

Report to Congress:
Fiscal Year 2011
Inventory of Contracts for Services



Office of the Under Secretary of Defense
for Acquisition, Technology and Logistics

August 2012

Executive Summary

Pursuant to section 2330a of title 10, U.S.C., as amended, enclosed is the required Inventory of Contracts for Services (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.C., respectively.

As of the date of this report, the FY 2011 ICS includes reports from 31 individual Department of Defense (DoD) Components. These DoD Components awarded approximately \$144.5 billion in Government obligations and estimated there are 709,879 Contractor Full-Time Equivalents (CFTEs) across the Department.

The following is a summary of the attached FY 2011 ICS report:

Reporting Component	Total CFTE's	Total Contract Obligations	Notes (as of date of report)
United States Africa Command (AFRICOM)	191	\$65,578,331	
United States Air Force (USAF)	166,496	\$33,553,494,773	
United States Army (USA)	246,916	\$40,345,114,626	
Chairman of the Joint Chiefs of Staff (CJCS)	430	\$107,469,870	
Defense Advanced Research Projects Agency (DARPA)	607	\$134,078,676	
Defense Contract Audit Agency (DCAA)	59	\$12,492,773	
Defense Contract Management Agency (DCMA)	245	\$47,103,875	
Defense Commissary Agency (DeCA)	3,376	\$374,565,869	
Defense Finance and Accounting Service (DFAS)	1,323	\$262,658,837	
Defense Human Resource Activity (DHRA)	220	\$45,880,370	
Defense Information Systems Agency (DISA)	12,298	\$2,743,365,623	
Defense Logistics Agency (DLA)	12,639	\$1,722,433,858	
Defense Media Activity (DMA)	672	\$137,292,452	
Defense Micro-Electronics Activity (DMEA)	123	\$45,922,996	NOTE 1
Department of Defense Education Activity (DoDEA)	1,825	\$206,368,699	
Defense Security Cooperation Agency (DSCA)	73	\$11,267,339	
Defense Security Service (DSS)	377	\$60,353,881	
Defense Threat Reduction Agency (DTRA)	4,617	\$1,034,777,227	
Defense Test Resource Management Center (DTRMC)	29	\$8,027,811	
United States European Command (EUCOM)	201	\$47,163,268	
Missile Defense Agency (MDA)	2,362	\$524,610,148	
United States Department of the Navy (DoN)	175,929	\$32,728,959,199	
United States North Command (NORTHCOM)	460	\$20,279,325	
Office of the Director Administration and Management (ODA&M)	1,987	\$398,942,432	
Pentagon Force Protection Agency (PFPA)	590	\$70,855,688	
United States Special Operations Command (SOCOM)	6,610	\$1,739,427,371	
TRICARE Management Activity (TMA)	8,020	\$12,048,716,111	
United States Transportation Command (TRANSCOM)	3,853	\$7,260,921,084	
United States Forces Korea (USFK)	135	\$25,697,322	
Uniformed Services University of the Health Sciences (USUHS)	142	\$22,191,843	
Washington Headquarters Services (WHS)	1,054	\$148,537,757	
Other DoD Inputs	56,290	\$8,509,597,694	NOTE 2
Total	709,879	\$144,506,473,793	

NOTE 1 – CFTE data not provided by component, but calculated by OSD.

NOTE 2 - Data added by OSD as a result of omissions discovered in component reporting.

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.C., 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. 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 which constitute unauthorized personal services. This is consistent with section 2463 of title 10, U.S.C.:

Section 2330a of title 10, U.S. Code, as amended:

(c) Inventory.—

(1) Not later than the end of the third quarter of each fiscal year, the Secretary of Defense shall submit to Congress an annual inventory of the activities performed during the preceding fiscal year pursuant to contracts for services (and pursuant to contracts for goods to the extent services are a significant component of performance as identified in a separate line item of a contract) for or on behalf of the Department of Defense. The guidance for compiling the inventory shall be issued by the Under Secretary of Defense for Personnel and Readiness, the Under Secretary of Defense (Comptroller), and the Under Secretary of Defense for Acquisition, Technology, and Logistics, as follows:

(A) The Under Secretary of Defense for Personnel and Readiness, as supported by the Under Secretary of Defense (Comptroller), shall be responsible for developing guidance for—

- (i) the collection of data regarding functions and missions performed by contractors in a manner that is comparable to the manpower data elements used in inventories of functions performed by Department of Defense employees;
- (ii) the calculation of contractor full-time equivalents for direct labor, using direct labor hours in a manner that is comparable to the calculation of Department of Defense civilian full-time employees; and
- (iii) the conduct and completion of the annual review required under subsection (e)(1).

(B) The Under Secretary of Defense for Acquisition, Technology, and Logistics shall be responsible for developing guidance on other data elements and implementing procedures for requirements relating to acquisition.

(2) The entry for an activity on an inventory under this subsection shall include, for the fiscal year covered by such entry, the following:

(A) The functions and missions performed by the contractor.

(B) The contracting organization, the component of the Department of Defense administering the contract, and the organization whose requirements are being met through contractor performance of the function.

- (C) The funding source for the contract under which the function is performed by appropriation and operating agency.
 - (D) The fiscal year for which the activity first appeared on an inventory under this section.
 - (E) The number of contractor employees, expressed as full-time equivalents for direct labor, using direct labor hours and associated cost data collected from contractors (except that estimates may be used where such data is not available and cannot reasonably be made available in a timely manner for the purpose of the inventory).
 - (F) A determination whether the contract pursuant to which the activity is performed is a personal services contract.
 - (G) A summary of the data required to be collected for the activity under subsection (a).
- (3) The inventory required under this subsection shall be submitted in unclassified form, but may include a classified annex.

Methodology

Consistent with the December 29, 2011, memorandum, the Department provided guidance to each Component for developing their submission of FY 2011 ICS in accordance with section 2330a of title 10, U.S.C. Each Component that developed a plan in accordance with section 8108(c) of the Department of Defense Appropriations Act and Full Year Continuing Appropriations Act, 2011, (Public Law 112-10), was instructed to prepare an ICS in accordance with this guidance. Inventories were to be submitted electronically no later than May 1, 2012, with a signed transmittal memorandum containing a narrative describing the methodology used for collecting and populating the inventory.

The Department compiled the inventories submitted by the Components to prepare this report to Congress. As outlined in the guidance memorandum, following the Department's inventory submission, each Component shall complete a review of their ICS in accordance with 10 USC § 2330a subsection (e). Each Component Head shall submit a letter to the Under Secretary of Defense for Personnel and Readiness, certifying completion of the review, delineating the results in accordance with all applicable title 10 provisions and this guidance.

Components submitted their inventory corresponding to a template provided by the Department containing field descriptions and requirements. The Department provided each component a data set of the Federal Procurement Data System, Next Generation (FPDS-NG) as a base-line used to cross check against data fields compiled by components for their inventory.

For the ICS, the function data field is reported as the four-digit Product Service Code (PSC) description. The PSC is an alphanumeric categorization of the basic type of service provided, as captured in the Federal Procurement Data System. Each PSC corresponds to a unique location, period of performance, and unique contract, task order, delivery order, or interagency acquisition agreement listed individually.

For the purposes of the ICS, the "mission" generally refers to an operational task. Existing fields in DoD databases do not provide for the "mission of the contractor" as required

by 10 USC § 2330a. In November 2010, the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense, Acquisition, Technology, and Logistics, issued a memo regarding the “Taxonomy for the Acquisition of Services”, categorizing PSCs for services contracts into categories related to 6 “portfolio groups” that include 33 more specific “portfolios” describing the types of services procured. Each component populated their “mission of the contractor” field with one of the 33 portfolio names in their ICS.

10 USC § 2330a requires that Components collect direct labor hours and associated costs from contractors to calculate CFTEs. A CFTE is defined as a standard measure of labor that equates to 1 year of full-time work (labor hours as defined by the Office of Management and Budget Circular A-11 each year) to support a mission requirement. Most Components do not currently collect direct labor hours, so the Department provided guidance allowing for several methodologies – singularly or in combination – for their ICS. Each Component is instructed to submit a narrative providing justification for and describing their methodology for collecting, estimating, or calculating CFTE with their transmittal memo. The following were the five allowable methodologies used by components for estimating CFTEs in submitting their ICS:

1. Collect direct labor hour information from contractors, as required by 10 USC § 2330a, DoD policies, and applicable regulations.
2. Collect direct labor hours as reported by the Contracting Officer’s Representatives or Contracting Officer’s Technical Representative for the service during FY 2011.
3. Reference the independent government estimate or contractor technical proposals to extrapolate hours for services provided in FY 2011.
4. Report information collected from contract invoices.
5. Calculate CFTE using a formula and factors provided by the Army.

Conclusion

While the ICS is used to inform budget plans and workforce mix decisions, it is still under development. 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. The Department is currently working actions that move DoD closer to this goal.

Attachments:

1. FY 2011 Inventory of Contracts for Services (CD-ROM)