

Report to Congress:  
The Fiscal Year 2010  
Inventory of Contracts for Services



The Department of Defense  
Washington, DC  
August 2011

Preparation of this report cost the  
Department of Defense a total of approximately  
\$122,364 for the 2010-2011 Fiscal Years.  
Reference ID: 1-BE2151A

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## Executive Summary

The Department of Defense (DoD) obligated \$204 billion in contracts to the private sector for services provided during FY 2010; this amount is greater than the \$166 billion obligated for supplies and equipment.<sup>1</sup> The Inventory of Contracts for Services (ICS) identifies by function and mission a subset of these services that excludes most research and development and construction-related contracts.

Pursuant to section 2330a of title 10, U.S. Code, as amended by Section 807 of the National Defense Authorization Act for FY 2008, enclosed is the required ICS report. This inventory is used to assess the service contracts awarded in the preceding fiscal year and to determine the size of the contractor workforce. Reviews of the inventory inform budget plans and workforce-mix decisions in accordance with sections 235 and 2463 of title 10, U.S. Code, respectively.

The FY 2010 ICS includes reports from 23 DoD Components. These DoD Components awarded \$121 billion in Government obligations and estimate there are 623,000 Contractor Full-Time Equivalents (CFTEs) across the Department.

### **Results of Fiscal Year 2010 Inventory of Contracts for Services<sup>2</sup>**

| <b>DoD Components with Procurement Authority</b>               | <b>Obligations<br/>(Invoices)<sup>4</sup></b> | <b>Reported<br/>CFTEs</b> |
|--|---|---------------------------|
| Department of the Army (USA) <sup>3</sup>                      | \$39,529,088,453                              | 241,043                   |
| Department of the Navy (USN)                                   | \$29,389,637,321                              | 170,285                   |
| Department of the Air Force (USAF) <sup>3</sup>                | \$24,814,273,335                              | 144,208                   |
| Business Transformation Agency (BTA)                           | \$73,749,404                                  | 337                       |
| Defense Advanced Research Projects Agency (DARPA)              | \$95,724,798                                  | 551                       |
| Defense Commissary Agency (DeCA)                               | \$347,860,562                                 | 5,365                     |
| Defense Contract Management Agency (DCMA) <sup>3</sup>         | \$250,101,724                                 | 1,199                     |
| Defense Finance and Accounting Service (DFAS) <sup>3</sup>     | \$265,505,362                                 | 1,567                     |
| Defense Human Resource Activity (DHRA)                         | \$20,695,090                                  | 107                       |
| Defense Information Systems Agency (DISA)                      | \$4,617,122,769                               | 15,331                    |
| Defense Logistics Agency (DLA)                                 | \$1,835,142,249                               | 12,540                    |
| Defense Media Activity (DMA)                                   | \$87,566,369                                  | 442                       |
| Defense Microelectronics Activity (DMEA)                       | \$34,338,347                                  | 98                        |
| Defense Security Cooperation Agency (DSCA)                     | \$54,596,703                                  | 272                       |
| Defense Security Service (DSS) <sup>3</sup>                    | \$55,371,024                                  | 373                       |
| Defense Threat Reduction Agency (DTRA)                         | \$526,698,517                                 | 2,914                     |
| Department of Defense Education Activity (DoDEA)               | \$187,309,905                                 | 1,208                     |
| Missile Defense Agency (MDA)                                   | \$502,177,839                                 | 2,603                     |
| TRICARE Management Activity (TMA) <sup>3</sup>                 | \$11,343,546,761                              | 12,660                    |
| Uniformed Services University of the Health Sciences (USUHS)   | \$29,141,666                                  | 181                       |
| United States Special Operations Command (USSOCOM)             | \$1,458,039,853                               | 5,099                     |
| United States Transportation Command (USTRANSCOM) <sup>3</sup> | \$4,955,303,509                               | 1,091                     |
| Washington Headquarter Services (WHS)                          | \$548,654,883                                 | 3,247                     |
| <b>Total</b>   | <b>\$121,021,646,444</b>                      | <b>622,722</b>            |

<sup>1</sup> As reported in the Federal Procurement Database System (FPDS) on January, 5, 2011. Obligations reported support FY 2011 baseline and Overseas Contingency Operations requirements using single-year and multi-year appropriations.

<sup>2</sup> Totals reflect a number of considerations; see Methodology section for details.

<sup>3</sup> Records are tailored by DoD Components to reflect actual manpower data, when feasible, census results, or assessments.

<sup>4</sup> USA used its Contractor Manpower Reporting Application (CMRA) to collect invoice dollars.

## **Background**

The Department has monitored the size of the contractor workforce since 2001 in various ways. In FY 2008, section 2330a of title 10, U.S. Code, was modified by Section 807 of the National Defense Authorization Act to require the Department to submit to Congress an ICS to report the service contracts awarded by the Department in the preceding year and estimates the number of CFTEs.

The ICS is used to integrate total workforce planning into the budget process. For example, the Department's FY 2012 budget included CFTEs in the Operation and Maintenance justification materials sent to Congress.<sup>5</sup> This is consistent with section 235 of title 10, U.S. Code.

DoD Components can use the ICS to perform contract reviews to identify services for divestiture or conversion to Government performance per applicable title 10 provisions. These reviews can assist in assessing and, as appropriate, identifying services performed by contractor personnel that are inherently Government functions, that are closely associated with an inherently Government function, or constitute unauthorized personal services.<sup>6</sup> This is consistent with section 2463 of title 10, U.S. Code.

## **Methodology**

The ICS format is based on attributes within the Federal Procurement Database System (FPDS) that correspond to requirements in section 2330a. Each DoD Component reviewed their respective FPDS-sourced data records for accuracy and completeness. DoD Components used other data sources to build their section of the inventory, when feasible, in order to leverage the ICS process for broader purposes. The FY 2010 ICS consists of data from accounting, contract writing, and other Government databases. Errors and omissions discovered during the review process, and any tailoring of data, are documented within the inventory in a data field reserved for comments.

As in the past, the Department of the Army (USA) and the TRICARE Management Activity (TMA) submitted narratives describing their ICS efforts. USA continues to meet section 2330a reporting requirements by collecting actual "manpower" data using its Contractor Manpower Reporting Application (CMRA). CMRA is a Web-based system that collects manpower data directly from contractors. Direct labor hours are used to calculate CFTEs. CMRA reports invoice amounts into the ICS for services acquired, while all other DoD Components report dollars obligated. USA's FY 2010 inventory reflects \$40 billion in invoices, whereas FPDS shows USA's FY 2010 obligations for services to be \$56 billion. The variance is due in part to acquired services being accounted for in two different ways: invoices are demands for payment based on actual costs incurred to date; and obligations are binding agreements to pay future invoices.<sup>7</sup> TMA collected manpower data directly from the private sector, though their CFTE counts are by census. The Army and TMA narratives are included in this report as Attachments 1 and 2, respectively.

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<sup>5</sup> This budget exhibit includes all appropriations except Military Construction. Office of the Under Secretary of Defense (Comptroller). 2011. "Operation and Maintenance Overview Fiscal Year 2012 Budget Estimates." (Link accessed August 2011)

<sup>6</sup> 10 U.S.C. § 2330a (Link accessed August 2011)

<sup>7</sup> Several other differences exist between USA's approach and other FPDS-based inventories. For example, USA includes all services related to research and development; and service-related efforts are reported by identifiable tasks from both service and supply contracts.

The remaining DoD Components estimated CFTEs as directed by the Under Secretary of Defense for Acquisition, Technology and Logistics (USD(AT&L)) in a May 10, 2010, memorandum. The USD(AT&L)'s approach cost-effectively leverages CMRA data. This is achieved by assigning average CMRA labor rates and ratios to the "function" acquired by other DoD Components. Each function translates into a Product and Service Code (PSC) that defines a particular type of service.<sup>8</sup> Labor rates and ratios for all PSCs are updated annually to reflect current CFTE costs. Labor rates are derived by relating total direct labor dollars for a particular PSC to the associated number of CFTEs recorded in CMRA; labor ratios are derived by comparing direct labor dollars for a particular PSC to the associated total invoice amount.

Pursuant to section 2330a, DoD Components included "personal services" determinations in their inventory.<sup>9</sup> This finding is in advance of the in-depth review to be accomplished not later than 90 days after the FY 2010 ICS is submitted. Personal services were flagged under one of two circumstances. First, if a particular contract was identified as providing personal services during the DoD Component's last review of the service contract, the record was marked accordingly. Alternatively, if the contract record reported PSC "R497 Personal Services," that record was also marked. These records were then individually adjudicated by DoD Components when appropriate. Miscoded PSCs were corrected, changes were documented within the ICS, and records originated from FPDS were updated.

This year's ICS incorporates a number of changes. First, contract records awarded by the Defense Human Resource Activity were added to the list. This brings the total number of DoD Components with contracting authority to 23. The contract records submitted by the DoD Components reflect all service contracts reported in FY 2010, except for those that are waived for security reasons.

The ICS includes changes intended to improve the inventory's utility: unique record numbers are added to identify distinct contract actions; PSCs are reported with four-digits; PSC functions are aligned to missions;<sup>10</sup> records convey descriptions of services acquired, the extent of competition, and the DoD Component's name; and the major command organizations within a DoD Component are identified. This last change addresses a shortfall mentioned in the FY 2009 report to Congress. Namely, the ICS identifies the "funding office" reported in FPDS, which is not necessarily the same entity as the "requiring activity." The requiring activity is the organization charged to fulfill a mission for or on behalf of the Department and is responsible for delivering the service to satisfy the mission, even if the effort is contracted to the private sector. Section 2330a identifies this entity as a population of interest. Identifying the major command organization in the FY 2010 ICS allows data to be reported at a higher aggregation level, where distinctions between funding office and requiring activity are less pronounced.

Several other limitations mentioned in last year's report to Congress persist. For example, the mix of services and supplies acquired in a contract remains opaque. FPDS does not capture contract line item details at this time. Contracts are instead categorized by the predominant purpose of the award – either to acquire services or supplies.<sup>11</sup> As a result, service contracts reported in the ICS may contain an incidental amount of supplies, and supply contracts not included in the ICS may contain an

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<sup>8</sup> General Services Administration. 1998. "Product and Service Codes Manual" (Link accessed August 2011)

<sup>9</sup> A personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor's personnel. Agencies are not permitted to award personal services contracts unless specifically authorized by statute. Federal Acquisition Regulation. Subpart 37.104 (Link accessed August 2011)

<sup>10</sup> Office of Defense Procurement and Acquisition Policy. "Taxonomy for Services Acquisitions." Memorandum, November 23, 2011 (Link accessed August 2011)

<sup>11</sup> Federal Acquisition Regulation. "Service Contracts." Subpart 37.101 (Link accessed August 2011)

incidental amount of services. Another limitation referred to in last year's report involves service contracting activities awarded by non-DoD agencies. Most DoD Components excluded non-DoD contracts in their inventory while the Department continues to evaluate alternatives that increase visibility into these interagency acquisitions.<sup>12</sup>

This year's ICS also includes adjustments to mitigate limitations related to CFTEs. First, the number and type of PSCs excluded in FPDS-based inventories are increased from last year to improve alignment with CFTEs reported in the budget account per section 235 of title 10.<sup>13</sup> Also, contract actions that de-obligate dollars are excluded from the FY 2010 dataset.<sup>14</sup> This last step addresses timing distortions that occur when funds are contractually obligated in one fiscal year, yet the de-obligation takes place in the next fiscal year.

## Conclusion

While the ICS is used to inform budget plans and workforce mix decisions, it is still under development.<sup>15</sup> However, this does not preclude the Department from making well-reasoned, analytically sound decisions that are consistent with applicable title 10 provisions.

The Department recognizes the need and benefit of collecting actual contractor manpower data to account for and report CFTEs with 100 percent accuracy. DoD Components are drafting plans of action that move the Department closer to this goal.<sup>16</sup>

### Attachments:

1. USA Inventory Narrative
2. TMA Inventory Narrative
3. FY 2010 Inventory of Contracts for Services<sup>17</sup>

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<sup>12</sup> USAF FY 2010 inventory included contracts through non-DoD agencies. USAF used DoD direct labor rates and ratios to calculate non-DoD CFTEs; if excluded, USAF CFTEs and obligations decrease by 2.9 percent and 3.2 percent, respectively.

<sup>13</sup> FPDS-based inventories exclude: services related to research and development (except for program management), construction, and leasing of equipment and facilities. See Attachment 1 for exclusions in Army's CMRA-based inventory.

<sup>14</sup> USAF included de-obligations keeping with prior year practices; if excluded, USAF CFTEs and obligated dollars reported in the FY 2010 inventory both increase by 1.6 percent.

<sup>15</sup> Government Accountability Office. 2011. "Further Action Needed to Better Implement Requirements for Conducting Inventory of Service Contract Activities." GAO 11-192. (Link accessed August 2011)

<sup>16</sup> Office of the Under Secretary of Defense for Personnel and Readiness. "Designation of Representatives for Reporting to Congress on Plan for Documenting Full-Time Contractor Employee." Memorandum, April 27, 2011.

<sup>17</sup> Due to the size of the document, the 2010 ICS is provided on compact disk, rather than in hardcopy format. The ICS will be announced on the Federal Register and made available to the public at <http://www.acq.osd.mil/dpap/pass>, not later than 30 days after this report is submitted to Congress.