

STATEMENT OF KEITH D. ERNST
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BEFORE THE
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE
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Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you today to discuss the role of the Defense Contract Management Agency (DCMA) in ensuring contractor performance under the Logistics Civil Augmentation Program (LOGCAP) in Iraq. DCMA's oversight of contractor-provided services for our Nation's deployed forces in Iraq is a responsibility of unprecedented magnitude and one with a commensurate level of challenge.

DCMA maintains a cadre of approximately 83 military and civilian personnel in Iraq, Afghanistan, and Kuwait to support LOGCAP. These individuals deploy in theater for six-month tours and specialize in one of three functional areas: contract administration, quality assurance, or property management. In carrying out their responsibilities, these personnel ensure that LOGCAP contractor's performance is consistent with contract requirements; is using adequate, effective quality processes; is recommending cost-containment strategies; and is adapting the level and nature on their support to meet shifting requirements.

Prior to their deployment to theater, these personnel undergo specialized training for the demands of their LOGCAP-related duties. Each of DCMA's deployed Administrative Contracting Officers (ACOs) and most of our Quality Assurance Representatives (QARs) are certified in accordance with the Defense Acquisition Workforce Improvement Act (DAWIA). DCMA's in-theater cadre is complemented by a network of non-DCMA personnel referred to as Contracting Officer Representatives (CORs). CORs receive specialized training in one of several LOGCAP support functions, such as food preparation, laundry service, or waste disposal. Currently numbering approximately 450, the CORs are members of the deployed units that receive the contractor-provided services. DCMA's in theater cadre and the CORs serve as a team that closely monitors contractor performance of certain services at their respective locations. The CORs routinely submit input to DCMA's QARs. The CORs also have a direct line to the cognizant DCMA ACOs.

Our ACOs receive requirements from the LOGCAP Support Unit (LSU) after that unit makes should-cost estimates on the requirement. The assigned ACO then requests a proposal from the contractor, and, once the LSU validates the proposal for accuracy and cost reasonableness, formally tasks the contractor to begin work. In theatre, our ACOs also provide material requisition approval, lease approval, and consent to subcontract in accordance with prescribed contract terms. At the corporate level, DCMA establishes and monitors various overhead rates and factors. Our ACOs also conduct formal Performance Evaluation Boards (PEBs) using the identified award fee criteria. DCMA

and the supported customer's CORs provide feedback to the contractor on acceptable performance as well as on those areas needing improvement. In the conduct of the PEB, our ACOs review the contractor's Cost Avoidance Measures (CAMs). CAMs are submitted by the contractor to document cost savings and avoidances. The contractor is motivated to submit CAMs as they are tied directly to fee initiatives in the Award Fee Board criteria. The contractor can increase the amount of fee it is awarded by demonstrating good stewardship of taxpayer dollars. Our ACOs also provide input for the semi-annual Award Fee Evaluation Board - the board which determines the contractor's level of earned fee.

At the corporate level, DCMA provides oversight of Dining Facilities (DFACs) renegotiations, resulting in more favorable contract terms. In this regard, we supported the Defense Contract Audit Agency's (DCAA's) revocation of direct billing privileges for Kellogg Brown and Root (KBR), meaning that every cost voucher submitted by KBR now must be approved by DCAA before payment. DCMA also identifies to LOGCAP negotiators any risks posed by estimating system issues to ensure they are adequately considered and mitigated during negotiations.

The role of our Property Administrators is to ensure the contractor has a viable property management system—one that minimizes and controls the loss, theft, misuse, and destruction of Government property. Property Administrators are also responsible for investigating incidents of property loss to determine accountability. A DCMA conducted survey in 2006 on the principal LOGCAP contractor examined 14 property

management functional areas. Our survey uncovered no systemic issues, and we deemed the contractor's property management system to be satisfactory.

The in-theater contract-oversight mission is clearly a formidable one. Aspects of such a mission, including personnel security and safety, workload shifts and dispersion, and personnel placement, are a continual challenge. DCMA constantly works to effectively balance resource requirements between its core mission and its Contingency Contract Administration Services (CCAS) commitments to ensure that core mission areas such as Flight Critical and Level I Subsafe hardware, along with high-investment programs and sustainment support, continue to achieve their intended goals.

This concludes my prepared remarks. I will be happy to answer any questions you may have.