

## **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 from 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.