-854 (Washington, D.C.: July 19, 2004).

<sup>5</sup> GAO-04-854.

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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.<sup>6</sup> 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,<sup>7</sup> 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

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<sup>6</sup> GAO-03-695.

<sup>7</sup> 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).

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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.

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### 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.<sup>8</sup> 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

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<sup>8</sup> GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

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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.

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As we noted in our 2006 report,<sup>9</sup> 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 than \$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.<sup>10</sup>

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## 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 systematically collecting and sharing its institutional knowledge to help ensure that it is factored into planning, work processes, and other activities.<sup>11</sup> 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

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<sup>9</sup> GAO-07-145.

<sup>10</sup> Conference Report 110-434, accompanying Pub. L. No. 110-116 (13 November 2007).

<sup>11</sup> 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).

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lessons-learned program to collect and distribute the department's institutional knowledge regarding all forms of contractor support to deployed forces.<sup>12</sup>

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.<sup>13</sup> 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.<sup>14</sup> For example, we found that U.S. Army, Europe,

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<sup>12</sup> GAO-07-145

<sup>13</sup> Chairman of the Joint Chiefs of Staff Instruction 3150.25C, Joint Lessons Learned Program (11 April 2007).

<sup>14</sup> GAO-04-854.

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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.<sup>15</sup> 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.

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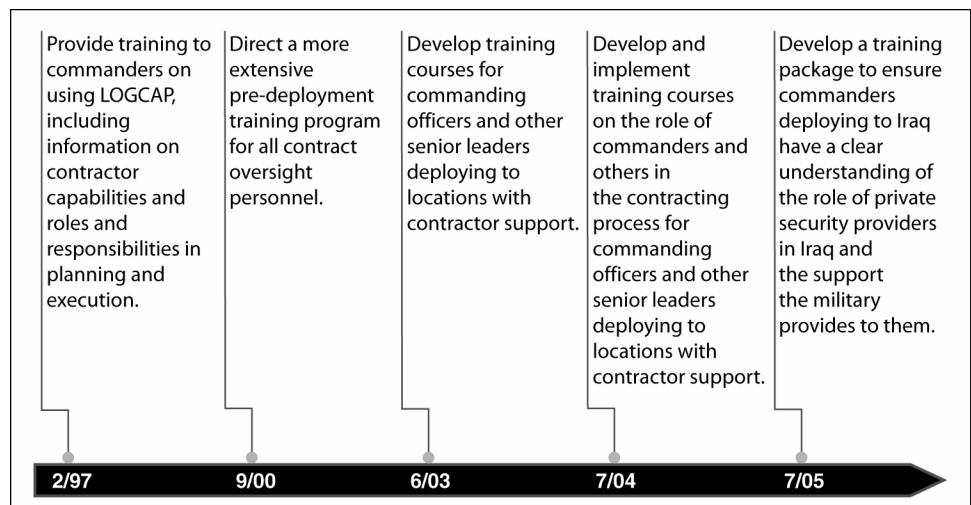
### DOD Does Not Comprehensively Train Contract Oversight Personnel and Military Commanders

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.

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<sup>15</sup> 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.<sup>16</sup> 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

<sup>16</sup> GAO-07-145.

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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

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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.<sup>17</sup> 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.

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<sup>17</sup> GAO-07-145.

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## 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.<sup>18</sup> 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

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<sup>18</sup> GAO-08-316R.

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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

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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.

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## 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

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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.

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## 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.<sup>19</sup> 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.

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<sup>19</sup> GAO-07-525T.

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## **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 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.

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## **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

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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

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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.

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## 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

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- *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.

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- *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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