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OVERSIGHT AND INVESTIGATIONS**

TESTIMONY OF

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(ACQUISITION, TECHNOLOGY & LOGISTICS)

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS,

COMMITTEE ON ARMED SERVICES

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Chairman Snyder, Ranking Member Wittman, and members of the Committee, thank you for the opportunity to appear before you today to discuss improvements we have made with respect to contingency contracting management and oversight, and our way ahead. I would like to thank you and the Committee members for your continued support and interest in the Department of Defense's Operational Contract Support (OCS) programs and policy objectives. At your request, I will highlight our progress in the interagency implementation of the Synchronized Predeployment and Operational Tracker (SPOT) database, especially its impacts on non-governmental organizations operating under grants and cooperative agreements. I also will address the use of SPOT in managing and coordinating contracts and projects, and interagency plans for the future of SPOT.

As you know, the Department of Defense (DoD) established my office, the Office of the Assistant Deputy Under Secretary of Defense for Program Support (OADUSD (PS)), in October 2006 to oversee DoD efforts to comply with congressional direction set forth by Section 854 of the Fiscal Year (FY) 2007 National Defense Authorization Act (NDAA). The Department published Directive 3020.49, *Orchestrating, Synchronizing, and Integrating Program Management of Contingency Acquisition Planning and Its Operational Execution*, in March, 2009, codifying these responsibilities. As required by Section 854, we continue to revise existing procedures and develop new joint policies in each of the three areas designated – requirements definition, contingency program management and contingency contracting.

Our implementation of SPOT, the first and only single integrated enterprise system containing authoritative data about contractors on the battlefield, is a key element of our strategy to institutionalize contingency program management of Operational Contract Support. SPOT is a joint enterprise system employed for the management, tracking and visibility of contractors authorized to accompany U.S. forces overseas. It is a web based system that provides a standardized user interface for defense contractors, government agencies and the military. SPOT generates standard and ad hoc

reports that provide visibility into contractor and contractor personnel in a commander's area of responsibility (AOR). In addition, it generates an individual standardized Letter of Authorization (LOA) as part of the deployment process. The LOA indicates governmental privileges authorized contractually and contains a bar code that the Joint Asset Movement Management System (JAMMS) scans to capture movement of contractor personnel and associated costs. To accommodate all scans, a classified version has been deployed as well.

Background

SPOT was initially designed by the Army solely to aid acquisition program managers in tracking a small segment of their system support contractors in the contingency areas. Since 2005, SPOT's user base has grown substantially and the system is currently being used at varying levels of detail, by DoD, multiple Federal agencies, and the international community.

Within DoD, SPOT is used to track contract and selected contractor data in support of CENTCOM, EUCOM, PACOM, AFRICOM, SOUTHCOM and SOCOM activities. Most recently, both SOUTHCOM and the U.S. Mission to Haiti employed SPOT in support of the Haiti relief efforts.

In July 2008 and as required by section 861 of the FY 2008 NDAA, the Department of State (DoS), DoD, and the United States Agency for International Development (USAID) signed a memorandum of understanding (MOU). A revision has been drafted and is in the final interagency staffing process. This memo established the roles and responsibilities and identified SPOT as the "system of record" to serve as a repository for the information required by Section 861. Supporting the implementation effort of SPOT as the system of record is the Federal Acquisition Regulation (FAR) requirement to maintain - with the designated government official - a current list of all contractor personnel in the areas of performance. For the DoD, the Defense Federal Acquisition Regulation (DFAR) also specifically designates SPOT as that "database of record" and within the CENTCOM AOR, Fragmentary Order 09-1451, *Contractor Theater Entrance Requirements* outlines the implementation procedures for SPOT.

SPOT is beginning to make inroads in the international community as well. The Quadrilateral Logistics Forum (QLF), which comprises representatives from the United Kingdom, Canada, Australia and the United States, recently agreed to begin testing SPOT, and Canada is using SPOT to track contracts being let in Haiti. During my recent visit to the UK, SPOT was a major topic of discussion with their Ministry of Defence (MOD), and representatives from the Canadian MOD representatives are visiting next month to discuss the same.

An update to SPOT (version 6.1.16), with the added functionality required by Section 861 of the FY 2008 NDAA, was released in January 2009. This version has the capability to provide information regarding the major categories of contracts, the total number of personnel performing security functions, the number of contractors who have been killed or wounded, and whether a contract was awarded competitively. To incorporate these changes in SPOT, a revised set of business rules were published for the user community.

Current Data in SPOT

Currently, SPOT reflects a total of 188,850 personnel deployed around the world. DoS has approximately 10,800 contractors registered as deployed in SPOT and USAID has approximately 640. I believe these numbers will grow as a result of the section 813 language from the FY 2010 NDAA, which revises the definitions relating to contracts in Iraq and Afghanistan by expanding the intent to capture other “contract-like” actions, such as Grants and Cooperative Research And Development Agreements (CRADA’s).

In the CENTCOM AOR, we have seen an increase of 98,950 (from 85,000 to 183,950) contractors registered in SPOT since July, 2008. This total number reflects about three quarters of the contractor population (virtually all U.S. and most third country nationals, or TCNs) reported in the 1st quarter 2010 CENTCOM manual census.

While we have confidence in the accuracy of U.S. and TCN contractor data in both Iraq and Afghanistan, we recognize the need to ensure we are fully

capturing the required data on local national contractors. This is a challenge we share with our colleagues at both State and USAID.

To better account for local national contractors, who have to date been lagging in SPOT registration, we are integrating SPOT with the Biometric Identification System for Access (BISA), an access control system that was already being used extensively in Iraq. This effort is nearly complete. Last year, we transitioned from a traditional BISA card to a SPOT-enabled BISA card by adding an interoperable barcode. This allows us to populate basic data in SPOT and track individual contractor movements. We are now working with the BISA Program Manager to add a field for a contract number to BISA, which will provide us with the ability to cross reference individual local national contractor personnel to their contract.

In Afghanistan, the Biometric Automated Toolset (BAT) card is similarly used for base access. The BAT system collects fingerprint scans, iris scans, facial photos and biographical information of persons of interest and stores that data in a searchable database. As with BISA in Iraq, we are now working to federate the BAT system with SPOT. Initial funding was made available at the end of FY 2009 to modify software enabling data exchange between the SPOT database and the BAT database, the procurement of new card stock, and the reissue new BAT cards with a SPOT-readable barcode.

As previously noted, we have now established a Secret Internet Protocol Router Network (SIPRNET) functionality that will allow classified and sensitive contract and contractor information to be accessible through the database. USAID, in particular, had security concerns about registering grantees in an unclassified U.S. sanctioned database. With the fielding of the SIPRNET SPOT, these concerns should no longer be an issue. Further, contractors or grantees who do not have access to U.S. government facilities or require an LOA, are not required to be entered into SPOT by name. Contracts and grants which employ such contractors/grantees will simply include in SPOT the aggregate number of

contractors/grantees associated with the contract/grant, satisfying the congressional mandate.

SPOT Registration Challenges

A number of challenges remain. They include: 1) a lack of internet connectivity, 2) the rapid buildup of forces in Afghanistan, 3) implementation of the Department's counterinsurgency (COIN) strategy which caused a rapid expansion of local national hirings, and 4) the lack of national identity cards.

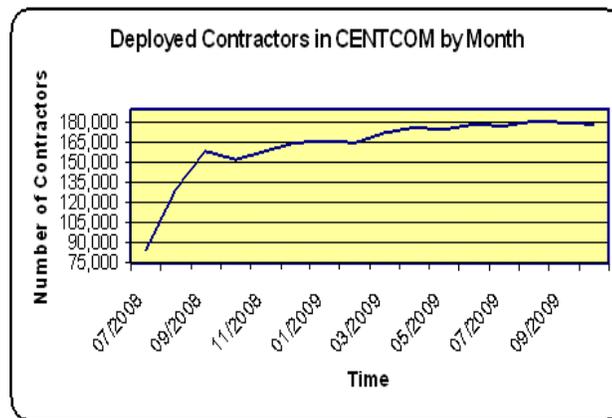
As a web-based system, SPOT naturally relies upon Internet connectivity, however; the geography, immature telecommunications' infrastructure and dispersed nature of operations, particularly in Afghanistan, have posed an ongoing challenge to the consistent and effective employment of SPOT. In Iraq, we initially overcame the lack of Internet connectivity by using thumb drives to transfer data until access to the Internet was achieved country-wide. A recent DoD policy forbidding use of thumb drives due to security concerns has made that approach untenable in Afghanistan. To mitigate these obstacles, a variety of "field expedient methods" have been developed, all of which are manpower intensive and result in increased reporting errors.

Societal factors also influence SPOT registration, especially for the local national population. The cultural nuances of Afghanistan society have precluded the issuance of a commonly accepted form of national identification. In Afghanistan, it's not unusual for several individuals to share the same name, city and year of birth; thus complicating the categorizing of an individual in SPOT by these data elements. In addition, many Afghan local nationals contracted by the U.S. government do not need to access U.S. controlled facilities or data systems and therefore, they do not require a BAT card or an LOA. Without these enforcement mechanisms, the ability to capture information about this population in the automated system is significantly challenged. For the short term, we continue to rely on the manual census to track this portion of the local national contractor population. A long-term fix is being addressed by the Kabul Regional Contracting Center, which is conducting market research in an effort to identify

sources capable of providing personnel to staff biometric enrollment positions for the Afghan national identification program. I understand this national ID card program has the support of the host government.

The good news is we are making steady progress in capturing data on local national contractors. SPOT compliance is on the rise. The SPOT Program Management office continues to work with CENTCOM to help contractors meet the requirement, as outlined in the DFARS, FAR, and DoD policy that requires employees supporting contingency operations be registered in SPOT. We are also working with the Biometrics Task Force to determine if we can use local biometric scans in lieu of Afghan generated identity papers. This would be an expansion of their present effort but, in my opinion, it is the only realistic way to fully capture all the local national contractor personnel population.

An important tool to ensure SPOT enrollment compliance is the LOA, which contractors need before they can receive any government-furnished support in the area of operations. In August 2008, CENTCOM published a



fragmentary order requiring that contractors be registered in SPOT and that contractors authorized to receive government-furnished services obtain a SPOT-generated LOA. This requirement led to an exponential increase in contractors registered in SPOT as noted in the graph above. As of December 1, 2009, CENTCOM announced that only SPOT-generated LOAs are authorized within the AOR and, by the end of 2009, manually-generated LOAs had ceased to be accepted with exceptions granted only on a case-by-case basis.

Transition to an Automated Census

When the OADUSD (PS) was established, we directed the development of a quarterly contractor personnel census. For the past three years we have relied on that manual census, which CENTCOM conducts to provide data on contractors supporting the DoD in its AOR. Each quarter, contracting activities in the CENTCOM AOR provide data on contracts and associated numbers of contractors to the CENTCOM J-4. CENTCOM J-4 then compiles, analyzes and publishes the data.

We have always recognized that CENTCOM's manual census is cumbersome, is resource intensive, and only serves as a "snapshot in time". Our original intent was to transition to an automated census a year ago; however, we lacked confidence in the accuracy and completeness of the data in SPOT, which as I mentioned earlier was affected by the turbulence associated with the rapid plus- up in Afghanistan, lack of available bandwidth and connectivity, and transition to local nationals. Given that SPOT now provides extensive data on contracts and contractor personnel in support of the CENTCOM AOR and sampling indicators show improved accuracy we believe it is an appropriate time to transition from the manual census to an automated report generated from SPOT. In conjunction with CENTCOM and the Joint Staff J-4, we have developed a detailed transition plan, outlined in the table below.

Transition Plan to an Automated Census of Contractors Supporting Operations
in the U.S. CENTCOM Area of Responsibility

| Timeline | Actions |
|--|--|
| December 2009 | <ul style="list-style-type: none"> ▪ To enforce contractor compliance in using SPOT, beginning December 1, 2009, only SPOT-generated Letters of Authorization (LOAs) will be authorized in the CENTCOM AOR ▪ On December 31, 2009, manually generated LOAs will cease to be accepted with exceptions granted on a case-by-case basis |
| 2 nd Qtr FY10 data collection (SPOT Plus) | <ul style="list-style-type: none"> ▪ At the end of the 2nd Qtr FY10, current contract and contractor data from SPOT will be downloaded into the existing CENTCOM census data collection templates. ▪ These SPOT pre-loaded templates will be reviewed, reconciled, and updated as necessary with actual contractor and contractor personnel data. ▪ Action will be taken to ensure the information in SPOT is up to date and accurate. ▪ The data from the updated templates will be consolidated and reconciled with SPOT. Based on the template information, a 2nd Qtr report will be produced. |
| 3 rd Qtr FY10 data collection | <ul style="list-style-type: none"> ▪ SPOT pre-populated templates will be produced for validation in lieu of the manual census. ▪ These pre-populated templates will be reviewed and updated as necessary with actual contractor and contractor personnel data. ▪ The data from the updated templates will be consolidated and reconciled with SPOT. Based on the template information, a 3rd Qtr report will be produced. |
| Future data collection | <ul style="list-style-type: none"> ▪ Beginning May 2010, DoD leadership will receive compliance metrics from SPOT. These metrics will focus on contracting activities not in compliance with current directives as well as companies not properly providing the information required per their contract / FAR / DFAR. ▪ The process described above for 3rd Qtr FY10 will continue each quarter until it has been determined, using statistical sampling in conjunction with strategic analysis and validation, that there is a high level of confidence that SPOT reflects a true representation of contractor employees. At this point, there will be no further requirement to validate templates each quarter, and SPOT will be used as the sole record for future reports. |
| Ongoing compliance verification | <ul style="list-style-type: none"> ▪ Random sampling will be undertaken to reaffirm confidence in SPOT's accuracy |

I am comfortable with our data for Iraq and believe that the transition to an automated census will be successful. The critical challenge continues to be accounting for the aforementioned Afghan local national contractor population.

Additionally, with the passage of the FY 2010 NDAA, Congress has clarified reporting thresholds and definitions to help assure compliance and consistency among DoD, DoS, and USAID regarding who and what is to be placed in SPOT.

Iraq Drawdown

As we begin the drawdown of U.S. forces from Iraq, contractors continue to provide a wide range of tasks essential for operations including maintenance, transportation, and base support. The Department recognizes the risks inherent

in the Iraq drawdown and, along with CENTCOM, State, and the Government of Iraq, has issued comprehensive guidance to ensure a responsible drawdown. The guidance calls for transitioning the military mission from Operation Iraqi Freedom to a Department of State led stability and partner capacity building, and positioning the CENTCOM theater to respond to current and emerging threats. Contractors will remain an important part of the drawdown and post-drawdown operations with a planned maximum DoD contractor footprint of approximately 50,000 to 75,000 within Iraq by the end of FY 2010.

We are working hard to synchronize the drawdown of contractors and contracting requirements through working groups and boards that engage all key stakeholders. SPOT will now track progress toward this goal and report data to the Joint Staff, the Secretary of Defense and Congress. To date, the reduction in contractors has proceeded well ahead of Multi-National Force-Iraq's plan and the trend is expected to continue.

Way Ahead

Looking forward, DoD will likely use SPOT in all future global contingencies and SPOT will provide system-generated reports on contracted capability and the contractor footprint. DoD is implementing the necessary steps to shape the means by which we will meet these future requirements. However, the Department does need your help with respect to educating staff on the statutorily protected elements of SPOT data. For example, the Department regularly receives data calls for information that is protected under the "privileges of contract" concept. The courts have accepted SPOT as a central repository of data and any "data mining" will jeopardize this relationship and undermine the communities' trust in our collection of contractor information. Indeed, the reluctance to have personnel included in the system by those employed by our government partners is, at least in part, due to the perception of unrestricted access.

As SPOT continues to mature, it reflects the tactical needs of the commander; the strategic requirements of the policy-making echelons, and the

requirements of Congress. To improve the strategic picture of contractors on the battlefield, DoD just awarded a contract that will bring together the unclassified and classified systems as well as an overarching management tool, the Total Operational Picture Support System (TOPSS). TOPSS, which is fed by external systems such as SPOT, the Joint Asset Movement Management System (JAMMS), the Federal Procurement Data System-Next Generation (FPDS-NG), the Defense Biometric Identification System (DBIDS) and the Logistics Support Agency - Logistics Information Warehouse (LOGSA – LIW), builds a catalog of virtual data entities that extend across data sources thereby permitting a single consolidated virtual entity for further analysis by decision makers at all levels -- strategic, operational and tactical.

The power of SPOT integration with the JAMMS was recently demonstrated in our humanitarian operations in Haiti. The table below provides a snap shot of the number of scans by location on a given date. The fidelity of SPOT for these scans is such that it can reveal the specific individual who entered or departed a specific compound.

| Joint Asset Movement Management System (JAMMS) | | | |
|---|---------------|---------------|--------------|
| Scans in Haiti | | | |
| Location | Mar-10 | Feb-10 | Total |
| Haiti (Airfield Compound) | 3,028 | 2,579 | 5,607 |
| Haiti (Airfield Outbound Personnel) | 221 | 960 | 1,181 |
| Haiti (JTF 80 J1) | 4 | 108 | 112 |
| Haiti (Port au Prince (PaP) APOD, Haiti) | 6 | 152 | 158 |

In terms of planning for contractors in future operations, we are currently in negotiations with a Federally Funded Research & Development Center (FFRDC) to develop a strategic planning tool and support the Contingency Acquisition Support Model (cASM) system which will help automate the contracts and task orders supporting a future operations plan. While SPOT is not in itself a

planning tool, the incorporation of TOPSS will provide historical and data trend analysis and reports that can be used by planners.

In an effort to streamline the SPOT registration process, my office successfully conducted a pilot test to assess the ability of the government data systems to integrate industry-generated credentials. The integration of credentials is especially important for contractors in contingency areas because it increases the government's ability to deploy contractor resources quickly in support of the combatant commanders; other federal agencies, and coalition requirements. The use of industry credentials will ensure rapid response while maintaining the ability to validate identity and ascertain operational awareness of available resources. Had we had this industry partnership in place for the initial entry into Iraq and the subsequent build up in Afghanistan, we would have eliminated time-intensive processing for contractors and reduced government management tasks for issuance and collection of the government-issued Common Access Card (CAC).

We have engaged DoD's Business Transformation Agency and the Under Secretary of Defense (Comptroller) who have supported funding SPOT at \$25 million in FY 2010. To date, however, the system is still not formally institutionalized as a program of record. As a business system, SPOT was fielded rapidly and funded by supplementals. We must make the resourcing transition to ensure permanent funding. Within DoD, the Business Transformation Agency is taking the necessary steps to establish a program of record; however, in light of the directed expansion of the program to other federal agencies, a determination must be made as to whether SPOT should remain a DoD system or become a U.S. government system with DoD as the executive agent for all government users. Answering this concern is pivotal to determining appropriate funding streams.

We are committed to improving our visibility and accountability of contractors supporting contingency operations. We cannot be focused exclusively on existing operations. Congress has made it clear that we must to

institute changes to our management and oversight for future operations as well. As I have stated throughout this testimony, we have made significant advances over a very short period in this regard. Still, we are not satisfied; there is more to be done. We will maintain our working relationship with the Committee and we will keep you informed of our progress. I thank the Members of the Committee for your ongoing support. I would be happy to answer any questions you may have. Thank you.