

Why GAO Did This Study

The Department of Defense (DOD) relies on contractors to perform myriad functions, which can offer benefits and flexibility for DOD. GAO's work has shown that reliance on contractors to support core missions, however, can place the government at risk of transferring government responsibilities to contractors. In April 2009, the Secretary of Defense announced his intent to reduce the department's reliance on contractors.

In 2008, Congress required DOD to compile and review an annual inventory of the number of contractor employees working under service contracts and the functions and activities they performed. The fiscal year 2010 National Defense Authorization Act directed GAO to report annually on these inventories. GAO assessed (1) the approaches used to compile the fiscal year 2009 inventories and how the approaches have changed, and (2) how the inventories have been reviewed and used to inform workforce decisions. GAO reviewed guidance; compared the approaches used to develop the fiscal year 2008 and 2009 inventories; and interviewed acquisition and manpower officials from DOD, the military departments, and selected defense components.

What GAO Recommends

GAO recommends DOD develop and issue a plan of action to collect manpower data and, in the interim, improve its estimating approach. DOD concurred with the recommendations.

View [GAO-11-192](#) or key components. For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov or William M. Solis at (202) 512-8365 or solisw@gao.gov.

DEFENSE ACQUISITIONS

Further Action Needed to Better Implement Requirements for Conducting Inventory of Service Contract Activities

What GAO Found

DOD implemented a more uniform approach to compile its fiscal year 2009 inventories to reduce inconsistencies that resulted from DOD components using different approaches in fiscal year 2008. To do so, in May 2010 the Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) issued guidance to the Navy, Air Force, and other components that specified the categories of services to be included in the inventories; instructed them to use the Federal Procurement Data System–Next Generation (FPDS-NG) as the basis for most of the inventory data requirements; and provided a formula to estimate the number of contractor full-time equivalent personnel working under those contracts. This guidance also authorized the Army to continue to use its existing process, which incorporates contractor-reported data, including direct labor hours, from its Contractor Manpower Reporting Application. The changes in DOD's approach, in particular how DOD reflected research and development services and the use of a new formula for estimating contractor personnel for the Air Force and Navy, as well as better reporting by the Army, affected the reported fiscal year 2009 inventory data. Collectively, these changes make comparing the fiscal year 2008 and 2009 inventory data problematic. DOD officials acknowledged several continuing limitations associated with the fiscal year 2009 inventories, including the inability of FPDS-NG to provide information for all of the required data elements, and concerns about AT&L's estimating approach. AT&L's May 2010 guidance indicated that it planned to move towards collecting manpower data from contractors and indicated AT&L would work with the Office of the Under Secretary of Defense for Personnel and Readiness and other organizations to issue preliminary guidance and a proposed plan of action by August 2010. However, DOD has not yet done so.

The military departments differ both in their approaches to reviewing the activities performed by contractors and the extent to which they have used the inventories to inform workforce decisions. The Army has implemented a centralized approach to identify and assess the functions being performed by contractors and has used such assessments to inform workforce decisions, including those related to identifying functions being performed by contractors that could be converted to performance by DOD civilian personnel. In contrast, the Air Force and Navy have implemented decentralized approaches that rely on major commands to review their contracted activities and report the results back to their respective headquarters. The Air Force implemented its initial review but experienced challenges, including that it did not obtain adequate information, that will likely cause its approach to evolve in the future. The Navy issued guidance on completing reviews to its commands in September 2010, but the results of the reviews had not been reported as of November 2010. Additionally, Air Force and Navy officials said that to date they have made limited use of the inventories to date to help inform their workforce decisions.