

**HOLD UNTIL RELEASED
BY THE HOUSE COMMITTEE
ON OVERSIGHT AND GOVERNMENT REFORM**

TESTIMONY OF

MR. GARY MOTSEK

DEPUTY ASSISTANT SECRETARY OF DEFENSE

(PROGRAM SUPPORT)

OFFICE OF THE UNDER SECRETARY OF DEFENSE

(ACQUISITION, TECHNOLOGY & LOGISTICS)

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

SUBCOMMITTEE ON NATIONAL SECURITY, HOMELAND DEFENSE AND

FOREIGN OPERATIONS

September 15, 2011

Chairman Chaffetz, Ranking Member Tierney, and members of the Committee, thank you for the opportunity to appear before you today to discuss the efforts of the Defense Department to reduce and control contracting corruption in Afghanistan. This is an update to testimony I gave last June.

Contractors continue to provide critical support to operations in Afghanistan, consisting of a broad range of supplies, services, and critical logistics functions, while reducing military footprint and increasing the availability and readiness of resources. Table 1 provides the contractor footprint in Afghanistan as of the 3rd Quarter Fiscal Year 2011. U.S. Central Command (USCENTCOM) continually monitors and assesses the current use and future requirements for contracted support to meet dynamic operational needs.

Table 1
DoD Contractor Personnel in Afghanistan as of 3rd Qtr FY 2011

Total Contractors	U.S. Citizens	Third Country Nationals	Local/Host Country Nationals
93,118	23,294	25,666	44,158

The use of local national contractors is a key element in the commander's counter-insurgency (COIN) strategy; local nationals currently make up 47% of the DoD contracted workforce in Afghanistan. Recent efforts to develop strategies to improve the viability of business in Afghanistan in support of the COIN strategy include: developing a more skilled workforce; increasing business opportunities; increasing community cash flow; improving public infrastructure such as roads and utilities; and, establishing community organizational capacity to maintain economic governance. All of these initiatives are directly influenced by the hiring of Afghan local nationals and are necessary to create a self-sustaining Afghan economy. From our perspective, the key goal is to optimize the positive effects

of our contracting investment while sustaining the positive effects in support of military operations.

Recognizing the essential role of contractors, in September 2010, the Commander, International Security Assistance Force (COMISAF) published the Counterinsurgency (COIN) Contracting Guidance. The guidance stressed that everyone must understand the role of contracting in counterinsurgency and how it could not only benefit, but also undermine our efforts in Afghanistan. It emphasized that contracting within a contingency environment is commander's business and that leaders must be more aware of contracting activities that are occurring within their areas of responsibility.

In no small part due to the concerns highlighted by this committee, Task Force (TF) 2010 was established by the U.S. Forces Afghanistan (USFOR-A) Commander to address contracting corruption and its negative impact on the COIN strategy. The mission of TF 2010 is to provide commanders and acquisition teams with situational understanding regarding the flow of contract funds and property losses, and recommend actions to be taken to deny power-brokers, criminal networks and insurgents the opportunity to benefit from stolen property or illicit revenue.

TF 2010 was organized to help commanders better understand with whom they are doing business and to ensure contracting dollars were not empowering the wrong people or undermining the US Government and international community's efforts in Afghanistan. The task force uses intelligence, law enforcement, auditors and forensic financial analysts to gain visibility on the flow of contracting funds below the prime contractor level, to determine where issues and concerns exist, and to identify actions to mitigate fiscal and force protection risk.

Specifically, this task force supports ISAF, USFOR-A, ISAF Joint Command, and Regional Command counter-corruption efforts. The task force consists of individuals from all the uniformed services and includes civilian representatives from various contracting, auditing and criminal investigative agencies [Defense Contract Audit Agency (DCAA), Army Audit Agency (AAA), US Army Criminal Investigation Command (CID) and Defense Criminal Investigation Command (DCIS)]. The team also includes contract forensic accountants who assist the task force in tracing money through the Afghan domestic and international financial networks.

As one of their key efforts, TF 2010 undertook an assessment of the Host Nation Trucking (HNT) contract. We are thankful for this committee's June 2010 report titled "Warlord Inc., Extortion and Corruption along the U.S. Supply Chain in Afghanistan" which served as an important resource in the review.

The HNT assessment looked at the eight prime companies that supported the contract to evaluate the extent, if any, that power brokers, criminal networks, and insurgents may have on the execution of services. The intent of the assessment was to gain an awareness of the overall supply chain delivery contract and to address concerns that malign actors may be diverting funds and/or cargo for their financial gain or funding the insurgency.

I know that one of the specific concerns of this committee was our use of a particular private security contractor and, during last year's testimony, I committed to ensuring action was taken to address this concern. On August 4, 2011, the Army entered into an administrative agreement with that private security contractor that stipulates it will not provide convoy security for a period of three years. In accordance with this administrative agreement, we have ceased to use the security contractor in question for convoy security. We continued to issue further work to the eight prime companies under the HNT contract, but only

after receiving their affirmation that they would no longer use that particular security company, and after confirming their ongoing compliance with contracting standards.

There were a number of direct actions taken as a result of TF 2010's HNT assessment. The most significant action was the contracting command's decision to execute a new contract vehicle to address the challenges we had with the HNT contract. Specifically, the new contract vehicle immediately expands the potential number of prime contractors that can be used, implements new procedures for use of security, and establishes new standards of conduct. The National Afghanistan Trucking (NAT) contract was awarded on August 12, 2011. Due to the complexity of this new contract, and to meet operational requirements, we have continued to use the HNT contract vehicle until performance under the NAT contract begins.

The assessment of the HNT contract is but one of several actions in the counter-corruption effort that TF 2010 has completed to date which have served to improve our control over contracting corruption in Afghanistan. However, TF 2010 cannot operate successfully in isolation in a coalition environment. Therefore it and TF Spotlight (which was responsible for coordinating ISAF's management of private security companies) were organized under Combined Joint Interagency Task Force (CJIATF)-Shafafiyat to provide unity of effort with the international community. CJIATF Shafafiyat is ISAF's lead on anti-corruption efforts; it works in coordination with the international community and in support of the Afghan government to reduce corruption in Afghanistan to the extent that it no longer presents a fatal threat to ISAF's mission or to the viability of the Afghan state. This inter-agency task force is critical as anti-corruption efforts can only be successfully accomplished through the synchronized actions of the larger international community.

In sum, we are taking all administrative and contracting actions that are reasonable to control the conduct of contractors and have established a vendor vetting process that prevents contract awards to contractors involved in prohibited activity. Separately, we have recommended legislative language which is included in both the House-passed and Senate Armed Services Committee versions of the 2012 NDAA. This legislation would allow us to void contracts in certain cases and also provide DoD authorization to examine records of a contractor or subcontractor in the CENTCOM theater to ensure that contract funds are not subject to corruption or extortion or not provided to anyone actively opposing U.S. forces in Afghanistan.

Contracted support for operations in the USCENTCOM AOR has proven to be a critical enabler to current operations. The use of contractors has allowed ISAF to rapidly support the surge of forces; to devote a greater percentage of its combat forces to priority operations; and to execute developmental aid made available to support Afghan rebuilding and infrastructure projects.

Of course, challenges remain and our concerted effort to control corruption in contingency contracting must persist. With the commanders' commitment and the participation of the international community, we are continuing to make progress. We believe that the passage of the legislative language expanding the authority of the commander would serve as a key enabler to further success.

I trust this testimony provides a documentary baseline of the topics I was asked to address at this hearing. Thank you.

BIOGRAPHY



Executive's Legal Name: Gary J. Motsek
Position Title: Deputy Assistant Secretary of Defense (Program Support)
Time in Position: August 2006 – Present
Organization: Department of Defense
Command: Acquisition, Technology and Logistics
Location: Pentagon

Brief Summary Of Current Duties:

Principal advisor to the OSD leadership on policy and program support to the Geographic Combatant Commands (excluding TRANSCOM). Develops and maintains a comprehensive policy framework and program support governing logistical and support operations, contractor planning and execution, including combat, humanitarian, and disaster relief. Assigned the responsibilities of the OSD Program Manager for Contingency Contracting (Operational Contract Support). Represents the Assistant Secretary of Defense (Logistics and Materiel Readiness) in liaison with JCS J4, COCOM J4s, and Service Deputy Chiefs for Logistics regarding policy coordination and program support for COCOM field operations, and with their acquisition executives for Operational Contract Support. Directs, coordinates, and provides analysis, assessments, and testimony to higher authorities, congressional committees, and industry. Designated a National Security Professional Executive.