

GAO Highlights

Highlights of [GAO-15-88](#), 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 include the number of contractors providing services to DOD and the functions these contractors performed, and in 2011, amended this statute to require DOD to plan to use that inventory to inform certain department-wide decision making processes. The National Defense Authorization Act for Fiscal Year 2014 mandated GAO to report on the required reviews and plans to use these inventories.

For this report, GAO assessed the extent to which DOD components (1) reviewed contracts and activities in the fiscal year 2012 inventory of contracted services and (2) developed plans to use the inventory for decision-making. GAO reviewed relevant laws and guidance, reviewed component certification letters from 32 components, and interviewed DOD acquisition, manpower, programming, and budgeting officials.

What GAO Recommends

GAO recommends DOD revise inventory guidance to improve the review of contract functions, approve a plan of action with milestones and timeframes to establish a common data system to collect contractor manpower data, and designate a senior management official at the military departments to develop plans to use inventory data to inform management decisions. DOD concurred with GAO's recommendations.

View [GAO-15-88](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or dinapolit@gao.gov.

November 2014

DEFENSE CONTRACTORS

Additional Actions Needed to Facilitate the Use of DOD's Inventory of Contracted Services

What GAO Found

The Department of Defense (DOD) continues to face challenges in assuring that it conducts and reports on the results of its required inventory reviews. As of September 2014, 32 of the 33 components that were required to conduct an inventory review certified that they had done so and generally addressed more of the required reporting elements than in fiscal year 2011. However, GAO found limitations with the inventory review results. For example, the Air Force did not submit a fiscal year 2012 inventory certification letter and the Army's review was incomplete at the time its Secretary signed the certification. Further, components may not have fully identified all instances in which contractors were providing services that are closely associated with inherently governmental functions, a key review objective to help ensure that the DOD is not overly reliant on contractors to support core missions. DOD's March 2014 guidance, which is applicable to the fiscal year 2013 inventory, does not fully address some of the shortcomings GAO identified, including how to identify contracts for review or approaches to ensure that components adequately assess contractor activities. As a result, components may not fully identify instances of contractors providing services that are closely associated with inherently governmental functions.

A key factor hindering the components' inventory reviews is the lack of accurate and reliable data. DOD has not resolved issues with implementing its planned common data system based on the Army's existing system. Further, in September 2014, DOD initiated a new review, due by December 2014, to identify and develop options to collect these data. This review raises a question of whether DOD will continue to implement a common data system modeled after the Army's system or attempt to develop a new system. DOD continues to lack a plan with timeframes and milestones to measure its progress toward implementing a common data system. These factors jeopardize DOD's goal to have all components, by 2016, collect statutory-required contractor manpower data. Further delays in resolving these issues will undermine the inventory's usefulness.

The military departments generally have not developed plans to use the inventory of contracted services to facilitate DOD's strategic workforce planning, workforce mix, and budget decision-making processes, as statutorily required. Numerous offices are responsible for the various decision-making processes at the military departments, and the Secretaries of the military departments have not assigned specific responsibility for coordinating among these offices to do so. The absence of officials who are accountable for integrating the use of the inventory leaves the department at continued risk of not complying with the applicable legislative requirements to use the inventory to support management decisions. Internal control standards state that management should assign responsibility to enable an organization to achieve management objectives and to comply with laws.