

**STATEMENT BY**

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**BEFORE THE**

**SUBCOMMITTEE ON NATIONAL SECURITY,  
HOMELAND DEFENSE, AND FOREIGN OPERATIONS  
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM  
UNITED STATES HOUSE OF REPRESENTATIVES**

**ON DEFENSE DEPARTMENT CONTRACTING IN AFGHANISTAN:  
ARE WE DOING ENOUGH TO COMBAT CORRUPTION?**

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## **Introduction**

Chairman Chaffetz, Ranking Member Tierney, and distinguished members of the Subcommittee on National Security, Homeland Defense, and Foreign Operations, thank you for the invitation to appear today to discuss Army efforts to reduce contracting corruption in Afghanistan. I am pleased to represent Army leadership, members of the Army acquisition and contracting workforce, and our Soldiers who rely on us for timely and efficient materiel, supplies, and services in support of expeditionary operations. In all of our Army contracting operations worldwide, we strive to be responsive to our Warfighters, while ensuring proper fiscal stewardship of taxpayer dollars.

Contractors have been on the battlefield in every U.S. conflict since the Revolutionary War. When our Army deploys, it depends on civilian support from contractors. As required by Congress, the contractor census is due quarterly with the next figures available the first week of October.

In the past decade, the challenges for contingency contracting have been unprecedented. We've deployed contractors to theaters where there are questionable established business and ethical standards. Decades of such practices and wartime uncertainty have unfortunately ingrained corruption into the business culture of Afghanistan. In spite of the challenges of this environment, the Army's contracting forces supporting CENTCOM strive to uphold the integrity of the procurement process and our fiduciary responsibility to the American Public.

We appreciate Congressional interest in contingency contracting represented by several amendments in the current version of the FY12 National Defense Authorization Act as well as the investigative reports last year on host nation trucking and private security contractors.

In light of those investigative reports, CENTCOM established several task forces, including Task Force 2010, to review the circumstances, make recommendations and provide lessons learned.

Army contracting supports CENTCOM by awarding and managing much of the in-theater contract support. Based in part on the findings and recommendations of Task Force 2010 and General Petraeus' counter-insurgency strategy, the CENTCOM Joint Theater Support Contracting Command (*I will refer to this as C3 for the remainder of my testimony*) has implemented several improvements and taken action to reduce the flow of U.S. Government funds to what we refer to as "bad actors".

### **Improved Oversight**

Oversight of subcontractors has been a significant concern of the contracting community, the audit agencies and the Congress. In response to reports, audits and reviews, C3 has implemented 11 clauses dealing with subcontractors to capture information that will aid in the vetting of contractors and subcontractors prior to award.

It is the responsibility of the contracting officer to choose the best firms during source selections. An important element is the use of past performance information on the contractors being considered. Although we give preference to Afghan firms under the Afghan First program, it has been especially problematic to obtain and maintain past performance data for host nation companies because this is a relatively underdeveloped industry for Afghan vendors. In addition, due to lack of Internet accessibility and bandwidth limitations as well as language barriers, the standard system for collecting this data, the Contractor Performance Assessment Reporting System (CPARS), which requires vendor input as part of the system, has not been very effective in Afghanistan.

In response, the Joint Contingency Contracting System (JCCS) was developed to capture host nation vendor past performance. JCCS alleviates a number of problems encountered in contracting in Iraq and Afghanistan, from translation and posting of solicitations to currency conversions, tracking past performance, and vetting results. It has proven to be an invaluable tool for contracting in theater.

After contract award, the key to our contract oversight resides with the Contracting Officer Representatives (CORs) who are on the front-lines as responsible

stewards of American taxpayer dollars. The Army began a rejuvenation of our COR management and training in December 2009, with the issuance of the Army Execution Order 48-10: Pre-Deployment training for Contracting Officer Representative Candidates and Commander's Emergency Response Program (CERP) Personnel. This order mandated that deploying brigades have as many as 80 Soldiers designated and trained as CORs. As a result, in Calendar Years 2010 and 2011, the Army Logistics University trained 8,568 CORs. Additionally, the Expeditionary Contracting Command provided augmentation training to 2,317 Soldiers as CORs since October 2010. More than 5,500 CORs, 5,500 Field Ordering Officers (FOO) and 2,700 Project Purchasing Officers received theater specific supplemental training from C3 prior to beginning their assignment.

In addition to training, C3 contracting officers provide CORs with Army-developed tools such as the COR SmartCard and COR handbooks. Further, the C3 training website contains a number of resources CORs can access. C3 also trains CORs on recognizing and reporting fraud and human trafficking. As a result of these efforts, C3 assigns well-trained CORs to every contract requiring one.

Another measure of effective contract management in a contingency environment is the identification and resolution of performance problems. From October 2010 to April 2011, the C3 Senior Contracting Official in Afghanistan (SCO-A) issued 74 terminations for default after identifying performance problems.

## **Vetting of Contractors**

The vetting of host nation contractors is a key element in fighting corruption and ensuring security for U.S. Warfighters, civilians and contractors as well as the security of the reconstruction in Afghanistan. It is critical that we ensure the contractors are

competent and they have no ties to bad actors. It is equally important to vet the local national individuals seeking access to our bases and construction sites as contractor employees.

It has been a struggle to create a vetting process for a country that lacks universal identification criteria. To address this issue, the collection and use of biometric information provides the most reliable means to ensure security. While this data collection is time consuming and the project is still relatively new, within the first months of use, several positive matches on individuals requesting base access proved the projects' value. The continued use of contractor vetting and biometric identification will enhance security for our personnel and sites.

Vetting contractors and individuals reduces the risk to contracting with bad actors, creates a more secure environment, and therefore helps reduce overall contract performance risk. In August 2010, a vetting cell was established at CENTCOM headquarters in Tampa, Florida, to evaluate prospective non-U.S. contractor firms in Afghanistan. Non-U.S. vendor information on all contract awards and options above \$100,000 is tracked in the JCCS system, along with past performance information to prevent future awards to nefarious contractors. We continue to improve and refine our systems and processes.

## **A New Trucking Contract**

An important tenet of the counterinsurgency strategy is to increase awards to Afghan companies. Our intent is to create an environment for Afghan companies to

compete. The National Afghan Trucking (NAT) contract responds to this requirement. Let me take a moment to provide an update on our actions in addition to the aforementioned oversight and vetting improvements.

NAT keeps Soldiers and Army trucks off the roads and frees Coalition forces to combat the Taliban directly, reducing overall troop requirements. This new transportation contract was awarded by C3 last month and includes stricter oversight and performance controls than the previous Host Nation Trucking (HNT) contract. Chairman Chaffetz, Congressman Tierney, we paid serious attention to Congressional recommendations made last year, including the findings and recommendations from this Committee in your Warlord, Inc report. NAT ensures greater transparency into subcontractors and includes a code of ethics, significantly expands the number of prime contractors, ensures prior vetting and establishes a tiered rate structure based on security requirements and separates contracts into suites to encourage smaller and local companies to participate. The HNT contract ends today. Execution of the NAT contract begins tomorrow; September 16<sup>th</sup>. The increase in the number of available contractors from 8 to 20 enables greater competition leading to more work for companies that perform responsibly and the flexibility to suspend problem contractors while meeting total mission needs. The additional prime contracts also facilitate the development of the trucking industry in Afghanistan. The new NAT contract also provides separate pricing for transport services based on whether private security contractors or Afghan Public Protection Forces are required, or if no security is required.

NAT addresses Congressional recommendations on the role of Afghan National Security Forces in Highway Security, inventories actual trucking assets available to DoD by creating “suites” of contract requirements, ensures transparency and vetting of all contractors and subcontractors, provides oversight of all contracts to ensure

transparency and performance and addresses PSC past performance. As a result, NAT reduces costs, pays only for services performed, incentivizes early completion, improves oversight and performance and further supports our Warfighters in the field.

## **Conclusion**

The endemic corruption in Afghanistan remains a challenge to our contracting personnel. The anti-corruption task forces now operating in Afghanistan have had a positive impact on the ability of contracting offices to operate effectively. The Army appreciates the impact that these task forces have had in improving the contracting environment. Task Force 2010, the FBI's International Contract Corruption Task Force, the Army's Criminal Investigation Division's Afghanistan Fraud Detachment Major Procurement Fraud Unit, the Department of Justice's Major Crimes Task Force, the Afghan Threat Finance Cell and Task Force Spotlight have all played a role in helping to reduce corruption of government contracting in Afghanistan. However, combating contracting corruption is a continual process. It will take time to change the environment, while simultaneously providing pre-deployment training of Army personnel to ensure that they understand how to deal with the cultural differences in Afghanistan to improve or correct questionable practices.

Army Contracting continues to identify more effective ways to ensure that we get the most value for our contracting dollars and the most effective support for our Warfighters. I cannot stress enough the complexity of managing countless requirements, overseeing tens of thousands of contractors and awarding billions of dollars in procurements in an environment that is hostile and corrupt on many levels. Not only is physical security still tenuous, but the business and financial environment, educational level, technology, and infrastructure – though improving – form a gauntlet of obstacles making contract oversight more difficult.

Our dedicated contracting workforce, both military and civilian, will continue to carefully assess lessons learned in these challenging missions while we make improvements, adjustments and seek innovative solutions to enhance mission success.

The U.S. Army remains committed to the protection of the interests of the United States, our Warfighters and our taxpayers through excellence in all contracting activities.

Thank you for your continued support. I look forward to your questions.

# Deputy Assistant Secretary of the Army (Procurement)

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Mr. Kim D. Denver



On 19 June 2011, Mr Kim Denver, a member of the Senior Executive Service, was appointed as the Deputy Assistant Secretary of the Army (Procurement) (DASA (P)). The DASA (P) manages the Army's procurement mission including development and dissemination of policies, processes and contracting business systems. He directs the evaluation, measurement and continuous improvement actions for 270+ Army contracting offices worldwide executing contracts for major weapons systems, base logistics support, construction and wartime operational contracting in Iraq and Afghanistan. He ensures the execution of Federal, Defense, and Army regulations for acquisition, procurement, and related business practices. As the Functional Career Representative for Contracting, the DASA (P) oversees the recruitment, training, certification, and professional development of the Army's contracting workforce. As designated by the Deputy Secretary of Defense and delegated to the Secretary of the Army, provides staff supervision and support to the Multi-National Forces through the CENTCOM to support Joint Force Combat Operations, humanitarian relief, reconstruction, and security of Iraq and Afghanistan.

## **CAREER CHRONOLOGY:**

- Oct 2008 – Jun 2011: Director of Contracting of the U.S. Army Corps of Engineers National Contracting Organization
- Mar 2007 – Oct 2008: Director, Acquisition Center/Principal Assistant Responsible for Contracting, U.S. Army Program Executive Office for Simulation, Training and Instrumentation, Orlando, FL
- Sep 2003 – Mar 2007: Director of Contracts, U.S. Army Program Executive Office for Simulation, Training and Instrumentation, Orlando, FL
- Dec 2000 – Sep 2003: Deputy Director of Contracts, U.S. Army Program Executive Office for Simulation, Training and Instrumentation, Orlando, FL
- Jan 1995 – Dec 2000: Contracting Officer/Team Leader, U.S. Army Simulation, Training and Instrumentation Command, Orlando, FL
- Jun 1993 – Jan 1995: Contract Specialist, U.S. Army Simulation, Training and Instrumentation Command, Orlando, FL
- Jan 1989 – Jun 1993: Contract Specialist, Pine Bluff Arsenal, White Hall, AR

## **COLLEGE:**

- MBA, Business Administration, University of Central Florida, Orlando, FL, 1996
- BS, Business Administration, University of Texas at San Antonio, San Antonio, TX, 1988

**SIGNIFICANT TRAINING:**

- U.S. ARMY FORCE MANAGEMENT/INTEGRATION
- SENIOR EXECUTIVE DIVERSITY AWARENESS TRAINING
- ASA(ALT) EXECUTIVE LEADERSHIP PROGRAM
- ARMY PUBLIC AFFAIRS EXECUTIVE COMMUNICATION

**CERTIFICATIONS:**

- DAWIA LEVEL III – PROGRAM MANAGEMENT, 2006
- DAWIA LEVEL III – CONTRACTING AND ACQUISITION, 1998
- ALMC PROFESSIONAL DESIGNATION IN CONTRACT MANAGEMENT

**AWARDS AND HONORS:**

- MERITORIOUS CIVILIAN SERVICE AWARD, 2011
- ARMY ENGINEER ASSOCIATION BRONZE DE FLEURY MEDAL, 2011
- USACE SMALL BUSINESS CHAMPION AWARD, 2010
- COMMANDER’S AWARD FOR CIVILIAN SERVICE, 2008

**PROFESSIONAL MEMBERSHIPS AND ASSOCIATIONS:**

- ARMY ACQUISITION CORPS
- BETA GAMMA SIGMA (INTERNATIONAL HONOR SOCIETY--BUSINESS)
- PHI KAPPA PHI