

DEFENSE ACQUISITIONS

Further Actions Needed to Improve Accountability for DOD's Inventory of Contracted Services

Why GAO Did This Study

DOD relies on contractors to perform many functions, which can offer benefits for DOD. GAO's work has shown that reliance on contractors to support core missions, however, can place DOD at risk of contractors performing inherently governmental functions.

In 2008, Congress required DOD to compile and review an annual inventory of contractors working under contracts for services. The 2010 defense authorization act directed GAO to report for 3 years on these inventories. In January 2011, GAO reported on limitations to DOD's inventory approach. For this report, GAO assessed (1) DOD's progress in addressing these limitations and (2) the extent to which the military departments addressed instances of contractors performing functions identified as inherently governmental during reviews of their fiscal year 2009 inventories. GAO reviewed DOD guidance, interviewed acquisition and manpower officials, and assessed 12 instances from a nongeneralizable sample in which the Air Force and Army determined that contractors had performed inherently governmental functions.

What GAO Recommends

GAO recommends that the military departments and components develop guidance that provides for clear lines of authority, responsibility, and accountability for conducting an inventory review and that the Army and Air Force resolve known instances of contractors performing inherently governmental functions. DOD largely agreed with GAO's recommendations.

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What GAO Found

The Department of Defense (DOD) made a number of changes to improve the utility of the fiscal year 2010 inventory, such as centrally preparing contract data to provide greater consistency among DOD components and increasing the level of detail on the services provided. DOD, however, continued to rely primarily on the Federal Procurement Data System-Next Generation (FPDS-NG) for the inventory for most defense components other than the Army. As such, DOD acknowledged a number of factors that limited the utility, accuracy, and completeness of the inventory data. For example, FPDS-NG does not identify more than one type of service purchased for each contract action, provide the number of contractor full-time equivalent personnel, or identify the requiring activity. As before, the Army used its Contractor Manpower Reporting Application to compile its fiscal year 2010 inventory. This system collects data reported by contractors on services performed at the contract line item level, including information on labor hours and the function and mission performed. DOD officials noted that the Army's current process complies with legislative requirements. In January 2011, GAO recommended that DOD develop a plan with time frames and the necessary resources to facilitate its efforts to collect contractor manpower data and address other limitations in its approach to meeting inventory requirements. DOD concurred with these recommendations. In November 2011, DOD submitted to Congress a plan to collect contractor manpower data. DOD officials noted that developing a common data system to collect and house these data would be challenging given the different requirements from the military departments and components. Consequently, DOD does not expect to fully collect contractor manpower data until fiscal year 2016. DOD's plan, however, does not establish milestones or specify how it will meet the legislative requirement to identify the requiring activity and the function and missions performed by the contractor.

Military departments' required reviews of their fiscal year 2009 inventories of contracted services were incomplete. Navy headquarters officials had no assurance that their commands conducted the required reviews, and GAO found no evidence at the commands it contacted that the required reviews were conducted. Army and Air Force inventory reviews identified 1,935 and 91 instances, respectively, in which contractors were performing inherently governmental functions, though this variation may reflect differences in the departments' approaches to conducting the reviews. In 8 of the 12 Army and Air Force cases GAO reviewed, contractors continued to perform functions the military departments identified as inherently governmental. The absence of guidance that provided for clear lines of responsibility for conducting, documenting, and addressing the results of the reviews contributed to these outcomes. Further, Army officials cited difficulty in hiring DOD civilians caused by DOD's decision to freeze civilian full-time equivalents at fiscal year 2010 levels. DOD issued guidance in December 2011 that will require the military departments and components to certify that they have conducted the required reviews. The guidance, however, does not clearly establish lines of accountability and responsibility within the military departments and defense components for conducting the inventory reviews and addressing instances where contractors are identified as performing inherently governmental functions.