ENCLOSURE 1

POGO's Calculations Comparing DoD's Average
FY 2010 Costs for GFTEs and CFTEs;
Calculations of DoD's FY 2010 Expenditures for Comparing
Contractor Workforce and Civilian Workforce
POGO’s Calculations Comparing DoD’s Average FY 2010 Costs for DoD Civilian and Contractor FTEs; Calculations of DoD’s FY 2010 Expenditures for Comparing the Civilian and Contractor Workforce

The latest period for which the Department of Defense (DoD) has data comparing annual DoD civilian full-time employees (GFTE) with contractor full-time employees (CFTE) is fiscal year (FY) 2010. Unfortunately, DoD’s records document a significant discrepancy between the estimated and actual contractor workforce. DoD estimated a civilian workforce of roughly 777,844 GFTEs and a contractor workforce of roughly 318,792 CFTEs (Attachment A); however, the DoD data states that its Inventory of Contracts for Services (ICS) reported roughly 622,770 CFTEs.1 During the same fiscal year, the American Society of Military Comptrollers estimated that DoD expended $253.8 billion2 on service contractors (Attachment B), while spending only $72 billion on its civilian workforce.3 (Attachment C)

Because DoD’s cost data for its civilian workforce reflects only compensatory costs and none of the various non-compensatory cost factors reflected in the service contract expenditures (Attachment C), DoD should have included roughly an additional 50 percent loading for those cost factors identified in the Office of Management and Budget’s COMPARE cost modeling system that is used in A-76 public-private competitions.4 That would have increased the cost of the civilian workforce to roughly $108 billion.

The data makes clear that DoD expends on average between 2.35 and 3.53 times more of its funding on service contracts than on its civilian workforce5—a government workforce that is targeted for severe cuts.6 This comparison is perforce calculated as a matter of averages because DoD fails to calculate the actual costs or savings that result from its reliance on contractors by

5 $253.8 billion for CFTEs / $72 billion for civilian personnel = 3.53 times more spending.
comparing the cost of contractor performance with cost of federal employee performance of comparable functions and activities. POGO’s legislative proposal seeks to remedy this critical failure. (Enclosure 4, Attachment A)

If we use the figures DoD’s Comptroller touts, we can calculate the average civilian annual compensation (including benefits) to be $92,564/yr.\(^7\) However, using the more accurate and fully loaded cost, we can calculate the average civilian annual cost to be $138,846/yr.\(^8\) By comparison, using DoD’s budget data, we can calculate the average contractor employee’s fully loaded annual cost to be $796,130/yr.\(^9\) But if we use DoD’s ICS estimate, we calculate that cost to be $407,534/yr.\(^{10}\)

From this we derive the rates of cost inefficiency to be from 2.94 to 8.60 as follows: (1) the rate of increased costs for 622,770 contractor employees over civilian-employee fully loaded costs is approximately 2.94\(^{11}\); (2) the rate of increased costs for 622,770 contractor employees over civilian-employee compensatory costs is 4.40\(^{12}\); (3) the rate of increased costs for 318,792 contractor employees over civilian-employee fully loaded cost is 5.73\(^{13}\); and (4) the rate of increased costs for 318,792 contractor employees over civilian-employee compensatory costs is 8.60.\(^{14}\) There can be no policy justification for this high level of spending under any circumstances, but certainly not when removing the cap on civilian FTEs would allow the DoD to reduce that spending significantly and bring the Department closer to meeting its mandate to maintain a cost-efficient, balanced military workforce.

\(^7\) $72 billion for GFTEs / 777,844 GFTEs = $92,564 per year.
\(^8\) $108 billion for GFTEs / 777,844 GFTEs = $138,846 per year.
\(^9\) $253.8 billion for CFTEs / 318,792 CFTEs = $796,130 per year.
\(^{10}\) $253.8 billion for CFTEs / 622,770 CFTEs = $407,534 per year.
\(^{11}\) $407,534 / $138,846 = 2.94 times more costly.
\(^{12}\) $407,534 / $92,564 = 4.40 times more costly.
\(^{13}\) $796,130 / $138,846 = 5.73 times more costly.
\(^{14}\) $796,130 / $92,564 = 8.60 times more costly.
ENCLOSURE 1
Attachment A

Department of Defense
Total Force in Execution - SB base + OCO
The Total Force In Execution - $B Base + OCO

<table>
<thead>
<tr>
<th>Year</th>
<th>Active Duty Military</th>
<th>Reserve Military</th>
<th>Civilians</th>
<th>ICS FTE</th>
<th>Budget CFTE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY01</td>
<td>1,347,076</td>
<td>876,510</td>
<td>704,783</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td>FY02</td>
<td>1,415,335</td>
<td>882,442</td>
<td>702,352</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td>FY03</td>
<td>1,434,382</td>
<td>882,792</td>
<td>708,798</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td>FY04</td>
<td>1,427,797</td>
<td>889,406</td>
<td>707,835</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td>FY05</td>
<td>1,385,996</td>
<td>829,065</td>
<td>710,131</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td>FY06</td>
<td>1,387,815</td>
<td>833,920</td>
<td>719,189</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td>FY07</td>
<td>1,379,551</td>
<td>836,256</td>
<td>713,753</td>
<td>no data</td>
<td>no data</td>
</tr>
<tr>
<td>FY08</td>
<td>1,401,700</td>
<td>846,248</td>
<td>715,800</td>
<td>654,519</td>
<td>no data</td>
</tr>
<tr>
<td>FY09</td>
<td>1,418,542</td>
<td>846,156</td>
<td>735,000</td>
<td>766,732</td>
<td>no data</td>
</tr>
<tr>
<td>FY10</td>
<td>1,405,600</td>
<td>852,600</td>
<td>777,844</td>
<td>622,770</td>
<td>318,792</td>
</tr>
<tr>
<td>FY11</td>
<td>1,406,600</td>
<td>846,200</td>
<td>790,497</td>
<td>no data</td>
<td>264,504</td>
</tr>
<tr>
<td>FY12</td>
<td>1,408,000</td>
<td>847,100</td>
<td>783,702</td>
<td>no data</td>
<td>285,322</td>
</tr>
</tbody>
</table>

CONTRACTED SERVICES FY11 = $181B*
CIVPERS FY11 = $70B
MILPERS FY11 = $151B

MILPERS/CIVPERS Data from Green book
*Contracts for Services from other govt accounts, revolving funds, and other civil functions excluded
ENCLOSURE 1
Attachment B

Office of Management and Budget
Object Class Analysis:
Budget of the U.S. Government, Fiscal Year 2012
Object Class Analysis
Budget of the U.S. Government
Fiscal Year 2012
Office of Management and Budget
www.budget.gov
<table>
<thead>
<tr>
<th>Object Class</th>
<th>2010 actual</th>
<th>2011 estimate</th>
<th>2012 estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 Full-time permanent</td>
<td>28,549</td>
<td>30,918</td>
<td>30,348</td>
</tr>
<tr>
<td>11.3 Other than full-time permanent</td>
<td>1,845</td>
<td>1,773</td>
<td>1,748</td>
</tr>
<tr>
<td>11.5 Other personnel compensation</td>
<td>1,848</td>
<td>1,518</td>
<td>1,611</td>
</tr>
<tr>
<td>11.7 Military personnel</td>
<td>98,755</td>
<td>101,479</td>
<td>99,534</td>
</tr>
<tr>
<td>11.8 Special personal services payments</td>
<td>4</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>12.1 Civilian personnel benefits</td>
<td>9,989</td>
<td>10,480</td>
<td>10,388</td>
</tr>
<tr>
<td>12.2 Military personnel benefits</td>
<td>50,644</td>
<td>48,959</td>
<td>52,567</td>
</tr>
<tr>
<td>13.0 Benefits for former personnel</td>
<td>1,246</td>
<td>494</td>
<td>1,058</td>
</tr>
<tr>
<td><strong>PERSONNEL COMPENSATION AND BENEFITS Subtotal 10</strong></td>
<td>192,880</td>
<td>195,622</td>
<td>197,256</td>
</tr>
<tr>
<td>21.0 Travel and transportation of persons</td>
<td>10,421</td>
<td>6,757</td>
<td>9,033</td>
</tr>
<tr>
<td>22.0 Transportation of things</td>
<td>14,864</td>
<td>5,918</td>
<td>13,723</td>
</tr>
<tr>
<td>23.1 Rental payments to GSA</td>
<td>528</td>
<td>336</td>
<td>1,110</td>
</tr>
<tr>
<td>23.2 Rental payments to others</td>
<td>1,620</td>
<td>1,606</td>
<td>1,487</td>
</tr>
<tr>
<td>23.3 Communications, utilities, and miscellaneous charges</td>
<td>6,891</td>
<td>6,343</td>
<td>6,760</td>
</tr>
<tr>
<td>24.0 Printing and reproduction</td>
<td>702</td>
<td>437</td>
<td>674</td>
</tr>
<tr>
<td>25.1 Advisory and assistance services</td>
<td>24,587</td>
<td>14,171</td>
<td>17,077</td>
</tr>
<tr>
<td>25.2 Other services</td>
<td>23,028</td>
<td>16,539</td>
<td>20,621</td>
</tr>
<tr>
<td>25.3 Other purchases of goods and services from Government accounts</td>
<td>69,315</td>
<td>56,971</td>
<td>62,797</td>
</tr>
<tr>
<td>25.4 Operation and maintenance of facilities</td>
<td>26,413</td>
<td>13,410</td>
<td>20,178</td>
</tr>
<tr>
<td>25.5 Research and development contracts</td>
<td>64,385</td>
<td>67,607</td>
<td>58,099</td>
</tr>
<tr>
<td>25.6 Medical care</td>
<td>14,149</td>
<td>16,474</td>
<td>17,225</td>
</tr>
<tr>
<td>25.7 Operation and maintenance of equipment</td>
<td>30,180</td>
<td>19,803</td>
<td>29,727</td>
</tr>
<tr>
<td>25.8 Subsistence and support of persons</td>
<td>1,721</td>
<td>232</td>
<td>1,394</td>
</tr>
<tr>
<td>26.0 Supplies and materials</td>
<td>52,267</td>
<td>118,738</td>
<td>61,391</td>
</tr>
<tr>
<td><strong>CONTRACTUAL SERVICES AND SUPPLIES Subtotal 20</strong></td>
<td>340,891</td>
<td>345,342</td>
<td>321,296</td>
</tr>
<tr>
<td>31.0 Equipment</td>
<td>131,715</td>
<td>160,932</td>
<td>138,337</td>
</tr>
<tr>
<td>32.0 Land and structures</td>
<td>19,787</td>
<td>23,095</td>
<td>22,174</td>
</tr>
<tr>
<td>33.0 Investments and loans</td>
<td>430</td>
<td>829</td>
<td>---</td>
</tr>
<tr>
<td><strong>ACQUISITION OF CAPITAL ASSETS Subtotal 30</strong></td>
<td>151,932</td>
<td>184,856</td>
<td>160,511</td>
</tr>
<tr>
<td>41.0 Grants, subsidies, and contributions</td>
<td>2,400</td>
<td>2,854</td>
<td>1,752</td>
</tr>
<tr>
<td>42.0 Insurance claims and indemnities</td>
<td>741</td>
<td>304</td>
<td>558</td>
</tr>
<tr>
<td>43.0 Interest and dividends</td>
<td>30</td>
<td>10</td>
<td>21</td>
</tr>
<tr>
<td>44.0 Refunds</td>
<td>5</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td><strong>GRANTS AND FIXED CHARGES Subtotal 40</strong></td>
<td>3,176</td>
<td>3,175</td>
<td>2,341</td>
</tr>
<tr>
<td>91.0 Unvouchered</td>
<td>15</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td><strong>OTHER Subtotal 90</strong></td>
<td>15</td>
<td>22</td>
<td>21</td>
</tr>
<tr>
<td>99.0 Total Direct obligations</td>
<td>688,894</td>
<td>729,017</td>
<td>681,425</td>
</tr>
<tr>
<td>99.0 Reimbursable obligations</td>
<td>185,871</td>
<td>175,041</td>
<td>171,038</td>
</tr>
<tr>
<td><strong>TOTAL GROSS OBLIGATIONS</strong></td>
<td>874,765</td>
<td>904,058</td>
<td>852,463</td>
</tr>
</tbody>
</table>
ENCLOSURE 1
Attachment C

Department of Defense
Total Force—The Cost Component FY 01-10
Total Force – The Cost Component FY01-10

<table>
<thead>
<tr>
<th>Year</th>
<th>Active Duty Military</th>
<th>Civilians</th>
<th>Contracts for Services ($K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY01</td>
<td>1,387,076</td>
<td>704,783</td>
<td>$104,820,780</td>
</tr>
<tr>
<td>FY10</td>
<td>1,405,600</td>
<td>764,400</td>
<td>$248,207,148</td>
</tr>
</tbody>
</table>

% Change: 1% (Military), 8% (Civilians)

FY10 Reduction for In-sourcing $900M

Total Increase from FY09 = $6B

The savings are here. This is Total Force Manpower, but its growth has been unchallenged and often we don’t even know what is in the base.

CONTRACTED SERVICES

$248B

MILPERS

Per Capita Costs will not go down. We must reduce the inventory by challenging military essentiality of the growing support tail – covert to CIV or eliminate.

$150B

CIVPERS

Default target for "savings" – but pressure here often creates unintended fiscal "consequences" in other areas

$72B

National Defense Budget Estimates for FY2011 ("Current Dollars") – BASE and OCO $\$, OUSD(P&R) – Requirements and Program and Budget Coordination Directorate
ENCLOSURE 2

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Guidance for Civilian Personnel and Service Support Contractor Management Targets

Even during this period of constrained defense budgets, we must ensure that we have a sufficient number of federal civilian personnel to meet the support needs of our military forces. We must also be sure that military or federal civilians are performing all inherently governmental functions, and that sufficient levels of civilians are available to perform critical oversight, management, and readiness functions of the Department. At the same time, we need to make every effort to reduce our support requirements by streamlining our operations and eliminating lower priority tasks.

In order to strike the right balance between reducing support and providing adequate numbers of civilian personnel, I am directing a continuation of management targets on federal civilians and service support contractors with a waiver process that will provide flexibility. Specifically, the US Direct Hire (USDH) civilian personnel and Service Support Contractor management targets first reflected in the Fiscal Year 2012 budget request, and continued in the Department’s Fiscal Year 2013 budget, are extended through Fiscal Year 2018. These targets will apply to all civilian personnel full time equivalents (FTEs) and service support contractors (both direct funded and reimbursable) regardless of appropriation and across all functional areas and technical capabilities -- with the sole exception of the National Intelligence Program. Specific FY 2014 through FY 2018 civilian FTE targets will be issued for each Component reflecting the continuation of the targets, adjusted for previously approved exceptions. There will be one target per component for all USDH personnel. The targets for service support contractors by component will remain at their FY 2013 levels (30 percent below FY 2010 levels) through FY 2018 but will not be reduced further.

This memorandum provides guidance regarding the processes Components must use to seek relief from these management targets. DoD Components must ensure a sufficiently sized workforce -- comprised of the most appropriate and cost-efficient mix of military, civilian, and contracted support -- to meet their mission requirements. Accordingly, Components may request a waiver from approved management targets for the current or budget year to meet mission requirements. Although foreign national civilian FTEs (direct and indirect) are exempt from these management targets, components should ensure that the numbers of these personnel are consistent with applicable Status of Forces Agreements and appropriately aligned with regard to the performance of inherently governmental, closely associated or critical functions.

Waiver requests, supported by a justification package, must be signed by a Component Head or principal deputy. All waiver requests will be submitted to both USD(P&R) and USD(C). After coordination with USD(C), USD(P&R) will submit waivers to the Deputy
Secretary for approval or disapproval. Waiver requests for acquisition workforce positions must also be coordinated with USD(AT&L). The military departments shall send their waiver requests directly to USD(P&R) and USD(C); Defense Agencies and Field Activities shall submit waiver requests via their respective Principal Staff Assistant; waiver requests for elements of the Office of the Secretary of Defense shall be submitted by the Director of Administration and Management; and Combatant Commanders shall submit waiver requests through the Joint Staff via their respective Combatant Command Support Agent.

The justification package accompanying each waiver request must include: (1) a strong rationale for the need; (2) offsetting reductions in civilian FTEs or service support contractors achieved by eliminating lower-priority workloads to the extent feasible; (3) identity of a funding source if necessary; and (4) where appropriate, a cost analysis supported by the DTM 09-007 (or successor guidance). Waivers are not required if the component can offset the increase fully and not exceed its target.

Waivers are valid for two (2) years from the fiscal year of approval, and, if valid and enduring, must subsequently be submitted in accordance with the FY 2014 Program/Budget Review (PBR) guidance. Where waivers involve the realignment of contracted support to civilian FTEs (that is, in-sourcing), waivers must meet the minimum criteria set forth in title 10. In-sourcing of certain categories of functions (those that are not either inherently governmental, exempt from private sector performance, closely associated with inherently governmental, or critical functions) must demonstrate minimum cost savings and must be consistent with guidance issued by USD(P&R). Nothing in this guidance should be interpreted as preventing components from submitting waiver requests to comply with title 10 requirements to realign (in-source) workload from private sector performance, where required.

Components shall make every effort to ensure that waiver requests are informed by the Inherently Governmental and Commercial Activities Inventory and the Inventory of Contracts for Services and, to the maximum extent practical, aligned to support the Department’s Strategic Workforce Plan. Components must also be mindful of the following title 10 requirements: military or government civilian personnel must perform inherently governmental work, and the Department must ensure that there are sufficient levels of such personnel to perform work that is closely associated with inherently governmental, is critical in nature, or is required to maintain internal capabilities and continuity of operations. These requirements must take precedence over cost of performance. All other work must be delivered at optimal value, cognizant of current prohibitions on converting certain work to contract performance and on the use of military manpower to perform certain functions.

Finally, while this guidance deals only with service support contractor management, Components should be aware that current law places limits on funding for all service contracts (with some exceptions). Guidance regarding these so-called “Section 808” restrictions will be issued soon. Components will be asked to continue reporting service support contractor information to monitor progress against the 30% savings target established in the FY 2012 budget.
Questions regarding this guidance should be directed to the following points of contact:
for OUSD (P&R)—Ms. Amy Parker (amy.parker@osd.mil) and Mr. Thomas Hessel
(thomas.hessel@osd.mil); for OUSD (Comptroller)—Ms. Bette Otts (bette.otts@osd.mil); and
for CAPE—LTC Kyle Jette (kyle.jette@osd.mil).

[Signature]

DISTRIBUTION:
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CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
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COMMANDERS OF THE COMBATANT COMMANDS
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES
ENCLOSURE 3

POGO Analysis of DoD's Disparate Data on Contracts for Services: FY 2010
Disparate Data on Contracts for Services: FY 2010

The numbers presented below document the disparate data on contracts for services found in Department of Defense (DoD) records. Some of the disparity is accounted for by the fact that DoD compiles data that are intended to be used for comparison purposes but fails to match identical data aggregates to enable accurate comparisons. Most critically, the law requires that the Department’s budget exhibits and requests reflect/match its inventory of contracts for services.1 The Department consistently fails to comply with that law.

Budget Request was $138 billion

The source for this number is data submitted by DoD to the Office of Management and Budget (OMB) for the President’s Budget FY 2010 and subsequently submitted to the House Appropriations Committee. The $138 billion reflects the $63.05 billion (base only) FY 2010 budget request reported on FY 2012 budget exhibits.2 In addition, the $138 billion reflects a request for $68.64 billion in Research, Development, Testing and Evaluation (RDT&E) support contract services,3 as well as $6.58 billion in family housing, military personnel, procurement, and revolving and management funds.4 The $138 billion does not include funds budgeted for overseas contingency operations (OCO).

Budget Execution according to Executive Branch requests was $181 billion

The source for this number is the same as for the FY 2010 Budget Request data. The $181 billion reflects $106.73 billion in FY 2012 budget report.5 The $106.73 billion figure includes actual expenditures for OCO but excludes the $68.64 billion in RDT&E service contract expenditures and the $6.58 billion in expenditures for family housing, military personnel, procurement, and revolving and management funds.6 Because the DoD’s Comptroller treats all Operations and Maintanence (O&M) expenditures as fungible, there is no way to segregate actual O&M expenditure to determine how much was an expenditure of budgeted service contract funds, how much an expenditures of OCO funds, how much an expenditure of budgeted RDT&E support services contract funds, or how much an expenditure of other budgeted O&M funds have nothing to do with contract services, such as civilian personnel, travel, training, or conferences.

1 10 U.S.C. § 235 says for each budget account, the materials submitted for the budget will included the number of full time equivalents contractor employees projected and justified “based on the inventory of contracts for services.”
3 DoD differentiates between R&D expenditures that are support type services and R&D expenditures that are laboratory testing and evaluation type services.
5 Operation and Maintenance Overview Fiscal Year 2012 Budget Estimates, p. 120; DoD Budget Exhibit on “Contract Services and Civilian Personnel,” p. 4.
6 Operation and Maintenance Overview Fiscal Year 2012 Budget Estimates, pp. 121-122.
Inventory of contract services indicates $121 billion was spent on contracts for services\(^7\)

The source for this number is DoD’s 2010 Report to Congress on its Inventory of Contracts for Services (ICS), detailing that 23 “DoD Components awarded $121.02 billion in Government obligations and estimate there are 623,000 Contract Full-Time Equivalents (CFTEs) across the government.”\(^8\) The report includes a discussion of methodology that states, “[The Army’s Contractor Manpower Reporting Application] reports invoice amounts into the ICS for services acquired, while all other DoD Components report dollars obligated. The Army’s FY 2010 inventory reflects $39.53 billion in invoices, whereas FPDS shows Army’s 2010 obligations for services to be $56 billion.”\(^9\) The report notes that the ICS “identifies by function and mission a subset of [the $204 billion FPDS in obligations] that excludes most research and development and construction-related contracts.”\(^10\)

Budget Execution according to FPDS Obligations was $204 billion

The source for this number is DoD’s Report to Congress: The Fiscal Year 2010 Inventory of Contracts for Services, which states that DoD “obligated $204 billion in contracts to the private sector for services provided during FY 2010....”\(^11\)

Budget Execution according to OMB was $253.8 billion

In OMB’s FY 2012 Budget, it stated that $253.8 billion was actually spent on service contracts by DoD in FY 2010.\(^12\) That amount was higher than a previous estimate of $248 billion for base and OCO.\(^13\) More important, however, was a notation in the service contracting portion of the chart stating that “savings are here. This is a Total Force Manpower, but its growth has been unchallenged and often we don’t even know what is in the base.” [Emphasis added]

---

\(^7\) The recently released FY 2011 Inventory of Contracts for Services report states that DoD has nearly 710,000 contractor full-time equivalents costing the government $144.5 billion. Department of Defense, Report to Congress: The Fiscal Year 2011 Inventory of Contracts for Services, August 2012, p. 1. http://www.pogoarchives.org/m/co/ics-2011-report-20120919.pdf


\(^9\) Report to Congress: The Fiscal Year 2010 Inventory of Contracts for Services, p. 3.

\(^10\) Report to Congress: The Fiscal Year 2010 Inventory of Contracts for Services, p. 2.


ENCLOSURE 4

POGO’s Legislative Recommendations
ENCLOSURE 4
Attachment A

Calculating Service Contractor Costs
CALCULATING SERVICE CONTRACTOR COSTS

Section 2330a of Title 10, United States Code, should be amended to provide the Department of Defense (DoD) with enhanced data on service contractors. Current service contract inventories do not provide data that is essential to making workforce decisions. In addition to the current inventory requirements, DoD should collect, report, and consider for each contract and task order:

a) The number of employees used by the prime contractor and by subcontractors of the contractor at any tier, expressed as full-time equivalents for direct labor, using direct labor hours and associated cost data collected form contractors.

b) Whether the services are performed on government property or private property.

c) The unburdened labor rate for each service provided, where each service is specified in accordance with a standardized occupational code that can be matched with a comparable occupational code and level of performance when the service is performed by a federal employee.

d) The percentage limitation for fringe benefits set by the government on the unburdened labor rate.

e) The total amount billed that is attributable to fringe benefits.

f) The percentage limitation for overhead set by the government on the unburdened labor rate.

g) The total amount billed that is attributable to overhead costs of the contractor and of subcontractors of the contractor at any tier.

h) The percentage limitation for general and administrative costs (G&A) set by the government on the unburdened labor rate.

i) The total amount billed that is attributable to G&A.

j) The percentage limitation for fixed fees (i.e., profits), set by the government on the unburdened labor rate.

k) The total amount billed that is attributable to fixed fees.

l) The total amount billed by contractors for the services provided.

m) The total costs to DoD if the services had been performed by government employees in accordance with DoD cost-comparison models, using the appropriate General Services Occupational Series crosswalks and DoD calculated fringe benefits, overhead, and G&A.

n) A statement of the difference, expressed in dollars, between the total amount billed by contractors for the services provided and the total costs to the government if the services had been performed by government employees in accordance with DoD cost-comparison models.

o) Whether the activity includes any inherently governmental functions.

p) The number of employees used by the prime contractor and by subcontractors of the contractor at any tier who perform an inherently governmental function.

q) Creating all service contract inventory data in a widely accepted, non-proprietary searchable platform-independent computer-readable format.
ENCLOSURE 4
Attachment B

Government Accountability Office Request
for a Report on Personnel Cost Modeling
GOVERNMENT ACCOUNTABILITY OFFICE REQUEST
FOR A REPORT ON PERSONNEL COST MODELING

Department of Defense (DoD) cost models used in the A-76 process or in various agency-specific human capital planning systems should be reviewed to ensure that complete and accurate fully loaded costs have been considered prior to any decision to cap any workforce or hire military, civilian, or contractor personnel. Congress should consider requesting a public Government Accountability Office (GAO) review assessing the DoD’s workforce cost modeling systems. The GAO report should include:

a) An assessment of any cost analysis model used to comply with section 10 U.S.C. § 129a.

b) Any cost analysis models for determining the extent to which service contractors are to play a role in strategic planning, personnel decisions, and resource allocation.

c) Whether DoD’s strategic planning, personnel decisions, and resource allocation have significantly improved as a result of introducing comparative cost analyses into budgetary and administrative actions.

d) An assessment of whether DoD’s cost analysis models for service contracts adequately incorporate the costs for facilities, support, overhead, pension compensation, and other benefits or administrative costs.

e) An assessment of any costs not reflected or inaccuracies in DoD’s service contractor cost analysis models.

f) An assessment of how DoD integrates its budget with service contract spending.

g) An assessment of how pre-award projected cost savings are compared with post-award actual cost savings resulting from using cost analysis models for strategic planning, personnel decisions, and resource allocation.

h) An assessment of whether DoD’s cost analysis model considers contract length, labor rates, and labor hours to determine total costs.

i) An assessment of the frequency with which the DoD chose the more costly workforce following a cost comparison.

j) Recommendations for how cost analysis models might be revised or reconstructed to make them capable of providing the information needed for strategic planning, personnel decisions, and resource allocation.