

GAO Highlights

Highlights of [GAO-15-115](#), a report to congressional committees

Why GAO Did This Study

In fiscal year 2013, DOD reported spending more than \$170 billion on contract services—contractors performing functions such as information technology support or maintenance of military equipment—constituting more than half of DOD's total acquisition spending. The National Defense Authorization Act (NDAA) for Fiscal Year 2012, section 808, limited DOD's contract services spending for fiscal years 2012 and 2013 and required reductions in select contract services. Subsequent revisions to the NDAA extended the spending limits through fiscal year 2014.

Congress requested and mandated GAO to review DOD's implementation of the required reductions. This report addresses the extent to which DOD implemented, in fiscal years 2012 and 2013: (1) contract services spending limits, (2) 10 percent funding reductions for closely associated with inherently governmental functions, and (3) 10 percent funding reductions for staff augmentation contracts. GAO reviewed relevant guidance; analyzed DOD financial, inventory, and other contract services data; and interviewed relevant officials.

What GAO Recommends

Congress should consider extending the time period for DOD's implementation of funding reductions in select contract functions. Further, GAO recommends that DOD improve planning and consistently implement fiscal controls to better manage contract services, among other actions. DOD concurred with the recommendations.

View [GAO-15-115](#). For more information, contact Marie A. Mak at (202) 512-4841 or MakM@gao.gov.

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DOD CONTRACT SERVICES

Improved Planning and Implementation of Fiscal Controls Needed

What GAO Found

The Department of Defense (DOD) exceeded its identified limit on contract services by \$1.72 billion in 2012 and spent \$500 million less than the limit in 2013. GAO found that all military departments exceeded their Comptroller-provided spending targets in fiscal year 2012 due to late guidance. In fiscal year 2013, some components improved planning and implemented stronger fiscal controls over contract services, such as monitoring spending during the year, helping DOD meet its limit for fiscal year 2013. However, the Army exceeded its spending target in 2013 due to inaccurate budget estimates and weaknesses in planning by not soliciting inputs on commands' contract services spending plans.

Actions to Manage Contract Services Spending in Fiscal Year 2013 (in billions)

Military Department	Solicited Commands' Inputs ^a	Set Command Spending Targets	Monitored Command Spending	Spent Against Targets
Air Force	✓	✓	✓	\$2.8 under
Army		✓		\$2.7 over
Navy	✓		✓	\$0.5 under

Source: GAO analysis of military department documents | GAO-15-115

Note: Table does not include contract services spending by the defense agencies, which are also included in the spending limit.

^a A unit or organization reporting to the secretaries of the military departments or the heads of the defense agencies.

Federal internal control standards call for effective control activities that enforce guidance to help ensure stewardship of government resources. Improved planning and consistent implementation of fiscal controls across the department could better position DOD to manage contract services spending.

Comparable and timely data are not available to determine if DOD implemented the mandated funding reductions for contracts with closely associated with inherently governmental functions—those that put the government at risk of contractors inappropriately influencing government decisions. DOD's guidance calls for reliance on data from the annual inventory of contracted services—an identification of the number of contractors and associated costs for services provided to DOD—to measure required reductions; however, these data did not include the obligation data needed to measure funding reductions in closely associated with inherently governmental functions. DOD updated its inventory guidance in 2013 to collect such information, but these data will not be comparable to previous years due to changes in methodology and will not be available until fiscal year 2015, after the statutory requirement has expired.

Similarly, data are not available to determine if DOD met the required funding reductions for staff augmentation contracts—contractors under the direction of a government official. DOD's guidance did not establish a baseline for staff augmentation or identify the data that should be used to determine if the reductions were achieved. DOD issued supplemental guidance in May 2014 instructing components to report in October 2014 on steps taken to implement these reductions. However, the current statutory requirement expired in September 2014.