



DoD Getting a Better Handle on Contractor Numbers

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The Department of Defense (DOD) and the branches of the armed forces utilize hundreds of thousands of contractors to perform a multitude of support functions each year. This includes everything from management and information technology (IT) support to intelligence work and weapons maintenance. Until 2008, neither the Pentagon nor the military branches knew exactly how many contractors they employed, nor were they required to find out. A new Government Accountability Office (GAO) report sheds some light on the Pentagon's congressionally mandated efforts to tally its contractors, along with whether DOD is using the information to make better personnel decisions.

While contractors can offer the federal government flexibility, overuse of contractors can transfer important government responsibilities into private hands, creating conflict-of-interest issues. Moreover, a culture of dependency can arise because the government loses the capability to perform certain tasks without the aid or outright assumption of the function by a contractor. Rules exist to help prevent contractors from performing "inherently governmental" functions, but due to their vague wording – and a less-than-effective recent update – enforcement depends greatly on the executive branch.

In one of his first executive actions, President Obama called for greater transparency and efficiency within the government contracting process. In April 2009, Secretary of Defense Robert Gates reinforced this goal by announcing a plan to reduce the Pentagon's reliance on contractors by bringing several functions "in house." The plan entailed cutting 33,000 service support contractors by 2015, replacing them with 39,000 new full-time government employees. This is in contrast to the growth in DOD contracting seen in recent years, as spending on contractor services more than doubled between 2001 and 2009.

To make the best decisions possible, though, the Pentagon needs to know exactly how many contractors are under hire and what functions they are performing. In 2008, Congress required the Pentagon to begin just such an annual exercise. Then, in the FY 2010 National Defense Authorization Act, Congress directed GAO to review the survey.

The most recent finding, while affirming the distressing fact that Defense Department contractors are performing inherently governmental functions, shows that the Pentagon and the military branches are doing a better job at collecting data on contractors. This allows the agencies to gain a better picture of the contracting landscape and to make informed personnel decisions. These personnel decisions are important, as GAO found that DOD and the military branches employed roughly 766,000 service contractors in FY 2009; because of limited information, they could not accurately estimate the total number of contractors performing inherently governmental tasks.

Of course, not all of the military departments utilize the same approach to reviewing the number of contractors under hire or the activities they perform, which affects each department's ability to use the information to make better workforce decisions. The Army takes a centralized approach, incorporating contractor-reported data, including direct labor hours, from its Contractor Manpower Reporting Application (CMRA), to identifying contractors and the tasks they perform. The Air Force and Navy, on the other hand, use a more decentralized method that relies on major commands to collect the numbers and information and then feed them up to the departments. According to GAO, the Army's approach is more

effective at reaching an accurate number while also properly identifying functions the department should in-source.

The latest review found that of the Army's approximately 262,000 service contractors employed during FY 2009, some 2,300 contractors performed inherently governmental functions and close to another 46,000 contractors executed tasks closely associated with inherently governmental functions. Most significantly, close to 1,900 contractors provided "unauthorized personal services," or tasks that the military should not have even bid out in the first place, no matter what. Numbers for the Air Force and Navy were not available due to the departments' defective data collection abilities.

No matter how accurate the Pentagon's information, though, a lack of funding to convert contractors to civil service employees will thwart any in-sourcing effort. Indeed, just over a year after announcing his department's effort, Gates announced that the Pentagon – though only the Pentagon and not the military branches – would halt its in-sourcing effort because of anticipated budget crunches. According to Gates, "We weren't seeing the savings we had hoped from in-sourcing." While the secretary did not provide specifics, it seems that the positions the Defense Department was not required to in-source, yet did so anyway, did not provide significant savings. It should be noted, however, that bringing a function in-house usually does cost less over the long run.

According to *Government Executive*, as of June 2010, DOD has created more than 16,500 civilian positions due to in-sourcing contracted services. According to a Defense Department employee, the agency brought more than half of the positions in-house because it determined the work to be inherently governmental or closely associated with an inherently governmental task. Moreover, the employee estimated that the Pentagon would add another 12,000 new civilian positions in FY 2011 despite the budget fears.

GAO recommends that the Pentagon provide the military branches with clear guidelines on how to collect contractor data and assess the various functions they perform under their command. This should help DOD make more informed manpower decisions in the future and may prevent the government from becoming further dependent on contractors to perform functions that only government employees should undertake.