



THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3010

ACQUISITION,  
TECHNOLOGY,  
AND LOGISTICS

AUG 31 2015

The Honorable John McCain  
Chairman  
Committee on Armed Services  
United States Senate  
Washington, DC 20510

Dear Mr. Chairman:

Pursuant to section 2330a of title 10, U.S.C., enclosed is the Inventory of Contracted Services for Fiscal Year 2014 for the Military Departments, Defense Agencies, and Department of Defense (DoD) Field Activities.

The Department collected inputs from 41 individual DoD components and employed methodologies to calculate contractor full-time equivalents as described in our December 29, 2014, guidance memorandum. 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 contracted 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 section 2330a, Component heads will be reviewing and conducting an analysis of their contracted services.

On June 19, 2015, I informed the congressional defense committees that the Department expected to submit this report by August 2015.

An identical letter has been sent to the President of the Senate, Speaker of the House, and the other congressional defense committees.

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Kendall", is written over the typed name "Frank Kendall".

Frank Kendall

Enclosure:  
As stated

cc:  
The Honorable Jack Reed  
Ranking Member

Report to Congress:

Fiscal Year 2014  
Inventory of Contracted Services



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

August 2015

The estimated cost of this report or study for the Department of Defense is approximately \$239,000 for the 2015 Fiscal Year. This includes \$47 in expenses and \$239,000 in DoD labor. Cost Estimate generated on July 14, 2015 RefID: D-04D3771

## Executive Summary

Pursuant to title 10, U.S.C., section 2330a, is the Department's required Inventory of Contracted Services (ICS) report for FY 2014. This inventory is used to assess contracted services 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.

The FY 2014 ICS includes reports from 41 individual Department of Defense (DoD) Components. These Components awarded approximately \$131 billion in Government obligations, which supports an estimated 641,428 contractor full-time equivalents (CFTEs) across the Department.

The following is a summary of the FY 2014 ICS report. Note: the ECMRA abbreviation below stands for Enterprise-wide Contractor Manpower Reporting Application.

<b>Reporting Component</b>	<b>Derived and/or ECMRA Reported Total CFTE's</b>	<b>Total Obligated and/or Total Invoiced Amount</b>	<b>Notes</b>
Department of the Army (Army)	185,654	\$34,826,480,338	
Department of the Navy (Navy)	236,762	\$38,185,091,145	
Department of the Air Force (Air Force)	123,668	\$23,014,491,213	
United States Africa Command (AFRICOM)			NOTE 1
United States Central Command (CENTCOM)	610	\$100,072,326	
Defense Advanced Research Projects Agency (DARPA)	472	\$74,853,511	
Defense Acquisition University (DAU)	261	\$58,578,622	
Defense Contract Audit Agency (DCAA)	45	\$8,540,692	
Defense Contract Management Agency (DCMA)	430	\$71,751,867	
Defense Commissary Agency (DeCA)	6,445	\$407,285,788	
Defense Finance and Accounting Service (DFAS)	382	\$71,239,292	
Defense Health Affairs (DHA)	14,778	\$18,622,534,596	
Defense Human Resource Activity (DHRA)	1,949	\$335,428,375	
Defense Intelligence Agency (DIA)			NOTE 1
Defense Information Systems Agency (DISA)	13,134	\$2,538,800,727	
Defense Logistics Agency (DLA)	11,668	\$1,705,979,307	
Defense Legal Services Agency (DLSA)	273	\$38,666,284	
Defense Media Activity (DMA)	127	\$20,792,506	

Defense Micro-Electronics Activity (DMEA)	322	\$31,918,786	
Department of Defense Education Activity (DoDEA)	1,827	\$224,604,210	
Defense Security Cooperation Agency (DSCA)	239	\$44,591,635	
Defense Security Service (DSS)	355	\$80,418,562	
Defense Technical Information Center (DTIC)	123	\$27,519,061	
Defense Threat Reduction Agency (DTRA)	5,379	\$1,013,280,866	
DoD Inspector General's Office (DoDIG)	103	\$30,689,206	
United States European Command (EUCOM)	252	\$51,696,636	
Joint Chiefs of Staff (JCS)	2,227	\$469,964,096	
Missile Defense Agency (MDA)	12,380	\$5,174,834,445	
National Defense University (NDU)	77	\$12,560,449	
National Reconnaissance Office (NRO)			NOTE 1
United States North Command (NORTHCOM)	254	\$40,342,403	
Office of the Secretary of Defense (OSD)	5,202	\$1,063,384,034	
United States Pacific Command (PACOM)			NOTE 1
Pentagon Force Protection Agency (PFPA)	607	\$89,181,014	
United States Special Operations Command (SOCOM)	8,548	\$1,482,823,427	
United States Southern Command (SOUTHCOM)	1,910	\$262,589,961	
United States Strategic Command (STRATCOM)	1,448	\$236,174,844	
United States Transportation Command (TRANSCOM)	1,000	\$180,605,606	
United States Forces Korea (USFK)	100	\$19,034,647	
Uniformed Services University of the Health Sciences (USUHS)	183	\$25,461,753	
Washington Headquarters Service (WHS)	2,233	\$376,623,837	
<b>Total</b>	<b>641,428</b>	<b>\$130,642,262,228</b>	

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

## **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 (P.L. 110-181) 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.

## **Methodology**

In December 2014, the Department provided Components guidance for developing their submission of FY 2014 ICS in accordance with the applicable statutes. Inventories were to be submitted electronically with a signed transmittal memorandum containing a narrative describing the methodology used for collecting and populating the inventory.

Components submitted their inventories 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 baseline 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 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 entry in the ICS has a single PSC assigned reflecting the preponderance of work performed by the contractor; 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 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 memorandum regarding the “Taxonomy for the Acquisition of Services.” This guidance categorizing PSCs for services contracts into nine “portfolio groups” that include 40 more specific “portfolios” describing the types of services procured. Each Component populated its “mission of the contractor” field with one of the 40 portfolio names in its ICS.

Title 10, U.S.C., section 2330a requires Components to 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 one 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 memorandum. 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 2014.
3. Reference the independent government estimate or contractor technical proposals to extrapolate hours for services provided in FY 2014.
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, the Department continues to implement guidance to improve visibility into and accountability of contracted services and fully implement the ECMRA and support staff and processes necessary to improve data collection and reporting. The Department is in the final stages of review and publication of a final rule (Case 2012-D051) to revise the Defense Federal Acquisition Regulation Supplement to implement the requirements of 10 U.S.C. 2330a.

Attachment:  
As stated (CD-ROM)