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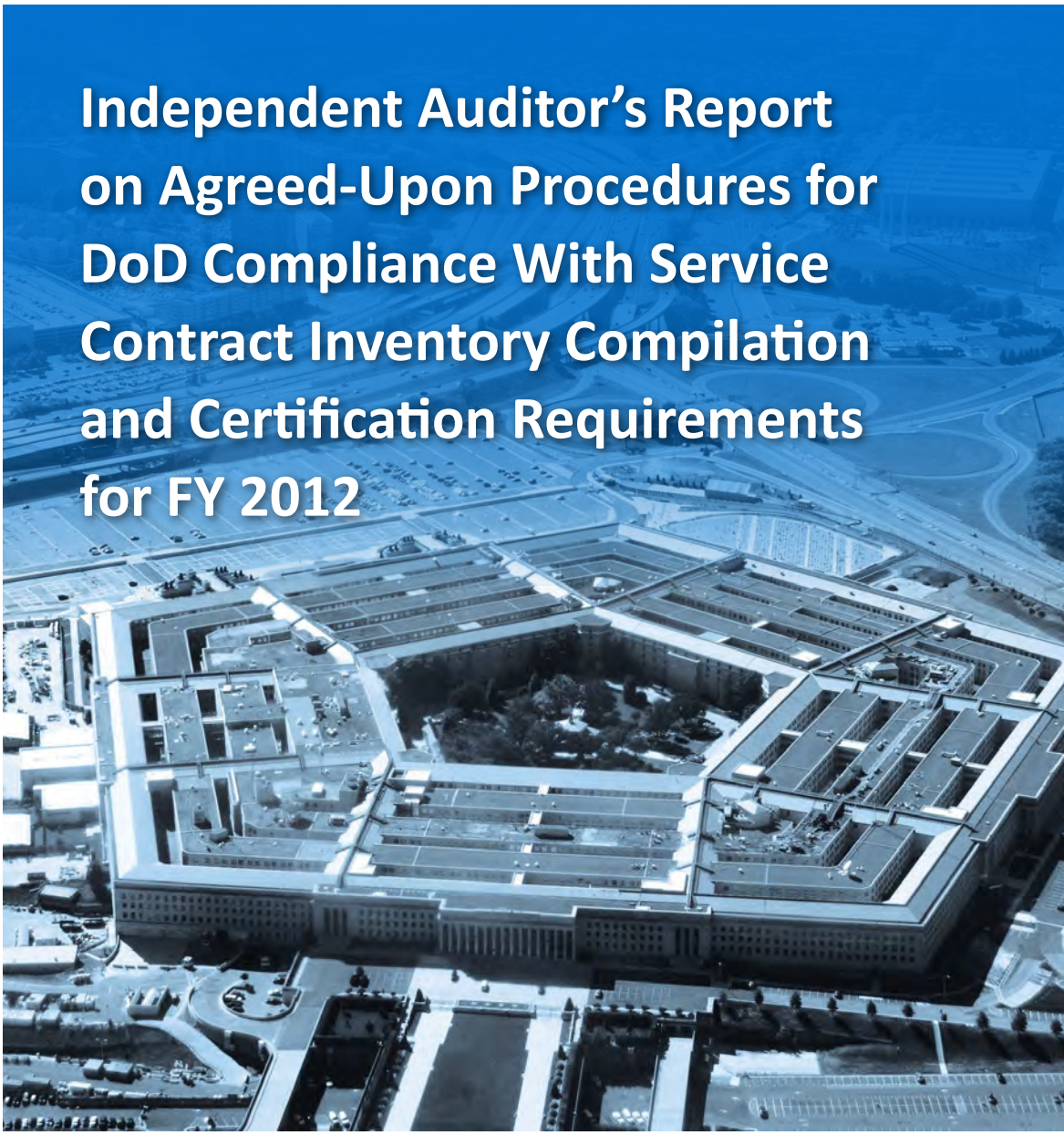
Inspector General

U.S. Department of Defense

SEPTEMBER 17, 2014

Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2012



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September 17, 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

SUBJECT: Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance With Service Contract Inventory Compilation and Certification Requirements for FY 2012 (Report No. DODIG-2014-114)

We are providing this report for review and comment. We performed the procedures described in the report, which were agreed to by House Armed Services Committee staff. We performed these procedures solely to assess DoD's compliance with Federal and DoD requirements when Components compiled and certified the FY 2012 inventory of contracts for services. Overall, DoD included required elements in the FY 2012 inventory of contracts for services; however, DoD was inconsistent in reporting its service contracts. Components did not include all the required elements and varied in the level of information they provided in the certification letter to signify completion of their FY 2012 review of contracts for services. In addition, guidance directing the Component FY 2012 review of the inventory of contracts for services was at times unclear.

In preparing the final report, we considered management comments the Office of the Secretary of Defense provided on a draft of this report. We also received unsolicited comments from several DoD Components, which we considered and made changes, as appropriate. Comments from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Office of the Under Secretary of Defense for Personnel and Readiness were partially responsive. DoD Directive 7650.3 requires that all recommendations be resolved promptly. We request additional comments on Recommendation 1 by October 17, 2014.

Please send a PDF file containing your comments to audcmp@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to Deborah Culp at (703) 604-9335, (DSN 664-9335).

Amy J. Frontz
Principal Assistant Inspector General
for Auditing

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Introduction

Objectives

To perform our agreed-upon procedures, we assessed DoD's compliance with Federal and DoD requirements when Components[1] compiled and certified the FY 2012 inventory of contracts for services (ICS). We assessed whether DoD Components submitted a FY 2012 ICS and certified their review of the specific inventory listed in the ICS. We also made observations on the methods Components used to identify the attributes described in the inventory and certification letter and on the completeness of the certified data. In addition, House Armed Services Committee (HASC) staff requested that we report on any need to revise legislation or change implementing guidance. See Appendix A for a discussion of the scope and methodology related to the engagement objective.

Background

In 2008, Congress required DoD to compile and review an annual ICS. Section 2330a, title 10, United States Code (10 U.S.C. § 2330a [2012]), "Procurement of Services: Tracking of Purchases," establishes the minimum ICS content and reporting requirements, and requires the Secretary of Defense to submit the inventory to Congress by June 30 each year. Within 90 days after the inventory is submitted to Congress, 10 U.S.C. § 2330a requires Military Department Secretaries and the Defense Agency heads to review the contracts to ensure that contracts for personal services are in accordance with statutory and regulatory requirements, that the activities do not include inherently governmental functions, and that to the maximum extent possible, the activities do not include any functions closely associated with inherently governmental functions. These Secretaries and agency heads are also required to identify activities that should be considered for conversion to performance by civilian employees or conversion to an acquisition approach that would be more advantageous to the DoD. The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD[AT&L]) and the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD[P&R]), supported by the Office of the Under Secretary of Defense (Comptroller) are tasked with providing ICS oversight and guidance.

[1] According to DoD Directive 5100.01, "Functions of the Department of Defense and Its Major Components," December 21, 2010, DoD Components include the Office of the Secretary of Defense, the Military Departments, the Joint Chiefs of Staff, the Combatant Commands, DoD Office of Inspector General, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the Department of Defense.

On February 4, 2013, OUSD(AT&L) and OUSD(P&R) issued "Guidance for the Submission and Review of the Fiscal Year 2012 Inventory of Contracts for Services" (OSD [Office of the Secretary of Defense] Guidance). This guidance required Components to submit their FY 2012 ICS to OUSD(AT&L) and OUSD(P&R) by May 3, 2013, along with a signed transmittal memorandum describing the methods used to collect and populate the inventory and calculate the number of contractor full-time equivalents (CFTEs).[2] OUSD(AT&L) then compiled and included Component submissions in DoD's FY 2012 ICS Report to Congress. Following the inventory submission, Components were required to review their ICS in accordance with 10 U.S.C. § 2330a, subsection (e), and the OSD Guidance, and submit a certification letter to OUSD(P&R) to signify completion of their review. OSD issued separate guidance to the Components for the FY 2013 ICS period.

Public Law 113-66, "National Defense Authorization Act for FY 2014," Subtitle E, "Total Force Management," Section 951, "Reviews of Appropriate Manpower Performance," December 26, 2013, tasks the DoD Office of Inspector General to review DoD's efforts to compile the ICS, the subsequent Component review, and the actions taken to resolve the findings of the reviews in accordance with section 2463, title 10, United States Code (10 U.S.C. § 2463 [2012]).[3] In January 2014, we discussed the scope of our agreed-upon procedures engagement in response to this requirement with HASC staff. The Government Accountability Office was required to report on DoD's ICS process starting with the FY 2008 inventory. Public Law 113-66 also tasked the Government Accountability Office to continue its review of DoD's ICS processes—specifically, the 90-day review and DoD's use of the ICS data.

[2] A CFTE is a standard measure of labor that equates to 1 year of full-time work.

[3] Section 2463, title 10, United States Code, "Guidelines and Procedures For Use of Civilian Employees to Perform Department of Defense Functions," outlines requirements to ensure that consideration is given to having DoD civilians perform functions currently performed by contractors.

Agreed-Upon Procedures Performed and Results on DoD's FY 2012 Inventory of Contracts for Services

This section contains agreed-upon procedures related to ICS requirements established by 10 U.S.C. § 2330a (2012) and the results of completing those procedures.

Overall Procedures

To perform our agreed-upon procedures, we assessed DoD's compliance with Federal and DoD requirements when Components compiled and certified the FY 2012 ICS. Specifically, we:

- assessed whether Components submitted a FY 2012 ICS,
- made observations on the methods Components used to compile the ICS,
- assessed whether Components certified the review of the ICS, and
- made observations on the sources and methods used to conduct and certify a review of the ICS.

In addition, HASC staff requested that we report on any need to revise legislation or change implementing guidance.

Procedure 1: Confirm DoD's Inventory of Contracts for Services Submission

To assess whether DoD Components submitted a FY 2012 ICS, we interviewed OUSD(AT&L) and OUSD(P&R) officials and obtained DoD's report to Congress on the FY 2012 ICS. We also compared DoD's FY 2012 ICS to the required elements in 10 U.S.C. § 2330a (2012).

Results: Compilation and Submittal of the Inventory of Contracts for Services

DoD submitted an ICS to Congress, as required by 10 U.S.C. § 2330a (2012). OUSD(AT&L) submitted DoD's FY 2012 ICS on July 16, 2013, which was 2 weeks after June 30, 2013, the date required by 10 U.S.C. § 2330a. An OUSD(AT&L) official stated that the submission was late because not all Components provided complete information on time.

DoD's FY 2012 ICS included information for 29 Components[4] that reported a total of $129.6 billion in service contracts, which supported an estimated 670,176 CFTEs. About 97 percent of the total CFTEs were accounted for by 10 Components, with the three Military Services accounting for 86 percent of the CFTEs. (See Table 1.) The remaining 19 Components each reported fewer than 5,000 CFTEs, with 12 of those Components each reporting fewer than 500 CFTEs.

Table 1. Top Ten Components by Total CFTEs

Component Name	Total CFTEs	Percent of DoD CFTEs
Army	240,620	36
Navy	192,332	29
Air Force	141,318	21
Missile Defense Agency	18,517	3
Defense Information Systems Agency	15,123	2
Defense Logistics Agency	12,368	2
TRICARE Management Activity	9,877	1
United States Special Operations Command	8,829	1
Defense Commissary Agency	7,110	1
Defense Threat Reduction Agency	5,100	1
Total Percentage of all DoD ICS CFTEs		**97**

Components generally reported the required elements[5] in DoD's FY 2012 ICS Report to Congress by providing information specified in the OSD Guidance. For the 29 Component ICS submissions, 18 Components had complete information for the six required elements, whereas the remaining 11 Components either had incomplete information for one or more required elements or did not include a required element. Table 2 shows the number of Components that had complete information, that had incomplete information, or that did not include information for each of the six elements.

[4] In addition to the 29 Components reported, DoD's ICS noted that the submissions for the Joint Chiefs of Staff and the United States Central Command were classified. The United States Pacific Command also submitted a classified ICS, but this submission was not noted in the DoD ICS. DoD's ICS also mentioned classified submissions for two intelligence agencies (National Geospatial-Intelligence Agency and Defense Intelligence Agency), which we did not include in our review. Furthermore, United States Southern Command's submission was not initially included in DoD's ICS; however, we obtained the submission separately and counted this submission as one of the 29 Components.

[5] We did not look at element (c)2(G) from 10 U.S.C. § 2330a because it required the reporting of information from an application that was not fully functional for the FY 2012 ICS time frame.

Table 2. Completeness of FY 2012 ICS Elements

Elements Required by 10 U.S.C. § 2330a	Not Included	Complete	Incomplete
Functions and missions performed by the contractor		27	2
Contracting, administering, and requiring organization		24	5
Funding source	1	24	4
Fiscal year the activity first appeared in the ICS		27	2
CFTEs		28	1
Personal services determination	1	22	6

Procedure 2: Observations on Inventory of Contracts for Services Compilation Methods

To make observations on the sources and methods to compile the ICS, we reviewed Component transmittal letters and interviewed representatives from those Components to obtain an understanding of their methodologies.

Results 2a: Various Data Sources Used to Compile the Inventory of Contracts for Services

DoD Components used different sources to obtain information to compile their FY 2012 ICS. The Army used its existing Contractor Manpower Reporting Application to compile its inventory listing. This application collects information on labor-hour expenditures by function, funding source, and mission supported on contracted efforts. The remaining Components generally used the Federal Procurement Data System–Next Generation, a computer-based system Government contracting officers use to collect and report procurement data. Federal Procurement Data System–Next Generation is the central repository of Federal contracting information. At least 21 Components indicated they supplemented the Federal Procurement Data System–Next Generation data with other sources, such as data from their financial or contracting systems. For example, United States Southern Command used an internal contractor registration and tracking system, and the Missile Defense Agency conducted internal data calls to obtain interagency acquisition data.

Results 2b: Calculation of Contractor Full-Time Equivalents

DoD Components used one or more of the five methods established in the OSD Guidance to calculate and report CFTEs in the ICS. There were 25 Components that used factors provided by the Army's Contractor Manpower Reporting Application for each Product Service Code (PSC) and multiplied these factors by the dollar amount obligated. About half of the 25 Components that used the PSC factors made adjustments to this information or used additional data sources recognized by the OSD Guidance, such as direct labor hours reported by the contracting officer's representatives or information collected from contract invoices. One Component, the United States Transportation Command, used a method not established in the OSD Guidance to calculate CFTEs. Command personnel explained that OSD was aware that they used an in-house formula to calculate CFTEs for airlift service contracts, stating that using this in-house formula provided more accurate results because they had access to direct labor rates and other pricing information.

Results 2c: Limitations to Capturing DoD's Inventory of Contracts for Services Universe

DoD was inconsistent in reporting its service contracts for the FY 2012 ICS. Through discussions with Component personnel, we identified the following limitations:

- Three Components reported service contracts only above a certain dollar threshold. Specifically, the United States European Command and the United States Central Command used a $100,000 threshold based on their internal acquisition review requirements, and the United States Northern Command used the simplified acquisition threshold of $150,000 to report services that were part of supply contracts.
- Six Components did not report services that were part of supply contracts.
- Six Components reported only direct-funded contracts and not those awarded by other agencies on their behalf. An OUSD(P&R) official explained that Components should report all service contracts for which they are the requiring activity.
- Components did not always verify whether another organization was reporting for them.

OSD plans to address many of these limitations with the implementation of the Enterprise-wide Contractor Manpower Reporting Application, a data collection system to capture service contract information. OSD also plans to establish an

office, called the Total Force Management Support Office, to oversee the system and assist with DoD's ICS efforts. However, OUSD(P&R) officials explained that continued impediments, such as a lack of dedicated resources, hinder OSD's progress to fully implement the system.[6] We request that OUSD(AT&L) and OUSD(P&R) provide an update on the status, including time frames, for staffing the Total Force Management Support Office.

Not all DoD Components, as defined by DoD Directive 5100.01, "Functions of the Department of Defense and Its Major Components," December 21, 2010, participated in the FY 2012 ICS process. OUSD(P&R) officials explained that DoD's FY 2012 ICS submission did not include all Components that used contractors to perform services because DoD did not have the resources to enforce the reporting requirement for every Component. Additionally, it was difficult for some Components to report because they did not have access to the required information. OUSD(P&R) officials plan to eventually capture all DoD service contracts in the ICS, but as of the FY 2012 ICS reporting and review period, officials focused on capturing the actions of those Components that account for the majority of DoD's service contracts. OUSD(P&R)'s goal is to make the requiring activity responsible for the ICS tracking, reporting, and certification. However, personnel explained that this can only occur once the Enterprise-wide Contractor Manpower Reporting Application is fully functional. DoD was using the Army's Contractor Manpower Reporting Application as a baseline to establish a DoD-wide application. OUSD(P&R) officials explained that the decision on whether a Component is required to participate in the ICS is regularly reassessed and is at the discretion of OUSD(AT&L) and OUSD(P&R). However, as of July 2014, DoD has not provided formal guidance, such as an instruction, to identify the Components required to submit an ICS. OUSD(AT&L) and OUSD(P&R) should clarify policies and procedures to identify all Components required to submit an ICS.

Procedure 3: Assess Certification Status of Review

To assess whether DoD Components certified their review of the FY 2012 ICS, we reviewed certification letters and interviewed Component representatives.

[6] See Government Accountability Office report GAO-14-491R, "Defense Acquisitions: Update on DoD's Efforts to Implement a Common Contractor Manpower Data System," May 19, 2014, for information on DoD's status and challenges with implementing the system.

Results: Review and Certification of the Inventory of Contracts for Services

Of the 32 Components[7] that submitted an ICS, 30 submitted a certification letter for the FY 2012 reporting period. As of July 10, 2014, the Air Force had not submitted a certification letter. Air Force officials explained that they had completed the review but had not compiled the results because of insufficient resources and higher-priority requirements. They stated they still intend to submit a certification letter for the FY 2012 ICS but are focusing on issuing guidance for the FY 2013 ICS process first. In addition, as of May 29, 2014, the United States Pacific Command had not submitted a certification letter and did not indicate a plan to do so. A Command official explained that they overlooked the certification letter requirement.

In accordance with 10 U.S.C. § 2330a, subsection (e), and as directed by OUSD(P&R) officials, the Components were required to submit their certified ICS reviews within 90 days of OSD's July 16, 2013 inventory submission.[8] Fifteen of the 30 Components submitted certifications after the 90-day deadline. OUSD(P&R) and Component officials cited the Government shutdown, furloughs, large workloads, personnel turnover, and higher priorities as causes of late certification submissions. Of the 15 Components submitting late certification letters, 4 were less than 30 days late, 5 were between 30 and 90 days late, and 6 were more than 90 days late.[9]

Procedure 4: Observations on Certification Methodology

To make observations on the sources and methods used to conduct and certify a review of the ICS, we reviewed 30 Component certification letters and interviewed representatives from those 30 Components.

Results 4a: Methodologies Used to Conduct the Review

DoD Components employed different methodologies when reviewing and certifying the ICS. In general, contracting, manpower and readiness, or Comptroller personnel performed the ICS review and certification. Sometimes, more than one directorate for a Component participated.

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[7] In addition to the 29 Components discussed in Procedure 1, this also includes the United States Central Command, United States Pacific Command, and Joint Staff, who submitted a classified ICS.

[8] Language in 10 U.S.C. § 2330a required DoD to report on its ICS no later than June 30, 2013; however, DoD was 16 days late in submitting its ICS to Congress. As a result, Components had until October 16, 2013, to certify the review of their ICS, instead of September 30, 2013.

[9] The United States Central Command initially submitted its certification letter on July 1, 2013. However, Command personnel determined that it did not include complete information and submitted a revised certification on March 12, 2014. We used the revised certification for our engagement.

DoD Components used different methodologies to select contracts to review. The OSD Guidance required Components to review at least 80 percent of the functions, known as PSCs, listed in the ICS during the review.[10] Of the 30 Components that submitted certification letters, 19 reviewed every contract listed in the ICS and 4 other Components reviewed at least 80 percent of the PSCs. The remaining seven Components reviewed a percentage of the contracts, CFTEs, or dollars listed in the ICS. At times, Components interpreted the OSD Guidance differently. For example:

- A Defense Commissary Agency official explained that the Agency reviewed one contract listed under each PSC group, which covered 100 percent of the functions.
- TRICARE Management Activity (now Defense Health Agency) officials interpreted the guidance to require Components to review 80 percent of all the contracts listed under each PSC group.
- A Navy official explained that it would be difficult to implement a consistent review based on a percentage of functions across the Navy; therefore, they reviewed 100 percent of the contracts rather than a percentage.

DoD Components used different methodologies to conduct the ICS review. Component methodologies included relying on existing acquisition procedures, discussions with Component personnel familiar with the contract, reviewing contract documentation, and comparing the ICS to other reports on commercial and other inherently governmental functions. The following are examples of review methodologies that Component personnel described.

- Navy officials stated in their certification letter that personnel reviewed all FY 2012 contracts for services to determine whether they provide for unauthorized personal services, inherently governmental functions, functions closely associated with inherently governmental functions, critical functions, or commercial functions. Navy officials explained that the heads of the Contracting Activities worked with the requiring activity to conduct the reviews.

[10] The 80 percent review requirement was an increase from OSD's guidance for the FY 2011 ICS, when Components were required to review 50 percent of the contracts on the ICS. For the FY 2013 ICS review, OUSD(AT&L) and OUSD(P&R) issued guidance directing Components to review all contracts on the ICS.

- United States Transportation Command personnel explained that they compared performance work statements against a checklist that contained more than 50 questions to assess contracts to determine whether they were, for example, inherently governmental or for personal services.
- A United States Southern Command official stated the Command did not perform a specific review of the ICS but instead relied on pre-award processes that provide 100 percent review for all new requirements, as well as when a contract is modified or an option is exercised. Furthermore, the official explained that Command personnel ensure that no critical functions, personal services, inherently governmental functions, or closely associated with inherently governmental functions exist when developing the performance work statement and during the legal review.

DoD Components cited procedures used during normal acquisition processes to address portions of the OSD Guidance related to the ICS review, such as comparing the inventory of Military and Government civilian functions to the inventory of contracts for services, and reviewing how the contract is performed and administered. Examples of these procedures that Components used include pre-award and legal reviews, completion of checklists when awarding new or follow-on work, performance and in-process reviews, contracting officer and contracting officer's representative oversight, and in-sourcing reviews unrelated to the ICS.

OSD is developing a standard form to assist Components with justifying new and follow-on contracts for services and assessing whether the work is appropriate to be contracted out. Specifically, the draft form contains questions to ensure certain ICS elements are being reviewed before Component personnel award service contracts. We request that OUSD(AT&L) and OUSD(P&R) provide an update on the status, including time frames, for finalizing the service contract review form.

Results 4b: Inventory of Contracts for Services Review Results

Section 2330a, title 10, United States Code (2012) required Components to review their ICS listings and ensure that any personal services contracts were entered into and performed in accordance with applicable statutory and regulatory requirements; that the ICS activities did not include any inherently governmental functions; and that to the maximum extent practicable, the ICS did not include functions closely associated with inherently governmental functions.

The Army was the only Component to identify inherently governmental functions and unauthorized personal services. The Army identified 62 CFTEs supporting inherently governmental functions and 19 CFTEs supporting unauthorized personal services contracts.

In addition, 13 Components identified functions closely associated with inherently governmental functions. These Components reported about $5.5 billion for more than 32,000 CFTEs supporting closely associated with inherently governmental functions.[11] The Army accounted for about 88 percent of the CFTEs that were closely associated with inherently governmental functions, and the Navy accounted for about 8 percent.

Results 4c: Certification Letters Did Not Address Required Elements

Of the 30 Components that submitted a certification letter, 29 Components did not include all eight of the elements required by the OSD Guidance. Only TRICARE Management Activity (now Defense Health Agency) included a discussion of each element. Most Components addressed five of the eight required elements and only partially addressed or did not address the remaining three elements in their certification letters, as shown in Table 3. See Appendix B for a breakout of Component-specific information and for additional details about the required elements and our methodology.

Table 3. FY 2012 Certification Letter Elements

Element	Fully Addressed	Partially Addressed	Not Addressed
Criteria and methodology	18	6	6
Delineation of results	28	1	1
Inherently governmental functions or unauthorized personal services contracts	29	1	0
Closely associated with inherently governmental functions	27	1	2
Exempt from private-sector performance, require special consideration, or being considered for realignment for cost reasons	6	10	14
Program and budget reviews	22	0	8
Table delineating results	24	1	5
Funding	4	0	26

[11] These totals reflect only 12 Components. The Defense Contract Management Agency certification letter stated that the agency had two contracts that included closely associated with inherently governmental functions, but the certification letter did not include a table to report the dollar value or CFTEs associated with these functions, as required by the OSD Guidance.

In some instances, DoD Components only partially addressed a required element. For example:

- In the certification letter, Missile Defense Agency personnel explained the criteria for selecting contracts for review. Specifically, personnel reviewed contracts from five program offices that accounted for 80 percent of the agency's service contracts. However, personnel did not provide details about the methodology they used to perform the review.
- As previously discussed, Army officials identified inherently governmental functions and unauthorized personal services. However, the Army's certification letter did not discuss specific actions taken to divest or realign these functions in its certification letter, as required by the OSD Guidance. Army personnel explained in the certification letter only that the Army was taking appropriate corrective action regarding identified inherently governmental functions and unauthorized personal services. Personnel also stated in the certification letter that the Army was reviewing additional CFTEs and that no action would be taken until the review was complete. An Army official explained that the Army conducts these reviews throughout the year and takes action when necessary.

DoD Components did not respond to some elements in the certifications because personnel stated that the elements did not apply. For example:

- Only 6 of the 30 Components fully addressed the OSD Guidance requirement to identify contracted services that are exempt from private-sector performance, require special considerations, or are being considered for cost reasons, to be realigned to Government performance in their certifications. Personnel from at least six Components stated that they reviewed the inventory and found that the situations did not apply, which is why they did not address or only partially addressed this requirement in their certification letters.
- Personnel from at least eight Components did not address overseas contingency operation funding in their certification letters because they explained their ICS did not contain these types of contracts.
- United States Southern Command officials stated that they did not include a table in their certification letter because all contracts were commercial and the other scenarios did not apply.

However, when Components do not address an element in their certification letters, it is not clear whether personnel reviewed the ICS for this element and it was not applicable, or whether they did not review the ICS for this element. OUSD(AT&L) and OUSD(P&R) should clarify policies and procedures on whether a response is necessary to address an element that does not apply to a Component's inventory or review.

Results 4d: Certifications Provided Varying Amount of Detail

Components varied in the level of information they provided in the 30 certification letters. The following sections provide examples of the types of information that Components included in certification letters to address the elements required by the OSD Guidance.

Methodology and Criteria Descriptions. DoD Components provided varying amounts of information in the certification letters to describe the methodology used to conduct the reviews and the criteria for selecting contracts to review. Component discussions ranged from summaries of OSD requirements, without further explanation, to describing the specific steps personnel performed during the review. For example:

- United States Africa Command personnel stated in their certification letter that its Manpower Branch used a centralized approach to review service contracts in accordance with the OSD Guidance and 10 U.S.C. § 2330a subsection (e).
- United States European Command personnel stated in their certification letter that they reviewed all 20 service contracts by comparing ICS data with information vetted and administered by the Command's Contract Management Board. This board reviewed new and recurring contract actions to ensure that the contract complied with applicable statutory and regulatory guidance, addressed Command priorities, and was an effective use of resources. Command personnel also discussed in the certification the processes used by the Manpower Governance Board to identify and determine the appropriate mix of manpower and private-sector support.

Compliance with Applicable Regulations and Guidance. To address the OSD Guidance requirement to include in the certification the "delineation of the results in accordance with all applicable title 10 provisions and this guidance," Component certification letters included statements such as:

- The activities on the ICS are being performed in accordance with applicable statutory and regulatory requirements.
- The service contracts were awarded and are administered in accordance with all applicable title 10 provisions and the OSD Guidance.
- This memorandum certifies that the service contracts were reviewed and are performed in accordance with 10 U.S.C. § 2330a (e), "Review and Planning Requirements."

However, despite such statements, Components generally did not comply with this requirement, because only one Component actually addressed all the certification letter elements required by the OSD Guidance. An OUSD(P&R) official stated this element was intended more as a thinking and discussion driven process for both the preparer and the certifier, meant to create a dialog about appropriate use of service contracts, and not necessarily designed to certify compliance.

Functions Closely Associated With Inherently Governmental Functions. Component personnel identified functions closely associated with inherently governmental functions in 13 of the 30 certification letters. The OSD Guidance required Components to identify the contracts under which these functions are being performed and provide an explanation of steps taken to ensure appropriate Government control and oversight of these functions, or if necessary, a plan to either divest or realign such functions to Government performance.

Components varied in the amount of detail that they provided in their certification letters to address the requirement. Specifically, personnel for:

- five Components identified the number of contracts or contract actions that had closely associated with inherently governmental functions.
- four Components discussed the functions that the activities closely associated with inherently governmental functions supported. For example, the majority of the functions Defense Logistics Agency identified in its certification were to help achieve audit readiness. Officials

explained in the certification that they would need less contractual support after achieving an unqualified audit opinion.

- one Component, United States Special Operations Command, did not describe any control or oversight activities or a plan to divest or realign the functions.
- three Components provided broad statements stating sufficient controls and oversight were in place. For example, Defense Security Service stated that contracts involving the performance of functions closely associated with inherently governmental functions receive sufficient control and oversight.
- nine Components described control and oversight activities, for example: that contractors did not make decisions for or on behalf of the Government, that functions were directly managed and reviewed by Government personnel to ensure that contracted functions did not expand to or interfere with Government employee responsibilities, that quality assurance and surveillance plans were enforced, or that the action was approved by general counsel. For example, United States Central Command explained that Government quality assurance surveillance plans are robust and mandatory contracting officer's representative training is extensive, resulting in diligent Government oversight of contractor performance.

Inventory of Contracts for Services Results and Annual Program Reviews and Budget Processes. OSD Guidance required Components to discuss in their certification letters "actions being taken or considered with regards to annual program reviews and budget processes to ensure appropriate (re)allocation of resources based on the reviews conducted." In the certification letters, Components often cited existing review and approval processes to address this requirement but did not specifically discuss how the ICS reviews affected those processes. For example:

- The Defense Contract Management Agency implemented a monthly Service Acquisition Review Board to evaluate and validate the requirements for future, follow-on, or ongoing contracted services. The board also identifies contracted services that could be converted to Government performance.

- Navy officials did not discuss program reviews and budget processes or how the ICS is used in the certification; an official believed this element was hard to articulate and required much explanation. Furthermore, the official believed that the reviews were performed too late to affect budget decisions.

An OUSD(P&R) official stated that she would like to see Components using the ICS but that such usage might be premature because Components lack a system to provide complete, real-time data.

Personnel at some of the Components believed the OSD Guidance was not always clear and expressed a need for OSD to clarify its guidance. Moreover, because some of the requirements were open-ended, personnel explained they were unsure how to address some of the requirements and what level of detail personnel should provide in the certification letter. Some personnel believed OSD should revise the guidance to identify the minimum reporting requirements for each element and identify what specifics OSD desires. A Navy official believed the reviews contained many elements for such a limited time to report. OUSD(AT&L) and OUSD(P&R) should clarify policies and procedures to include expectations of what type of information Components are required to provide in response to the certification elements.

Results 4e: Use of the Inventory of Contracts for Services Data

Congress intended that DoD use the results of the ICS to help inform budgeting and manpower decisions; however, Components generally did not use the results of the ICS for this purpose. Personnel at multiple Components explained the results of the ICS could not directly influence budgeting and programming decisions because the ICS results were outdated. In addition, Component personnel explained that these types of decisions are based on future needs, requirements, and constraints—attributes that cannot be estimated by historical data in the ICS. Other Component personnel viewed the ICS review as an exercise but believed it validates Components' processes already in place. For example:

- A Defense Commissary Agency Official explained that the ICS data are too old to be used directly because they report on a prior year's budget but stated the ICS can indirectly influence budget submissions. The ICS identifies the level of service and support the agency needs and can be used to help estimate the number of CFTEs needed in the future. The ICS has indirect implications for the agency's workforce mix, because it can help estimate the resources needed to bring services in-house.

- A Defense Microelectronics Activity official explained that personnel already understand the activity's requirements and manpower mix. During the annual budget process, officials consider the nature of the requirement, availability of Government personnel, and available funding. The official explained that the processes behind the ICS shape decisions but that the actual ICS is not used because it is based on the past. For example, budget meetings are held every 2 weeks, and the information gained from the ICS is too old to provide insight to the meetings.

- A Missile Defense Agency official explained the ICS is used indirectly to inform budget processes in future years, but historical information that is 2 or 3 years old cannot account for the current times and changing needs. The official explained that because budget development is based on the future, not the past, the Agency must rely on and dedicate resources on upfront processes, not at the back end with the ICS.

Summary

Components that participated in the FY 2012 ICS process generally included six required elements in the ICS; however, DoD was inconsistent in reporting its service contracts. In addition, not all DoD Components participated in the FY 2012 ICS process. OSD plans to capture a more complete ICS universe with the implementation of the Enterprise-wide Contractor Manpower Reporting Application; however, according to OUSD(P&R) officials, continued impediments, including a lack of dedicated resources, hinder OSD's progress in fully implementing the application. Half the Components that participated in the FY 2012 ICS process submitted late certification letters and Components generally did not address all the required elements and varied in the level of information provided within it. Furthermore, the OSD Guidance issued to provide instruction to Components during the ICS compilation and review processes was not always clear.

Component Comments on Our Results

Although not required to comment, several Components provided informal unofficial comments in response to the draft report, which we considered and made changes, as appropriate, when preparing the final report. Specifically, four Components expressed concerns regarding our review of the certification letters and disagreed with our categorization of whether the Component addressed, partially addressed, or did not address the eight elements required by the OSD Guidance, as reflected

in Table 3 and Appendix B of the report. We stand by our conclusions[12] but have included additional information in Appendix B to further explain our methodology for reviewing Component certification letters. Uncertainty over how to address certain elements in the certification letters highlights the need for OUSD(AT&L) and OUSD(P&R) to provide Components with clarification, as we identified with our recommendations.

Recommendations, Management Comments, and Our Response

We recommend the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense for Personnel and Readiness:

Recommendation 1

Provide an update on the status, including time frames, for staffing the Total Force Management Support Office and finalizing the service contract review form.

Office of the Secretary of Defense Comments

The Acting Assistant Secretary of Defense for Readiness and Force Management, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense for Personnel and Readiness, stated that the Department cannot provide specific dates for establishing the Total Force Management Support Office or implementing an approval form for service contracts. The Acting Assistant Secretary stated that the Department is assessing the information technology requirements, personnel alignment, and the specific roles and responsibilities to be undertaken by the Total Force Management Support Office. Similarly, the Acting Assistant Secretary stated that the Department is reviewing, streamlining, and standardizing an approval form for service contracts. The Acting Assistant Secretary stated that the Department is committed to investing the time and effort associated with fully coordinating this form (or other commensurate process) and companion policy with stakeholders across the Department and to implementing this form (or process) consistent with applicable statutes, regulations, and DoD policies and procedures.

[12] In response to comments from the Defense Threat Reduction Agency, we changed our determination for element 5 from "not addressed" to "partially addressed."

Our Response

Comments from the Acting Assistant Secretary of Defense for Readiness and Force Management partially addressed the recommendation. The Acting Assistant Secretary did not include time frames or even an estimate for staffing the Total Force Management Support Office and finalizing the service contract review form. We understand that specific dates to staff the Total Force Management Support Office and finalize the service contract review form may not be known. However, establishing time frames is important for measuring the Department's progress and to providing accountability over these actions, which are intended to help address legislative requirements related to the tracking, reporting, and management of service contracts. We request that the Acting Assistant Secretary provide comments on the final report. Furthermore, we will follow up on the status of these actions during our review of DoD's FY 2013 inventory of contracts for services.

Recommendation 2

Identify the Components required to submit an inventory of contracts for services, both before and after implementation of the Enterprise-wide Contractor Manpower Reporting Application.

Office of the Secretary of Defense Comments

The Acting Assistant Secretary of Defense for Readiness and Force Management, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense for Personnel and Readiness, agreed and provided an enclosure listing 73 organizations required to report and certify input for DoD's inventory of contracts for services. The Acting Assistant Secretary stated that for the FY 2014 inventory, the Department will include the listing as an enclosure to its tasking and guidance memorandum to help ensure all DoD Components are completing the required submission, either separately or in combination with another organization.

Our Response

Comments from Acting Assistant Secretary of Defense for Readiness and Force Management addressed all specifics of the recommendation, and no further comments are required.

Recommendation 3

Clarify policies and procedures related to inventory of contracts for services processes, including the expectations of what type of information Components are required to provide in response to the certification elements, and whether a response is necessary to address an element that does not apply to a Component's inventory or review.

Office of the Secretary of Defense Comments

The Acting Assistant Secretary of Defense for Readiness and Force Management, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense for Personnel and Readiness, agreed. The Acting Assistant Secretary stated that the Department will modify the guidance sent to Components for the compilation and review of the FY 2014 inventory. Before issuing the guidance, the Department will provide a draft of the revised guidance to the community of interest for input and recommendation.

Our Response

Comments from the Acting Assistant Secretary of Defense for Readiness and Force Management addressed all specifics of the recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this agreed-upon procedures engagement from March 2014 to August 2014 in accordance with generally accepted Government auditing standards, which incorporate attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the report either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an examination, the objective of which would be expressing an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that we would have reported to you. HASC staff requested that we report on any need to revise legislation or change implementing guidance; we discuss this need in the report.

This report is intended solely for the information and use of the HASC, OUSD(AT&L), and OUSD(P&R) and is not intended to be used by those who have not agreed to the procedures or have not taken responsibility for the sufficiency of the procedures for their purposes. However, the report is a matter of public record, and its distribution is not limited; thus, we will post the report on our website and provide copies on request.

We met with and discussed FY 2012 ICS compilation and certification efforts with officials from OUSD(AT&L), OUSD(P&R), and those responsible for compiling and reviewing the inventory for 32 DoD Components. See Appendix B for a listing of the 32 Components. We obtained DoD's FY 2012 ICS Report and all available FY 2012 Component ICS transmittal and certification letters* and compared the documents against requirements from Section 2330a, title 10, United States Code, "Procurement of Services: Tracking of Purchases," (2012) and the OUSD(AT&L) and OUSD(P&R) "Guidance for the Submission and Review of the Fiscal Year 2012 Inventory of Contracts for Services," February 4, 2013, to identify inconsistencies and to make observations on the completeness of data.

* We did not review the ICS for 3 of the 32 Components included in our engagement, specifically the Joint Chiefs of Staff, the United States Central Command, and the United States Pacific Command because their ICS submissions were classified. Furthermore, the United States Pacific Command did not submit a transmittal memorandum. As of the date of this report, 2 of the 32 Components included in our engagement did not submit certification letters.

The OSD Guidance required Components to discuss eight elements in their certification letters to signify completion of their FY 2012 ICS review. We reviewed each certification letter to determine whether it addressed the OSD required elements. This review was limited to the information included in Component certification letters. See Appendix B for details about the OSD required elements and our methodology for reviewing the Component certification letters.

During our engagement, we also conducted interviews with Component personnel and obtained additional information on how personnel compiled and reviewed their inventories. We presented this supplemental information throughout the report, as applicable. Observational statements made in the report are based on individual interviews with Component personnel and may not reflect all Component-specific considerations related to the ICS process.

Use of Computer-Processed Data

We did not rely on computer-processed data to perform the agreed-upon procedures for this attestation engagement.

Appendix B

Review of Certification Letters

The OSD Guidance requires that Components address eight elements in their certification letters. We reviewed each certification letter using the following methodology to determine whether a Component certification letter addressed the OSD-required elements. This review was limited to the information from Component certification letters. When Components did not address an element in their certification letters, it was not clear whether personnel reviewed the ICS for the element and it was not applicable, or whether personnel did not review the ICS for the element. Therefore, if a Component was silent about an element in its certification letter, we considered the element not addressed. If a Component only addressed part of an element in its certification, we considered the element partially addressed.

Element 1—Explanation of the methodology used to conduct the review and criteria for selecting contracts for review.

> **Our Methodology:** To address contract selection criteria, the Component had to describe how it created its sample of contracts or how it chose contracts to review. To address review methodology, the Component had to describe how it conducted its ICS review (such as what processes were used) or what the Component actually assessed during the review (such as documentation, processes, or past review results). A Component had to explain how or what it specifically reviewed and could not solely rely on the statements it provided in the certification letter to address other required elements, such as the statement, "no inherently governmental functions were identified." Furthermore, we did not consider an explanation of how a Component compiled its inventory sufficient to address this element if the explanation did not address the actual review of the ICS data.

Element 2—Delineation of the results in accordance with all applicable title 10 provisions and the February 2013 OSD Guidance.

> **Our Methodology:** We considered this element fully addressed if a Component included any type of statement regarding compliance with the OSD Guidance or another requirement when it conducted its ICS review.*

* We considered this element partially addressed for the Navy because personnel listed the OSD Guidance as a reference in the certification and discussed some of the results of their review, but did not make a statement regarding compliance with any requirement when conducting the ICS review.

This is because an OUSD(P&R) official stated that this element was intended more as a thinking and discussion driven process meant to create a dialog about appropriate use of service contracts.

Element 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.

Our Methodology: We considered this element fully addressed if a Component stated whether its inventory included functions in each of the two scenarios. If the Component identified any such functions, then it would also have to discuss a plan of action to divest or realign them to Government performance.

Element 4—Identification of contracts under which closely associated with inherently governmental functions are being performed, with 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.

Our Methodology: We considered this element fully addressed if a Component stated whether its inventory included functions for this scenario. If a Component identified any such functions, then the Component would also have to discuss the steps taken to ensure appropriate Government control and oversight over the functions, or identify a plan of action to divest or realign them to Government performance.

Element 5—Identification of contracted services that are exempt from private-sector performance in accordance with DoD Instruction 1100.22, "Policy and Procedures for Determining Workforce Mix," April 12, 2010; those that require special consideration under title 10 U. S. C. § 2463; or those that are being considered for cost reasons, consistent with Directive Type Memorandum 09-007 (subsequently replaced by DoD Instruction 7041.04, "Estimating and Comparing the Full Cost of Civilian and Active Duty Military Manpower and Contract Support," July 3, 2013), to be realigned to Government performance.

Our Methodology: We considered this element fully addressed if a Component stated whether its inventory included functions in each of the three scenarios.

Element 6—Actions taken or considered in regards to annual program reviews and budget processes to ensure appropriate (re)allocation of resources based on reviews conducted.

> **Our Methodology:** We considered this element fully addressed if a Component included any description of a program review, or budget process, or any explanation of the actions being done or planned to ensure appropriate (re)allocation of resources.

Element 7a—A table showing the results of these reviews in terms of the number of full-time equivalents and associated invoiced dollars associated with the following categories: inherently governmental functions; closely associated with inherently governmental functions; critical functions; unauthorized personal services lacking statutory authority; authorized personal services; and commercial functions. Actions taken with respect to these categories should be summarized as: continue contract, modify contract, in-source, or divest.

> **Our Methodology:** We considered this element fully addressed if a Component included the table outlined in the OSD Guidance, or text within the certification letter, to identify the type of functions reviewed and the status, invoiced dollar amount, and the number of CFTEs associated with each reviewed function.

Element 7b—Explanation of the degree the functions reviewed are Overseas Contingency Operation funded or reimbursable functions not currently included in the Component's budget estimate for contracted services.

> **Our Methodology:** We considered this element fully addressed if a Component explained the extent its inventory included each of the two scenarios.

Review of Certification Letters (cont'd)

The following table shows the 30 Components that submitted an FY 2012 ICS certification letter, and whether the Component fully responded to the eight elements required by the February 2013 OSD Guidance.

Component	Element 1	Element 2	Element 3	Element 4	Element 5	Element 6	Element 7a	Element 7b
Army	Addressed	Addressed	Partially Addressed	Addressed	Not Addressed	Not Addressed	Addressed	Not Addressed
Navy	Addressed	Partially Addressed	Addressed	Addressed	Not Addressed	Not Addressed	Addressed	Not Addressed
Air Force[1]								
United States Africa Command	Partially Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Not Addressed
United States Central Command	Not Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Addressed	Not Addressed
United States European Command	Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Not Addressed	Not Addressed
United States Northern Command	Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Addressed	Not Addressed
United States Pacific Command[2]								
United States Special Operations Command	Addressed	Addressed	Addressed	Partially Addressed	Partially Addressed	Addressed	Addressed	Not Addressed
United States Southern Command	Not Addressed	Addressed	Addressed	Not Addressed	Not Addressed	Not Addressed	Not Addressed	Not Addressed
United States Strategic Command	Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Addressed	Not Addressed

[1] As of July 10, 2014, the Air Force had not submitted a certification letter for the FY 2012 inventory of contracts for services.
[2] United States Pacific Command did not submit a certification letter for the FY 2012 inventory of contracts for services. As of May 29, 2014, a United States Pacific Command official did not indicate a plan to submit a certification letter.

Review of Certification Letters (cont'd)

Component	Element 1	Element 2	Element 3	Element 4	Element 5	Element 6	Element 7a	Element 7b
United States Transportation Command	Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Partially Addressed	Not Addressed
Defense Advanced Research Projects Agency	Partially Addressed	Addressed	Addressed	Addressed	Not Addressed	Not Addressed	Addressed	Addressed
Defense Contract Audit Agency	Not Addressed	Addressed	Addressed	Not Addressed	Partially Addressed	Addressed	Addressed	Not Addressed
Defense Contract Management Agency	Not Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Not Addressed	Not Addressed
Defense Commissary Agency	Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Addressed	Addressed
Defense Finance and Accounting Service	Partially Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Addressed	Not Addressed
Defense Human Resources Activity	Partially Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Addressed	Not Addressed
Defense Information Systems Agency	Not Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Not Addressed	Not Addressed
Defense Logistics Agency	Addressed	Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Not Addressed
Defense Media Activity	Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Addressed	Addressed
Defense Micro-Electronics Activity	Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Addressed	Not Addressed
DoD Education Activity	Addressed	Addressed	Addressed	Addressed	Not Addressed	Addressed	Addressed	Not Addressed
Defense Security Cooperation Agency	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Not Addressed	Not Addressed

Review of Certification Letters (cont'd)

Component	Element 1	Element 2	Element 3	Element 4	Element 5	Element 6	Element 7a	Element 7b
Defense Security Service	Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Addressed	Not Addressed
Defense Threat Reduction Agency	Partially Addressed	Addressed	Addressed	Addressed	Partially Addressed	Addressed	Addressed	Not Addressed
Joint Staff	Addressed	Addressed	Addressed	Addressed	Not Addressed	Not Addressed	Addressed	Not Addressed
Missile Defense Agency	Partially Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Not Addressed
Director of Administration and Management/Washington Headquarters Service	Addressed	Addressed	Addressed	Addressed	Not Addressed	Not Addressed	Addressed	Not Addressed
TRICARE Management Activity (Now Defense Health Agency)	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed
DoD Test Resource Management Center	Not Addressed	Not Addressed	Addressed	Addressed	Not Addressed	Not Addressed	Addressed	Not Addressed
United States Forces, Korea	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Addressed	Not Addressed
Addressed	18	28	29	27	6	22	24	4
Partially Addressed	6	1	1	1	10	0	1	0
Not Addressed	6	1	0	2	14	8	5	26
TOTAL	**30**	**30**	**30**	**30**	**30**	**30**	**30**	**30**

Management Comments

Office of the Secretary of Defense

ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

READINESS AND FORCE MANAGEMENT

AUG 25 2014

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL
CONTRACT MANAGEMENT AND PAYMENTS,
DoDIG

SUBJECT: Response to DoDIG Draft Report on Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance with Service Contract Inventory Compilation and Certification Requirements for FY 2012 (Project No. D2014-D000CG-0128.000), dated August 1, 2014

This memorandum is in response to the DoD Inspector General (DoDIG) Independent Auditor's Report on Agreed-Upon Procedures for DoD Compliance with Service Contract Inventory Compilation and Certification Requirements for FY 2012 (Project No. D2014-D000CG-0128.000), dated August 1, 2014. We appreciate the DoDIG's work on this engagement, as well as the opportunity to review and comment on this draft report. The following is provided to address the report's specific recommendations:

Recommendation #1: Provide an update on the status, including timeframes, for staffing the Total Force Management Support Office and finalizing the service contract review form.

Response: The Department cannot yet advise of the date certain on which this office will be established. The exact information technology requirements associated with this capability, the operational and administrative alignment of personnel, as well as the specific roles and responsibilities to be undertaken are undergoing thorough assessment. Similarly, the Department is in the process of reviewing, streamlining, and standardizing an approval form for service contracts. The Department cannot yet advise of the date certain on which the form will be fully implemented for use across the Department. We are committed to investing the time and effort associated with fully coordinating this form, or other commensurate process, and companion policy, with stakeholders across the Department, and to implementing the form or process in a manner wholly consistent with applicable statutes, regulations, and DoD policies and procedures.

Recommendation #2: Identify the Components required to submit an inventory of contract for services both before and after implementation of the Enterprise-wide Contractor Manpower Reporting Application.

Response: OUSD(P&R) agrees with this recommendation. Enclosure 1 contains a listing of seventy-three (73) discrete organizations across the Department required to report and certify the input to the Inventory of Contracts for Services. Based on assigned authority and reporting capability (for instance, a single organization reports for the Office of the Secretary of Defense, instead of each OSD component reporting separately), for the FY 2013 Inventory of Contracts

Office of the Secretary of Defense (cont'd)

for Services, these organizations were compiled into the report submission of thirty-five (35) inputs. For the FY 2014 Inventory of Contracts for Services, the Department will include the listing of the seventy-three organizations as an enclosure to its tasking and guidance memorandum to help ensure all DoD components are completing the required submission as either a separate or combined input.

Recommendation #3: Clarify policies and procedures related to inventory of contracted services processes, including the expectations of what type of information Components are required to provide in response to the certification elements, and whether a response is necessary to address an element that does not apply to a DoD Component's inventory or review.

Response: OUSD(P&R) agrees with this recommendation. The Department will modify the guidance sent to Components for the FY2014 Inventory, and provide the draft revised guidance to the community of interest for input and recommendation in support of this improvement as well, prior to issuing guidance for the compilation and review of the FY2014 Inventory.

The Department looks forward to working with the DODIG over the next several years on the multiple engagements relative to our efforts in this critical area. Should you have any questions, please contact the primary action officers for this engagement, [redacted] and [redacted].

Stephanie Barna
Acting

Attachments:
As stated

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Office of the Secretary of Defense (cont'd)

Enclosure 1

No	DoD Organizations Required to Report Per OUSD Memo	Required to Submit ICS	Required to Certify
1	Secretary of the Army	Yes	Yes
2	Secretary of the Air Force	Yes	Yes
3	Secretary of the Navy	Yes	Yes
4	Chairman of the Joint Chiefs of Staff (Joint Staff)	Yes	Yes
5	Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
6	Under Secretary of Defense Comptroller/Chief financial Officer (USD(C)/CFO)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
7	Under Secretary of Defense for Intelligence	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
8	Under Secretary of Defense for Personnel and Readiness (P&R)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
9	Under Secretary of Defense for Policy	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
10	Deputy Chief Management Officer	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
11	Africa Command	Yes	Yes
12	Central Command	Yes	Yes
13	European Command	Yes	Yes
14	Northern Command	Yes	Yes
15	Pacific Command	Yes	Yes
16	Southern Command	Yes	Yes
17	Special Operations Command	Yes	Yes
18	Strategic Command	Yes	Yes
19	Transportation Command	Yes	Yes
20	Director OSC, Cost, Assessment and Program Evaluation (CAPE)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
21	Director, Operational Test and Evaluation (DOT&E)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
22	General Counsel of the Department of Defense	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
23	Inspector General of the Department of Defense	Yes,	Yes
24	Assistant Secretary of Defense for Acquisition (ASD(A))	Part of AT&L	Part of AT&L
25	Assistant Secretary of Defense for Asian & Pacific Security Affairs (APSA)	Part of USD(Policy)	Part of USD(Policy)
26	Assistant Secretary of Defense for Global Strategic Affairs (GSA)	Part of USD(Policy)	Part of USD(Policy)
27	Assistant Secretary of Defense for Health Affairs (HA)	Part of USD(P&R)	Part of USD(P&R)

Office of the Secretary of Defense (cont'd)

Enclosure 1

28	Assistant Secretary of Defense for Homeland Defense & Americas' Security Affairs (HDASA)	Part of USD(Policy)	Part of USD(Policy)
29	Assistant Secretary of Defense for International Security Affairs (ISA)	Part of USD(Policy)	Part of USD(Policy)
30	Assistant Secretary of Defense for Legislative Affairs (LA)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
31	Assistant Secretary of Defense for Logistics and Materiel Readiness (L&MR)	Part of AT&L	Part of AT&L
32	Chief Information Officer (DoD CIO)	Yes, submitted as part of OSD staff by DA&M	ICS is certified as component of OSD staff in DA&M
33	Assistant Secretary of Defense for Nuclear & Chemical & Biological Defense Programs (NCB)	Part of AT&L	Part of AT&L
34	Assistant Secretary of Defense for Operational Energy Plans and Programs (OEP&P)	Part of AT&L	Part of AT&L
35	Assistant Secretary of Defense for Public Affairs (PA)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
36	Assistant Secretary of Defense for Research & Engineering ASD(R&E)	Part of AT&L	Part of AT&L
37	Assistant Secretary of Defense for Reserve Affairs (RA)	Part of P&R	Part of P&R
38	Assistant Secretary of Defense for Special Operations and Low Intensity Conflict (SO/LIC)	Part of USD(Policy)	Part of USD(Policy)
39	Assistant to the Secretary of Defense for Intelligence Oversight (IO)	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
40	Director Administration and Management *(Submits for matching colors as well)* 1. OSD 2. WHS 3. PFPA	Yes – reporting will change as DA&M is now part of DCMO	Yes - reporting will change as DA&M is now part of DCMO
41	Director, Net Assessment	Yes as part of OSD staff by DA&M	Certified as component of OSD staff in DA&M
42	Defense Media Activity	Yes	Yes
43	Defense POW/Missing Personnel Office	Yes	Yes
44	Defense Technical Information Center	Yes	Yes
45	Defense Technology Security Administration	Yes	Yes
46	DoD Education Activity	Yes	Yes
47	DoD Human Resources Activity	Yes	Yes
48	DoD Test Resource Management Center	Yes	Yes
49	Office of Economic Adjustment	Yes	Yes
50	TRICARE Management Activity	Yes	Yes
51	Washington Headquarters Services	Yes	Yes
52	Defense Advanced Research Projects Agency	Yes	Yes
53	Defense Commissary Agency	Yes	Yes
54	Defense Contract Audit Agency	Yes	Yes
55	Defense Contract Management Agency	Yes	Yes

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Office of the Secretary of Defense (cont'd)

Enclosure 1

56	Defense Finance and Accounting Service	Yes	Yes
57	Defense Information Systems Agency	Yes	Yes
58	Defense Intelligence Agency	Yes for MIP (classified)	Yes for MIP (classified)
59	Defense Legal Services Agency	Yes	Yes
60	Defense Logistics Agency	Yes	Yes
61	Defense Security Cooperation Agency	Yes	Yes
62	Defense Security Service	Yes	Yes
63	Defense Threat Reduction Agency	Yes	Yes
64	Missile Defense Agency	Yes	Yes
65	National Geospatial-Intelligence Agency	Yes for MIP (classified)	Yes for MIP (classified)
66	National Reconnaissance Office	Yes for MIP (classified)	Yes for MIP (classified)
67	National Security Agency/Central Security Service	Yes for MIP (classified)	Yes for MIP (classified)
68	Pentagon Force Protection Agency	Yes	Yes
69	President, Defense Acquisition University	Yes	Yes
70	President, National Defense University	Yes	Yes
71	Defense Microelectronics Activity (DMEA) (*Reported but not in the OSD Memo*)	Technically part of DLA but has contracting authority and submits	Technically part of DLA but has contracting authority and submits
72	JIEDDO - In the CD of Data Provided by OSD P&R 1. *Reported ICS data* 2. *Not in the OSD Memo* 3. *No Transmittal Memo* 4. *No Certification Letter*	Reporting as part of Army ICS	Reporting as part of Army ICS
73	USFK	Yes, but sub-unified under PACOM	Yes, but sub-unified under PACOM

Acronyms and Abbreviations

CFTE	Contractor Full-Time Equivalent
HASC	House Armed Services Committee
ICS	Inventory of Contracts for Services
OSD	Office of the Secretary of Defense
OUSD(AT&L)	Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics
OUSD(P&R)	Office of the Under Secretary of Defense for Personnel and Readiness
PSC	Product Service Code
U.S.C.	United States Code

Whistleblower Protection
U.S. Department of Defense

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, visit www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

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