

# GAO Highlights

Highlights of [GAO-17-17](#), a report to congressional committees

## Why GAO Did This Study

DOD is the government's largest purchaser of contractor-provided services. In 2008, Congress required DOD to compile and review an annual inventory of its contracted services to identify the number of contractors performing services and the functions contractors performed. In 2011, Congress required DOD to use that inventory to inform certain decision-making processes, including workforce planning and budgeting. GAO has previously reported on the challenges DOD faces in compiling, reviewing, and using the inventory. Since 2011, GAO made 13 recommendations intended to improve DOD's use of the inventory. Of these, DOD has yet to fully address 8 open recommendations.

Congress included a provision in statute for GAO to report on DOD's required reviews and plans to use the inventory. This report assesses the extent to which DOD components (1) reviewed contracts and activities in the fiscal year 2014 inventory of contracted services, and (2) developed plans to use the inventory for decision making. GAO reviewed relevant laws and guidance and 40 components' inventory review certification letters, and interviewed DOD acquisition, manpower, and programming officials.

## What GAO Recommends

GAO is not making new recommendations in this report. In its comments, DOD noted that it intends to address GAO's eight open recommendations, including those related to determining its approach for compiling the inventory and defining the roles and responsibilities of a key support office and stakeholders.

View [GAO-17-17](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or [tinapoli@gao.gov](mailto:tinapoli@gao.gov).

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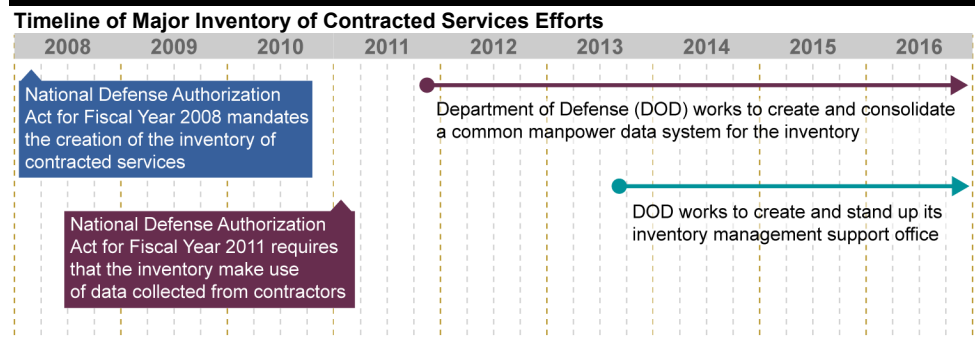
# DOD INVENTORY OF CONTRACTED SERVICES

## Timely Decisions and Further Actions Needed to Address Long-Standing Issues

### What GAO Found

In fiscal year 2014, 40 Department of Defense (DOD) components in total certified that they had conducted an inventory review. Components are required by DOD guidance to address six elements in their certification letters, including, for example, identifying any inherently governmental functions and unauthorized personal services contracts. More components—21 out of 40—addressed all of the required review elements compared to prior years. However, DOD components may continue to underreport the extent to which contractors were providing services that are closely associated with inherently governmental functions, a key review objective to help ensure that DOD has proper oversight in place. For example, GAO's analysis indicates that DOD obligated about \$28 billion for contracts in 17 categories—such as professional and management support services—that the Office of Federal Procurement Policy and GAO identified as more likely to include closely associated with inherently governmental functions. In comparison, components identified a total of \$10.8 billion in obligations or dollars invoiced for contracts that included work identified as closely associated with inherently governmental functions—either within the 17 categories or for any other category of service. Most of these functions were identified by the Army using its long-standing review process.

The military departments have not yet developed plans to use the inventory to inform workforce mix, strategic workforce planning, and budget decision-making processes, as statutorily required. DOD has made some recent progress on requiring components to identify an accountable official to lead efforts to develop plans and establish processes for using their inventories in decision making, a step GAO recommended in November 2014. However, DOD faces continued delays in deciding on the path forward for its underlying inventory data collection system, staffing its inventory management support office, and formalizing the roles and responsibilities of that office and stakeholders (see figure).



Source: GAO analysis of Department of Defense documents. | [GAO-17-17](#)

GAO previously recommended that DOD address these issues to improve the usefulness of the inventory. DOD concurred with these recommendations but has not yet addressed them. These continued delays hinder DOD's ability to use the inventory of contracted services as intended, including using the inventory data to inform workforce and budget decision-making processes.