



OFFICE OF THE SECRETARY OF DEFENSE  
WASHINGTON, D.C. 20301

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MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
COMMANDERS OF THE COMBATANT COMMANDS  
DIRECTOR, JOINT STAFF  
DIRECTOR, ADMINISTRATION AND MANAGEMENT  
DIRECTORS OF THE DEFENSE AGENCIES  
DIRECTORS OF THE DoD FIELD ACTIVITIES  
PRESIDENT, DEFENSE ACQUISITION UNIVERSITY  
PRESIDENT, NATIONAL DEFENSE UNIVERSITY

SUBJECT: Guidance for the Submission and Review of the FY 2011 Inventory of Contracts for Services

This memorandum and attachment provide guidance for use in developing your organization's submission for the Inventory of Contracts for Services (ICS) for Fiscal Year 2011, in accordance with section 2330a of title 10, United States Code. Inventories will be submitted electronically with a signed transmittal memorandum containing a narrative describing the methodology used for collecting and populating the inventory.

Component's transmittal memo and inventory data are due to OUSD(P&R) and OUSD(AT&L) no later than May 1, 2012. Electronic submission shall be made to the following points of contact for OUSD(P&R): Ms. Amy Parker ([amy.parker@osd.mil](mailto:amy.parker@osd.mil)) and Mr. Thomas Hessel ([thomas.hessel@osd.mil](mailto:thomas.hessel@osd.mil)); for OUSD(AT&L): Mr. John Tenaglia ([john.tenaglia@osd.mil](mailto:john.tenaglia@osd.mil)) and Mr. Jeffrey Grover ([jeffrey.grover@osd.mil](mailto:jeffrey.grover@osd.mil)). Questions regarding this guidance should be directed to these points of contact.

The Department will compile the inventories prepared by the Components to transmit to Congress by June 30, 2012. Following inventory submission, each Component shall complete a review of its ICS in accordance with 10 USC § 2330a subsection (e) and this guidance. Each Component Head shall submit a letter to the USD(P&R) via the points of contacts for the inventory, certifying completion of the review, delineating the results in accordance with all applicable title 10 provisions and this guidance.

A handwritten signature in black ink, appearing to be "Frank Kendall", is located above the name and title of the Acting Under Secretary of Defense for Acquisition, Technology, and Logistics.

Frank Kendall  
Acting Under Secretary of Defense  
for Acquisition, Technology, and Logistics

A handwritten signature in black ink, appearing to be "Jo Ann Rooney", is located above the name and title of the Acting Under Secretary of Defense for Personnel and Readiness.

Jo Ann Rooney  
Acting Under Secretary of Defense  
for Personnel and Readiness

Attachment:  
As stated

1. Components shall submit an inventory of services provided under contract that corresponds to **the attached spreadsheet template** titled “FY2011 ICS Fields” containing field descriptions and requirements. Components may use all reporting tools at their disposal to compile this inventory. The Director, Defense Procurement and Acquisition Policy will provide a certified data set from the Federal Procurement Data System, Next Generation (FPDS-NG) for FY11 to each component with acquisition authority, and this data should be available by February 2012. This data should be used to “cross check” against the data fields compiled by components for their inventory.

2. Guidance for Reporting the Functions and Missions for the ICS.

a. Function. In accordance with DoD Inherently Governmental and Commercial Activities Inventory guidance, a function is defined as a description of the kind of action or activity performed. For the ICS, the function data field will be reported as the Product Services Code (PSC) description (at the four digit level of detail as posted at <https://www.acquisition.gov/>). The PSC is an alphanumeric categorization of the basic type of service provided, as captured in the Federal Procurement Data System. Each PSC corresponding to a unique location, period of performance, and unique contract, task order, delivery order or interagency acquisition agreement shall be listed individually:

<u>Included Product Service Code (PSC) Categories</u>	
A	RDT&E
B	Special Studies and Analysis – Not R&D
C	Architect and Engineering – Construction
D	Automatic Data Processing and Telecommunication
E	Purchase of Structures and Facilities
F	Natural Resources and Conservation
G	Social Services
H	Quality Control, Testing, and Inspection
J	Maintenance, Repair, and Rebuilding of Equipment
K	Modification of Equipment
L	Technical Representative Services
M	Operation of Government Owned Facilities
N	Installation of Equipment
P	Salvage Services
Q	Medical Services
R	Professional, Administrative, and Management Support
S	Utilities and Housekeeping Services **excluding utilities
T	Photographic, Mapping, Printing and Publications
U	Education and Training
V	Transportation, Travel & Relocation ** excluding freight and shipping
Z	Maintenance, Repair or Alteration of Real Property
<u>Excluded Product Service Codes</u>	
W	Lease/Rental of Equipment
X	Lease/Rental of Facilities
Y	Construction of Structures and Facilities

b. Mission. For the purposes of the ICS, “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 (DPAP), 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 6 “portfolio groups” that include 33 more specific “portfolios” describing the types of services procured. Components shall populate this inventory field with one of the 33 portfolios listed after the numbered portfolio groups below, using the cross-walk provided **in the attached spreadsheet (sheet titled “PORTFOLIO GROUPS)”** that corresponds to the reported PSC:

1. Knowledge Based Services: Engineering Management Services, Program Management Services, Logistic Management Services, Management Support Services, Administrative and Other Services, Professional Services, and Education and Training
2. Facility Related Services: Architect/Engineering Services, Operation of Government-owned Facilities, Machinery & Equipments Maintenance, Building & Plant Maintenance, Natural Resource Management, Utilities, Housekeeping & Social Services, Purchases & Lease, and Railroad Equipment Modification
3. Transportation Services: Transportation of Things, Transportation of People, Other Travel & Relocation Services
4. Medical Services: General Medical Services, Dentistry Services, Specialty Medical Services
5. Electronics & Communications Services: ADP Services, Telecom Services, Equipment Maintenance, and Equipment Leases

Equipment Related Services: Maintenance, Repair and Overhaul, Equipment Modification, Installation of Equipment, Quality Control, Technical Representative Services, Purchases & Leases, and Salvage Services

### 3. Guidance for Estimating/Calculating the Number of Contractor Full Time Equivalents

10 USC § 2330a requires that Components collect direct labor hours and associated costs from contractors to calculate contractor full time equivalents (CFTE). A CFTE is defined as a standard measure of labor that equates to one (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.

#### Formula for CFTE calculation

$$\text{CFTE} = \frac{\text{Total Contractor Direct Labor Hours for a specific product service code for a contract, task Or delivery order, or interagency agreement}}{\text{Total hours of labor applied in a specific labor category in a given year (i.e. FY 2011 is 2,088)}}$$

Calculations will be rounded to the one-hundredth (.xx) decimal level.

Most Components do not currently collect direct labor hours, so they may use the following methodologies – singularly or in combination - for their ICS. Each Component will submit a narrative providing justification for and describing their methodology for collecting, estimating, or calculating CFTE with their transmittal memo. The cost to use a particular option below may be an important consideration when choosing a methodology, thereby making some of the options impractical at this time:

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 (COR/COTR) for the service during FY2011.
3. Reference the independent government estimate (IGE) or contractor technical proposals to extrapolate hours for services provided in FY2011.
4. Report information collected from contract invoices.
5. Calculate CFTE using information provided by the Army as follows:

$$\text{CFTE} = \frac{\text{Total Dollar Amount Obligated for a specific product service code for a contract, task/delivery order, interagency agreement X CFTE in corresponding category*}}{\text{Total Dollar Amount Invoiced for the corresponding labor category}}$$

\*Army will provide data for base funded FTE and Overseas Contingency Operations (OCO) funded FTE separately.  
Calculations will be rounded to the one-hundredth (.xx) decimal level.

#### 4. Guidance for Completing the Review of the ICS.

In accordance with paragraph (e) of 10 USC 2330a, Components shall complete a review, within 90 days of submission, of their ICS by functional and organizational alignment with the following considerations:

a. Functional reviews shall correspond both to the PSC and be compared to the annually released DoD function codes for military and civilian personnel. DoD Components shall also review the inventory of military and Government civilian functions compared to their inventory of contracts for services to assess economies of scale or scope, to identify potential areas of risk and overreliance on contracted services, and to identify opportunities for efficiencies.

b. Reviews of a Component's ICS shall be consistent with its organizational structure and mission, task, functions alignments and must be based on each DoD Component's requirements. These reviews shall include at minimum 50% of all contracts, task orders, delivery orders, or interagency acquisition agreements listed in the DoD Component's inventory for a given fiscal year. To the maximum extent possible, priority shall be given to contracts previously not reviewed, or those may present a higher risk of inappropriate performance.

c. DoD Components shall review the nature or way the contract is performed and administered as well as the organizational environment within which it is being performed beyond what can be accessed via a review of the information listed within the inventory.

d. DoD Components shall use the inventory reviews and subsequent workforce shaping decisions to inform programming and budget matters, including requests to realign work to civilian performance as appropriate.

e. In submitting letters to the USD(P&R) certifying completion of the review, Components shall at minimum provide the following information:

1) Explanation of the methodology employed to conduct the review and criteria for selection of contracts for review.

2) Delineation of the results in accordance with all applicable title 10 provisions and this guidance.

3) Identification of any inherently governmental functions or unauthorized personal services contracts, with a plan of action to either divest or realign such functions to government performance.

4) Identification of contracts under which functions closely associated with inherently governmental functions are being performed, and an explanation of the steps taken to ensure appropriate government control and oversight of such functions, or if necessary, a plan to either divest or realign such functions to government performance.

5) Identification of contracted services that are exempt from private sector performance in accordance with DoD Instruction 1100.22; require special consideration under 10 USC 2463; or are being considered for cost reasons, consistent with DTM-09-007, to be realigned to government performance.

6) Actions being taken or considered with regards to annual program review and budget processes to ensure appropriate (re)allocation of resources based on the reviews conducted.