



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 16 2013

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable Barbara A. Mikulski
Chairwoman
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

Pursuant to title 10, U.S.C., section 2330a, enclosed is the Inventory of Contracts for Services for Fiscal Year 2012 for the Military Departments, Defense Agencies, and Department of Defense (DoD) Field Activities.

The Department collected inputs from 32 individual DoD Components and employed methodologies to calculate contractor full-time equivalents. Consistent with congressional direction, this year's data set represents a continued improvement over previous submissions. The Department remains committed to continuous and measurable improvements to the inventory of contracts for services related to the collection of direct labor hours and associated costs and the fielding of the Enterprise-wide Contractor Manpower Reporting Application. Upon submission of this report and consistent with title 10, U.S.C., section 2330a, Component heads will review and conduct an analysis of their contracted services.

Identical letters have been sent to the President of the Senate, Speaker of the House, and other congressional defense committees.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Kendall", written over a printed name.

Frank Kendall

Enclosure:
As stated

cc:
The Honorable Richard C. Shelby
Vice Chairman



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JUL 16 2013

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

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Sincerely,



Frank Kendall

Enclosure:
As stated

cc:
The Honorable James M. Inhofe
Ranking Member



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ACQUISITION,
TECHNOLOGY
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The Honorable Harold Rogers
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to title 10, U.S.C., section 2330a, enclosed is the Inventory of Contracts for Services for Fiscal Year 2012 for the Military Departments, Defense Agencies, and Department of Defense (DoD) Field Activities.

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Frank Kendall

Enclosure:
As stated

cc:
The Honorable Nita M. Lowey
Ranking Member



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JUL 16 2013

ACQUISITION,
TECHNOLOGY
AND LOGISTICS

The Honorable Howard P. "Buck" McKeon
Chairman
Committee on Armed Services
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

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Sincerely,



Frank Kendall

Enclosure:
As stated

cc:
The Honorable Adam Smith
Ranking Member



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

JUL 16 2013

ACQUISITION,
TECHNOLOGY
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The Honorable John A. Boehner
Speaker of the House
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

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Identical letters have been sent to the President of the Senate and the congressional defense committees.

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Frank Kendall

Enclosure:
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JUL 16 2013

ACQUISITION,
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AND LOGISTICS

The Honorable Joseph R. Biden, Jr.
President of the Senate
United States Senate
Washington, DC 20510

Dear Mr. President:

Pursuant to title 10, U.S.C., section 2330a, enclosed is the Inventory of Contracts for Services for Fiscal Year 2012 for the Military Departments, Defense Agencies, and Department of Defense (DoD) Field Activities.

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Frank Kendall

Enclosure:
As stated

Report to Congress:
Fiscal Year 2012
Inventory of Contracts for Services



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

July 2013

This study/report cost the Department of Defense
an approximate total of \$230,000 for FY 2013.
Cost estimate generated on June 7, 2013. RefID: 8-D0878F6

Executive Summary

Pursuant to title 10, U.S.C., section 2330a, attached 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 calculate the number of contractor full time equivalents. In addition, the inventory informs budget plans and workforce mix decisions in accordance with title 10, U.S.C., sections 129a, 235 and 2463, respectively.

As of the date of this report, the FY 2012 ICS includes reports from 32 individual Department of Defense (DoD) Components. These DoD Components awarded approximately \$129.5 billion in Government obligations which supports an estimated 669,693 Contractor Full-Time Equivalents (CFTEs) across the Department.

The following is a summary of the attached FY 2012 ICS report:

Reporting Component	Total CFTE's	Total Obligated or Invoiced Amount	Notes
Department of the Army (Army)	240,620	\$38,185,806,708	
Department of the Navy (Navy)	192,332	\$30,740,085,870	
Department of the Air Force (Air Force)	141,318	\$26,527,687,405	
United States Africa Command (USAFRICOM)	197	\$19,736,369	
United States Central Command (USCENTCOM)			NOTE 1
Defense Advanced Research Projects Agency (DARPA)	600	\$93,444,611	
Defense Contract Audit Agency (DCAA)	37	\$6,797,885	
Defense Contract Management Agency (DCMA)	481	\$68,827,499	
Defense Commissary Agency (DeCA)	7,110	\$439,188,449	
Defense Finance and Accounting Service (DFAS)	483	\$80,020,688	
Defense Human Resource Activity (DHRA)	536	\$124,891,723	
Defense Intelligence Agency (DIA)			NOTE 1
Defense Information Systems Agency (DISA)	15,123	\$3,078,922,126	
Defense Logistics Agency (DLA)	12,368	\$1,299,530,523	
Defense Media Activity (DMA)	460	\$108,816,492	
Defense Micro-Electronics Activity (DMEA)	43	\$10,796,317	
Department of Defense Education Activity (DoDEA)	4,317	\$231,085,372	
Defense Security Cooperation Agency	251	\$65,206,030	

(DSCA)			
Defense Security Service (DSS)	519	\$81,167,127	
Defense Threat Reduction Agency (DTRA)	5,100	\$1,046,923,116	
United States European Command (USEUCOM)	238	\$41,461,533	
Joint Chiefs of Staff (JCS)			NOTE 1
Missile Defense Agency (MDA)	18,517	\$4,514,003,589	
National Geospatial-Intelligence Agency (NGA)			NOTE 1
United States North Command (USNORTHCOM)	429	\$81,665,187	
Office of the Director Administration and Management (ODA&M) Office of the Secretary of Defense (OSD)	4,275	\$748,494,133	NOTE 2
United States Special Operations Command (USSOCOM)	8,829	\$1,445,051,676	
United States Strategic Command (USSTRATCOM)	1,068	\$203,557,704	
TRICARE Management Activity (TMA)	9,877	\$12,096,599,891	
United States Transportation Command (USTRANSCOM)	4,421	\$8,091,281,255	
Test Resource Management Center (TRMC)	42	\$11,291,082	
United States Forces Korea (USFK)	102	\$23,293,882	
Total	669,693	\$129,465,634,242	NOTE 3

NOTE 1 – Information only available in a Classified Annex. This data not included in the totals above.

NOTE 2 – Aggregated Component includes OSD, Washington Headquarters Services, and Pentagon Force Protection Agency contracted services.

NOTE 3 – Input for United States Southern Command (USSOUTHCOM) not included. The Department will update the Report and Inventory data made available to the public when USSOUTHCOM completes their actions.

Background

The Department has monitored the size of the contractor workforce since 2001 in various ways. In FY 2008, title 10, U.S.C., section 2330a, was modified by section 807 of the National Defense Authorization Act for Fiscal Year 2008 to require the Department to submit to Congress a report of the service contracts awarded by the Department in the preceding year and an estimate of 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 governmental functions, that are closely associated with inherently governmental functions, or which constitute unauthorized personal services. This is consistent with title 10, U.S.C., section 2463:

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

(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

In February 2013, the Department provided each Component guidance for developing its submission of FY 2012 ICS in accordance with the applicable statutes. Inventories were to be submitted electronically by May with a signed transmittal memorandum containing a narrative describing the methodology used for collecting and populating the inventory.

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 as a base-line used to cross check against data fields compiled by Components for their inventory.

The Department compiled the inventories submitted by the Components to prepare this report to Congress. As outlined in the guidance, following the Department's inventory submission, each Component shall complete a review of its ICS in accordance with title 10, U.S.C., section 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.

For the ICS, the function data field is reported as the four-digit Product or 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 title 10, U.S.C., section 2330a. In August 2012, the Director, Defense Procurement and Acquisition Policy, Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, issued a memo regarding the "Taxonomy for the Acquisition of Services." This guidance categorizing PSCs for services contracts into nine "portfolio groups" that include forty more specific "portfolios" describing the types of services procured. Each Component populated its "mission of the contractor" field with one of the forty portfolio names in its ICS.

Title 10, U.S.C., section 2330a requires 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 – as a surrogate for this data in their ICS. Each Component was instructed to submit a narrative describing its methodology for collecting, estimating, or calculating CFTE, along with a justification for using that method, with a 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 title 10, U.S.C., section 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 2012.
3. Reference the independent government estimate or contractor technical proposals to extrapolate hours for services provided in FY 2012.
4. Report information collected from contract invoices.
5. Calculate CFTE using a formula and factors provided by the Army.

Conclusion

The Department is committed to improving our process for the collection, analysis, and reporting of contracts for services. We consider the ICS an effective tool used to inform budget plans and workforce mix decisions and that is continuing to enhance the process from previous year submissions.

In addition, the Department recognizes the need and benefit of collecting direct labor and cost data from contractors to account for and report CFTEs with greater accuracy. To that end, in November 2012, the Department issued implementing guidance to improve visibility into and accountability of contracted services. This guidance established requirements to implement the Enterprise-wide Contractor Manpower Reporting Application and support improved data collection and reporting.

Attachment:
As stated (CD-ROM)