

GAO Highlights

Highlights of [GAO-15-780](#), a report to congressional committees

Why GAO Did This Study

Paying contractors for services, such as program management support, accounted for more than half of DOD's \$285 billion in total acquisition obligations for fiscal year 2014. Congress limited DOD's contract services obligations for fiscal years 2012 through 2014 and required funding reductions of 10 percent per year in 2012 and 2013 for contracts with closely associated with inherently governmental and staff augmentation functions. Subsequently, Congress extended the time period for DOD to achieve required funding reductions in select contract services through 2014. In December 2014, GAO reported on DOD's implementation for fiscal years 2012 and 2013 and made several recommendations to improve DOD's management of contract services.

The House Armed Services Committee Report 113-446 included a provision for GAO to review DOD's implementation of the contract services limits. This report addresses the extent to which, DOD implemented (1) the contract services spending limit for fiscal year 2014 and (2) funding reductions for closely associated with inherently governmental and staff augmentation functions from fiscal years 2010 through 2014. GAO reviewed relevant guidance; analyzed DOD financial, inventory, and other contract services data; and interviewed relevant officials.

What GAO Recommends

DOD has efforts underway to address GAO's December 2014 recommendations; therefore, GAO is not making any new recommendations in this report. DOD concurred with the findings of this report.

View [GAO-15-780](#). For more information, contact Marie A. Mak at (202) 512-4841 or MakM@gao.gov.

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DOD CONTRACT SERVICES

Improvements Made to Planning and Implementation of Fiscal Controls

What GAO Found

The Department of Defense (DOD) obligated \$54.6 billion, or \$280 million less than the limit on contract services for fiscal year 2014 due, in part, to increased oversight by the DOD Comptroller's office and military departments. The Comptroller's office sought input from components—military departments and defense agencies—when setting obligation targets and implemented a waiver request process to allow for adjustments, which it had not done in 2012 or 2013. The military departments also implemented a variety of controls over contract services obligations, but experienced varying degrees of success in adhering to their targets.

Actions to Manage Contract Services Obligations in Fiscal Year 2014

Military Department	Solicited commands' inputs ^a	Set command targets	Monitored obligations	Adhered to obligation target
Air Force	✓	✓	✓	✓
Army	✓	✓	✓	
Navy	✓		✓	

Source: GAO analysis of military department documents. | GAO-15-780

^aA command is an organizational sub-unit or organization of a military department or the defense agency.

Moreover, Army and Navy budget officials identified additional actions their departments' plan to take to improve adherence to the spending limit. For example, Army budget officials are soliciting contract services budget estimates from commands and the Navy has increased monitoring of contract services obligations from twice a year to monthly.

GAO analysis of DOD obligation data from fiscal years 2010 through 2014 indicate that all of the military departments achieved required funding reductions for contractors performing closely associated with inherently governmental and staff augmentation functions—positions that run the risk of contractors inappropriately influencing government decisions. DOD initiated a different approach in fiscal year 2015 to measure compliance after GAO found in December 2014 that DOD lacked the data necessary to demonstrate reductions and recommended that DOD identify additional data sources to ensure funding reductions were achieved. Congress facilitated DOD's implementation of this recommendation in the National Defense Authorization Act (NDAA) for fiscal year 2015, encouraging DOD to use advisory and assistance services—a budget category that includes many of the types of contract services that are considered closely associated with inherently governmental and staff augmentation—to measure compliance with funding reductions. DOD issued guidance in May 2015 adopting the alternative measure and instructed components to submit these data as part of the fiscal year 2017 budget request. Based on currently available obligation data through fiscal year 2014, GAO found that the Air Force and Navy achieved reductions greater than 20 percent as required by Congress from 2010 through 2013. The Army achieved a 9 percent reduction by 2013, but achieved a 32 percent reduction in 2014. The DOD Comptroller plans to assess compliance for all DOD components, including the military departments, after the submission of the fiscal year 2017 budget request, which is expected in February 2016.