

GAO Highlights

Highlights of [GAO-13-491](#), a report to congressional committees

Why GAO Did This Study

DOD is the government's largest purchaser of contractor-provided services. In fiscal year 2011, DOD reported \$199 billion in obligations for service contracts, which include services as varied as medical services and intelligence support. In 2008, Congress required DOD to compile and review an annual inventory of its contracted services to include the number of contractors providing services to DOD and the functions these contractors were performing. The 2010 National Defense Authorization Act directed GAO to report for 3 years on these inventories.

For this third report, GAO assessed (1) the progress DOD has made in compiling the fiscal year 2011 inventory of contracted services and efforts to collect contractor manpower data, and (2) the extent to which defense components complied with DOD's guidance for reporting on their inventory reviews. GAO reviewed relevant laws and guidance, analyzed inventory submissions from 31 components, reviewed component certification letters, and interviewed DOD acquisition and manpower officials.

What GAO Recommends

GAO recommends that the Secretary of Defense direct component heads to discuss in their certification letters all required inventory review elements, as well as how instances where contractors are performing inherently governmental functions were resolved. DOD generally concurred with our recommendations, but indicated that the Secretary's involvement was not necessary. GAO believes it is, as discussed in the report.

View [GAO-13-491](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or tinapoli@gao.gov.

May 2013

DEFENSE ACQUISITIONS

Continued Management Attention Needed to Enhance Use and Review of DOD's Inventory of Contracted Services

What GAO Found

Over the past year and a half, the Department of Defense (DOD) has taken steps to implement its plan to collect contractor manpower data directly from contractors and to develop and implement a department-wide system, based on the Army's existing system, to collect and store these and other inventory data. DOD officials estimate that the data system will be available in fiscal year 2014, with DOD components reporting on most of their service contracts by fiscal year 2016. DOD, however, is still working on key decisions related to security, funding, and other technological issues and has not developed a plan of action with anticipated time frames and necessary resources to help ensure DOD remains on track to meet its goals. Making timely decisions and developing a plan of action with anticipated timeframes and necessary resources, as GAO has previously recommended, would facilitate DOD's stated intent of implementing a DOD-wide system to collect required inventory information. For the fiscal year 2011 inventory, DOD components generally used the same compilation processes used in the previous year. As such, with the exception of the Army, which already has an inventory data collection system, the remaining components relied primarily on the Federal Procurement Data System-Next Generation (FPDS-NG). GAO previously reported that FPDS-NG has several limitations, including the inability to identify more than one type of service in a contract or the number of contractor full-time equivalents (FTE), which limit its utility for purposes of compiling a complete and accurate inventory.

Consistent with DOD's December 2011 guidance, 29 of the 31 components submitted letters certifying that they had conducted an inventory review as of April 2013. DOD officials stated that the requirement to submit certification letters represented a significant improvement over prior years' reviews, when DOD could not determine whether the required reviews were conducted. These officials also stated that the letters provided useful insights into the components' efforts. GAO's analysis, however, indicates that none of the components' certification letters discussed all six elements required by DOD's guidance. For example, GAO's analysis found that the letters generally provided only limited information on their review methodologies or the results of their review efforts. In addition, it is unclear based on the information provided in the certification letters the extent to which the differences in the methodologies components used to conduct the reviews contributed to the variation in the identification of contractors performing inherently governmental functions, unauthorized personal services, or closely associated with inherently governmental functions. For example, the Army, using its review process, identified over 44,000 contractor FTEs performing closely associated with inherently governmental functions, while the Air Force identified about 1,400 contractor FTEs and 13 components reported they had no contractors performing these functions. Further, the Army and the Air Force did not provide complete information on actions taken to resolve instances where they had identified contractors performing inherently governmental functions as part of their reviews, such as by transferring performance of these functions to DOD personnel or modifying the contract's statement of work. The ability to identify contractors performing these functions is valuable as it allows actions to be taken, but that value is significantly reduced if decision-makers have no assurance as to whether corrective actions were taken.