



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
MANPOWER AND RESERVE AFFAIRS  
111 ARMY PENTAGON  
WASHINGTON, DC 20310-0111



12 APR 2002

REPLY TO  
ATTENTION OF

The Honorable Bob Stump  
Chairman, Committee on Armed Services  
United States House of Representatives  
211 Cannon House Office Building  
Washington, D.C. 20515

Dear Mr. Chairman

The Army is pleased to submit the enclosed report on the "Pilot Manpower Reporting System" as required by section 345 of the National Defense Authorization Act for Fiscal Year 2002, Public Law 107-194. Section 345 directs Army to report the number of work year equivalents (WYEs) performed by individuals employed by non-Federal entities in providing services to the Department. Further, it requires the Army to categorize the information by Federal Service Code (FSC), major Army element, and appropriation from which the services were funded.

Based on fiscal year 2001 data, we estimate service contractor support to the Army to be between 124,000 and 605,000 WYEs. The enclosed report discusses the various reasons for this range in the possible estimates of contract WYEs provided to the Army. The estimates are highly sensitive to the mix of contracted services; the magnitude of contract-dollar baseline, which changes depending upon the query logic and source of information within the various accounting and procurement systems in the Army; the dollar-per-WYE assumptions for each service; and the variable mix of labor and non-labor charges included within the dollar baseline. In addition to the requested information, the report provides details on constraints affecting our ability to provide more credible data at this time and future plans to obtain credible data.

This information has been provided to the Senate and House Committees on Appropriations, the Senate Committee on Armed Services, and the Senate and House Appropriations Subcommittees on Defense. I have also provided a copy of this letter to the Ranking Member of your Committee.

Sincerely,

Reginald J. Brown  
Assistant Secretary of the Army  
(Manpower and Reserve Affairs)

Enclosure

DC 100

# **DEPARTMENT OF ARMY REPORT PILOT MANPOWER REPORTING SYSTEM**

This report includes estimates of the number of work-year equivalents (WYE) provided by non-Federal entities to the Department of the Army, in terms of Federal Supply Class or Service Code, appropriation, and major organizational element.

## **REPORTING REQUIREMENT**

The reporting requirement in section 345 of the National Defense Authorization Act for Fiscal Year 2002, P. L. No. 107-194, states the following:

### **SEC. 345. PILOT MANPOWER REPORTING SYSTEM IN DEPARTMENT OF THE ARMY.**

- (a) Annual Reporting Requirement.—Not later than March 1 of each of the fiscal years 2002 through 2004, the Secretary of the Army shall submit to Congress a report describing the use during the previous fiscal year of non-Federal entities to provide services to the Department of the Army.
- (b) Content of Report.—Using information available from existing data collection and reporting systems available to the Department of the Army and the non-Federal entities referred to in subsection (a), the report shall—
  - (1) specify the number of work-year equivalents performed by individuals employed by non-Federal entities in providing services to the Department;
  - (2) categorize the information by Federal Supply Class or Service Code; and
  - (3) indicate the appropriation from which the services were funded and the major organizational element of the Department procuring the services.
- (c) Limitation On Requirement for Non-Federal Entities To Provide Information.—For the purposes of meeting the requirements set forth in subsection (b), the Secretary of the Army may not require the provision of information beyond the information that is currently provided to the Department of the Army by the non-Federal entities referred to in subsection (a), except for the number of work-year equivalents associated with Department of the Army contracts, identified by contract number, to the extent this information is available to the contractor from existing data collection systems.

- (d) Repeal of Obsolete Reporting Requirement.—Section 343 of the National Defense Authorization Act for Fiscal Year 2000 (Public Law 106-65, 13 Stat. 569) is repealed.

## INTRODUCTION

The Department of the Army, in the *Federal Register* (65 FR 13906) dated Wednesday, March 15, 2000, announced an interim rule, to establish and implement contractor labor and cost reporting requirements in support of the Army, identifying reported information by Federal Supply Class or Service Code, organization supported, and funding source. The Department of the Army, in the *Federal Register* (65 FR 81357) dated Tuesday, December 26, 2000, published a final rule in response to public comments. The reporting requirement was Army's implementation of statutory mandates and fiscal year 2000 congressional data requirements (10 U.S.C. 129a, 10 U.S.C. 2461(g) and Section 343 of the National Defense Authorization Act for Fiscal Year 2000). In response to industry complaints, as well as technical and procedural issues raised by the Director of Defense Procurement and Office of Management and Budget, the Army removed the final rule from the Code of Federal Regulations, as published in the *Federal Register* (66 FR 36711), dated Friday, July 13, 2001. Prior to termination of the Army pilot, the Army collected about \$9.2 billion (in obligations) of contract data from approximately 1,200 contractors. Hereafter, this prior Army data collection effort will be referred to as the "Army pilot".

On March 12, 2001, the Department of Defense responded to Section 343 of the National Defense Authorization Act for Fiscal Year 2000 by providing estimates of contract work-year equivalents (WYEs) based on fiscal year 1999 service contract awards reported in the Department of Defense portion of the Federal Procurement Data System maintained in the DoD Directorate for Information Operations and Reports (DIOR). The DoD data was developed by the Office of the Under Secretary of Defense (Acquisition, Technology and Logistics) and contract support, based on factors expressing contractor dollars per WYE. The factors relied on available company sales and employee data for representative contractors within each Federal Supply or Service Code category. None of the data collected in the Army Pilot was used in the DoD submission for Section 343.<sup>1</sup>

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<sup>1</sup> The Army pilot data collection was a longer-term effort intended to meet broader management objectives than simply to fulfill the requirements prescribed in a one-time report to Congress. Namely, the Army pilot was intended to make visible contract support resources provided to specific units and missions, with an audit trail to funding source, under the theory that greater visibility of these resources would facilitate identifying un-needed, lower priority, inappropriate, or duplicative contract support. Moreover, the Army pilot was in the midst of data collection and validation at the time of the report for Section 343 to Congress.

On March 8, 2002, the Secretary of the Army directed re-establishment of the Army contractor manpower and cost reporting process throughout the Army. A copy of the Secretary of the Army memorandum is enclosed with this report.

## RESPONSE TO REQUIREMENTS

**Requirement (1). Specify the number of work-year equivalents performed by individuals employed by non-Federal entities in providing services to the Department.**

For contracted services, the Department of the Army estimates that contractors provide about 124,000 WYEs to about 605,000 WYEs. There is not a credible basis for estimating a more specific number than the range specified, which will vary based on the dollar-per-WYE assumptions and dollar baseline assumptions. We have different dollar baselines, depending on whether we use the procurement systems, vendor pay systems or other accounting systems as our source for dollars. We have different dollar-per-WYE assumptions, depending on whether one assumes the contracted service is primarily for labor or also includes significant charges for other direct costs or other charges not directly related to labor. Moreover, the magnitude of an estimated WYE level is very sensitive to the mix of services within the dollar baseline.

### Factors Affecting Range

Range of Estimate WYEs	124,000 WYEs	605,000 WYEs
Range of Potential Dollar Baseline	\$22.3B	\$27.8B
Source	Federal Procurement Data System	Defense Finance and Accounting Systems
Mix of Services	Different Mix Based on FSC	Different Mix Based on Object Class
Mix of Labor and Non-labor Charges Within Dollar Baseline	Unknown, but Assumes Significant Non-Labor Charges	Unknown, but Assumes Mostly Labor Charges
Assumed Dollar Per WYE (overall)	\$179,000 per WYE	\$46,000 per WYE

Chart 1

**Requirement (2). Categorize the information by Federal Supply Class or Service Code.**

The following table displays the estimated range in WYEs categorized by Federal Service Code, and displays the dollar baseline from which such WYEs were estimated, in terms of the dollars awarded for such services by Army contracting activities. Note that the dollar baseline of \$22 billion from the procurement system yields a different range in estimated WYEs than the dollar baseline of \$28 billion from the accounting system. We are unable to characterize the functions performed by contractors using Federal Supply Class or Service Codes in the case of data extracted from the accounting system, as Federal Supply Class or Service Code are only embedded within the procurement systems.

**ARMY PROCUREMENT DATA SYSTEM AWARDS BY ARMY CONTRACTOR ACTIVITY**

FEDERAL SERVICE CODE	Federal Procurement Data System Awards By ARMY Contracting Activity (\$000s)	Estimated Contract Labor Low Range	Estimated Contract Labor High Range
A-Research & Development	\$4,644,294	7,846	55,172
B-Special Studies	\$259,413	640	1,669
C-Architect & Engineering Services	\$790,893	1,829	8,450
D-Information Technology	\$1,202,977	414	11,414
F-Natural Resources & Conservation Services	\$1,114,740	13,463	23,454
G-Social Services	\$6,132	87	277
H-Quality Control, Testing, & Inspection Services	\$17,906	28	213
J-Maintenance, Repair, & Rebuilding of Equipment	\$939,174	350	12,901
K-Modification of Equipment	\$26,590	10	365
L-Technical Representative Services	\$222,490	888	3,131
M-Operation of Government-Owned Facilities	\$414,901	4,014	8,901
N-Installation of Equipment	\$27,120	207	405
P-Salvage Services	\$36,974	196	1,457
Q-Medical Services	\$766,561	2,905	5,445
R-Professional, Administrative & Management Support Services	\$3,179,924	13,206	35,879
S1-Utilities	\$555,882	230	7,312
S2-Housekeeping Services	\$578,278	12,055	26,939
T-Photographic, Mapping, Printing & Publication Services	\$20,271	2	388
U-Educational & Training Services	\$377,214	8,834	12,221
V-Transportation, Travel & Relocation Services	\$641,880	18,136	19,668
W-Lease or Rental of Equipment	\$35,334	74	1,029
X-Lease or Rental of Facilities	\$3,677	0	71
Y-Construction of Structures & Facilities	\$4,080,205	30,569	204,010
Z-Maintenance, Repair, or Alteration of Real Property	\$2,437,169	8,816	48,707
<b>PROCUREMENT DATA SYSTEMS DISBURSEMENTS:</b>	<b>\$22,379,889</b>	<b>124,789</b>	<b>469,478</b>
<b>ACCOUNTING SYSTEM OBLIGATIONS</b>	<b>\$27,852,410</b>	<b>155,600</b>	<b>605,482</b>

Chart 2

**Requirement (3).** Indicate the appropriation from which the services were funded and the major organizational element of the Department procuring the services.

The following table (Chart 3) displays the estimated range in WYEs categorized by appropriation, and displays the dollar baseline from which such WYEs were estimated, in terms of dollars obligated, or disbursed for contracted services, as captured in Defense Finance and Accounting Systems. Note the different range in estimated WYEs which varies depending on whether disbursements or obligations are used as the dollar baseline.

**FUNDING SOURCE RANGES BASED ON ESTIMATED \$46K AND \$179K WORK YEAR FACTORS**

DIRECT	TOTAL VALUE (\$000s)	ESTIMATED CONTRACT LABOR LOW RANGE	ESTIMATED CONTRACT LABOR HIGH RANGE
OPERATIONS & MAINTENANCE ARMY	\$9,708,656	54,238	211,050
RESEARCH, DEVELOPMENT, TESTING, & EVALUATION	\$6,154,812	34,384	133,800
ARMY PROCUREMENT AUTHORITY	\$2,180,510	12,182	47,402
OTHER GOVERNMENT AGENCIES	\$4,234,400	23,656	92,052
TOTALS	\$22,278,378	124,460	484,313
REIMBURSABLE	TOTAL VALUE (\$000s)	ESTIMATED CONTRACT LABOR LOW RANGE	ESTIMATED CONTRACT LABOR HIGH RANGE
DEFENSE WORKING CAPITAL FUND	\$1,151,892	6,435	25,041
INTERNAL	\$4,191,173	23,414	91,112
EXTERNAL	\$230,788	1,289	5,017
OTHER GOVERNMENT AGENCIES	\$179	1	4
TOTALS	\$5,574,032	31,140	121,175
FY 2001 OBLIGATIONS (ACCOUNTING SYSTEMS)	\$27,852,411	155,600	605,487
FY 2001 DISBURSEMENTS (OPERATIONAL DATA STORES VENDOR PAY)	\$22,378,991	124,787	489,478

Chart 3

The following table (Chart 4) displays the estimated range in WYEs categorized by major command within the Army, and displays the dollar baseline from which such WYEs were estimated, in terms of dollars initially obligated for contracted services, as captured in the Defense Finance and Accounting Service systems. At present, we are unable to identify accurately major organizational elements below the major command level elements specified in the table below within the Army within the constraints of the existing accounting and procurement systems.<sup>2</sup>

<sup>2</sup> Information on contract services provided in support of unit level detail below major command level is required by the Army to make informed and rational manpower allocation decisions, and rational FAIR Act consistency assessments. Simply cutting (or increasing) contract (or in-house resources) at the Departmental-level without assessing the impact of such cuts on the workload in specific units and missions is arbitrary and inadvisable.

SOURCE: OBLIGATION DATA FROM DEFENSE FINANCE AND ACCOUNTING SERVICE

MAJOR ARMY COMMAND	Total Obligations (\$000s)	Estimated Contract Labor	
	(Accounting Systems)	Assuming \$179K per Work Year	Assuming \$46K per Work Year
8TH ARMY	\$93,211	521	2,026
ARMY ACQUISITION EXECUTIVE SUPPORT AGENCY	\$113,117	632	2,459
ARMY MATERIEL COMMAND	\$5,303,686	29,630	115,286
ARMY RESERVE	\$456,913	2,553	9,933
ARMY TEST & EVALUATION COMMAND	\$541,388	3,025	11,769
CORPS OF ENGINEERS	\$1,567,421	8,757	34,074
CRIMINAL INVESTIGATION COMMAND	\$4,574	26	99
DEFENSE AGENCY	\$50,639	283	1,101
FORCES COMMAND	\$1,947,478	10,880	42,336
HEADQUARTES DEPARTMENT OF THE ARMY	\$2,141,345	11,963	46,551
JOINT COMMAND	\$592,758	3,311	12,886
MEDICAL COMMAND			33,771
MILITARY DISTRICT OF WASHINGTON			4,780
MILITARY TRAFFIC MANAGEMENT COMMAND			
NATIONAL GUARD			
PACIFIC COMMAND			
PROGRAM EXECUTIVE OFFICE-PROGRAM MANAGER			
SPECIAL OPERATIONS COMMAND			
UNITED STATES ARMY EUROPE			
UNITED STATES ARMY INTELLIGENCE & SECURITY COMMAND	\$175,428	980	3,814
UNITED STATES ARMY SOUTH	\$52,788	295	1,148
UNITED STATES ARMY SPACE	\$870,400	4,863	18,922
UNITED STATES ARMY RECRUITING	\$255,870	1,429	5,562
UNITED STATES MILITARY ACADEMY	\$80,673	451	1,764
OTHER GOVERNMENT AGENCIES	\$2,180,492	12,182	47,402
	TOTAL OBLIGATIONS		
	\$27,852,411	155,600	605,487

Chart 4

## METHODOLOGY AND CONSTRAINTS

The methodology for estimating contractor WYEs requires dividing an assumed dollar-per-WYE into a dollar baseline for contracted services (the dollar baseline is extracted from the Department's various procurement or accounting systems). This methodology is required because the Army pilot was terminated before sufficient data could be collected and validated. The dollar-per-WYE assumptions are primarily speculative because they are not grounded in statistically random samples that have been stratified to avoid bias favoring different mixes of services. However, to our knowledge, the volume of empirical data grounding these assumptions is greater than that used in any other estimates that have been made of the size of the Army contractor work force.<sup>3</sup>

<sup>3</sup> We are not aware of any other existing model within the Department of Defense or external to the Department of Defense that estimates the same notion of the contractor

The estimate of 605,000 WYEs is based on the direct labor man-hour data and the compensation data (with loadings) collected in the Army Pilot, and a dollar baseline of \$28 billion (using the Defense Finance and Accounting Service obligations data). This assumes about \$46,000 per WYE overall for contracted services provided to the Army, based on the mix of services reported by the Army in the Federal Procurement Data System.<sup>4</sup> (See Chart 5, Low Range Column)

The estimate of 124,000 WYEs is based on the direct labor man-hour data collected in the Army pilot and disbursement amounts (in terms of dollars) as reported in the Operational Data Store (ODS) system maintained by the Defense Finance and Accounting Service (DFAS) for the Army.<sup>5</sup> The disbursement amount extracted from ODS was adjusted to approximate the reporting period covered in the corresponding labor data for a specific contract collected in the Army Pilot.<sup>6</sup> This assumes \$179,000 per WYE overall for contracted services provided to the Army, based on the mix of services reported by the Army in the Federal Procurement Data System. The assumed dollar baseline for this estimate is the lower amount of \$22 billion obligation awards reported under the Army within the Federal Procurement Data System. (See Chart 5, High Range column)

The assumed dollars-per-WYE varies based on the kind of service provided by a contractor. The table below summarizes the assumed ranges for dollars-per-WYE for each major category of Federal Supply or Service Code functional area:

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work force based on sample data that avoids bias and meets the criteria for a random statistical sample with sufficient data points for credible conclusions.

<sup>4</sup> A different mix of services would result in a different assumed cost-per-WYE, overall. For example, the mix of services actually reported by contractors in the Army pilot during its brief duration were more heavily weighted in favor of professional services than the mix of services reported in the procurement system for the Army, and therefore had a substantially higher average loaded compensation cost-per-WYE (about \$95,000 per WYE, after eliminating outliers).

<sup>5</sup> ODS contains disbursement data by contract number as reflected in the various vendor pay systems supporting the Army.

<sup>6</sup> It is important to note that the disbursement amount for a specific contract for services will include charges for Other Direct Costs (such as for travel, supplies, equipment, or materials), overhead, and profits/fees not related to the compensation costs for the direct labor provided by the contractor. Moreover, the amount charged for such non-labor charges may vary substantially depending on the type of service provided by a contractor. For instance, some services may be embedded within major acquisitions of hardware. On the other hand, some contracted services may include charges primarily for labor and very little Other Direct Charges.

**ASSUMPTIONS FOR ESTIMATING CONTRACT LABOR OBLIGATION DOLLARS PER WORK YEAR**

Note: Factors are not derived from Chart 2

Federal Supply or Service Code Categories	Estimated Contract Labor Low Range (\$000s)	Estimated Contract Labor High Range (\$000f)
A-Research & Development	\$84	\$502
B-Special Studies	\$155	\$406
C-Architect & Engineering Services	\$94	\$432
D-Information Technology	\$105	\$2,907
F-Natural Resources & Conservation Services	\$48	\$83
G-Social Services	\$22	\$70
H-Quality Control, Testing, & Inspection Services	\$84	\$631
J-Maintenance, Repair, & Rebuilding of Equipment	\$73	\$2,683
K-Modification of Equipment	\$73	\$2,683
L-Technical Representative Services	\$71	\$250
M-Operation of Government-Owned Facilities	\$47	\$103
N-Installation of Equipment	\$67	\$131
P-Salvage Services	\$25	\$199
Q-Medical Services	\$141	\$264
R-Professional, Administrative & Management Support Services	\$89	\$241
S1-Utilities	\$78	\$2,410
S2-Housekeeping Services	\$21	\$48
T-Photographic, Mapping, Printing & Publication Services	\$52	\$12,121
U-Educational & Training Services	\$31	\$43
V-Transportation, Travel & Relocation Services	\$33	\$35
W-Lease or Rental of Equipment	\$34	\$478
X-Lease or Rental of Facilities	\$52	\$29,073
Y-Construction of Structures & Facilities	\$20	\$133
Z-Maintenance, Repair or Alteration of Real Property	\$50	\$278

**Chart 5**

The dollar baseline used for estimating the WYE provided by contractors is from three different sources.

1. The dollar baseline used for characterizing the services provided by contractors to the Army by Federal supply class or service function is from the ***Federal Procurement Data System***.
2. The dollar baseline used for characterizing the appropriation from which contracted services are funded within the Department (Chart 2) is from disbursement amounts and obligated amounts reported within the ***Defense Finance and Accounting Service*** systems. Funds initially obligated within the Army are captured in the Army's accounting systems, but the portion of Army funds disbursed by other Executive Agencies for contracts in support of the Army are not captured in Army's vendor pay systems.
3. The dollar baseline used for characterizing the major organizational element of the Department procuring the services is from obligations

reflected in the ***Defense Finance and Accounting Service*** systems. The accounting system currently does not provide credible data below the operating agency or major command level for the purposes of identifying major organizational elements supported by contractors. The procurement system currently provides data on contracts awarded by Army contracting activities, which may or may not involve contracts in support of the Army. Moreover, contracts awarded by other Executive Agencies in support of the Army are not captured within the Army or DoD portion of the procurement system. Therefore, neither the procurement system nor the accounting systems currently provide a sound basis for identifying contract support by major organizational element within the Department ***at the unit level of detail.***

There is no assurance that the dollar baseline extracted from the Federal Procurement Data System and Defense Finance and Accounting Service systems reflect the same services. For instance, the Army portion of the Federal Procurement Data System includes Civil Works contracts, whereas the Defense Finance and Accounting Service systems data used here does not include Civil Works. Moreover, the criteria for extracting contract data from the Defense Finance and Accounting Service systems assumed that object classes 23 through 25 comprised services comparable to the Federal supply class or service code criteria used to extract data from the Federal Procurement Data System. This assumption may be incorrect; however, there is not at present a more accurate way for comparing data between the accounting and procurement systems. Some elements of object classes 21 and 22 may arguably correspond to some of the Federal supply or service class categories included in the procurement system, but were excluded from the current analysis.

## **CONCLUSIONS AND RECOMMENDATIONS**

Evaluating the costs and benefits of collecting data on contract support to an organization as large as the Army requires an opportunity to collect and validate the data over a sustained period of time. The costs of data collection can be significantly mitigated by the manner of collecting the data and by fostering cooperation from the contractor community. No credible alternatives to collecting some data from contractors have been developed from any source for the purposes of the Army's pilot.<sup>7</sup> Moreover, significant portions of contracted services for the Army are awarded by contracting agents outside of the Department of the Army, and sometimes outside of the Department of Defense (for example, FEDSIM, General Services Administration, Department of Energy, etc.). The success of a revived Army Pilot will require obtaining cooperation from other Executive Agencies within the Department of Defense and external to the Department of Defense, acting as contracting agents for the Army.

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<sup>7</sup> The inadequacies of alternatives are discussed in detail in the methodology section.

Contractors account for at least one-third of the Army's obligation authority and their share of Army resources may substantially grow. In such circumstances, the Army requires better visibility of contractor labor and costs associated with the contractor work force and of the organizations and missions supported by them. The Army cannot meet its stewardship obligations under section 129a of Title 10 to justify and use the most cost-effective mix of military, civilian employee, and contractor support by focusing *only* on the mix of civilian employee and military. The validation of the requirement for contract services consumes such a large portion of Army resources that it should not remain primarily a local acquisition decision. Rather, it requires better visibility at the Departmental-level, in competition with in-house resources during the budget process. In the absence of a revived Army Pilot, no one in Congress, DoD, or at the Departmental-level within the Army will really know how contract resources are allocated to Army organizations and units to help perform the Army's mission. In addition, it will be difficult to assure consistency in the treatment of functions in the FAIR Inventory in the absence of data on the contract support provided to a function.<sup>8</sup>

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<sup>8</sup> The DoD and Office of Management and Budget currently recognize the need to make visible inherently governmental data for the purposes of improving the utility of the FAIR Inventory process. However, the General Accounting Office has recognized that "information on inherently governmental and contracted activities is also needed" to improve the FAIR Inventory Process. See, e.g., GAO/GGD/NSIAD-00-244 (September 2000), p. 26. The Army agrees with that GAO finding.



SECRETARY OF THE ARMY  
WASHINGTON  
MAR 8 2012



MEMORANDUM FOR UNDER SECRETARY OF DEFENSE  
(ACQUISITION, TECHNOLOGY AND LOGISTICS)  
UNDER SECRETARY OF DEFENSE  
(COMPTROLLER/CHIEF FINANCIAL OFFICER)  
UNDER SECRETARY OF DEFENSE (PERSONNEL  
AND READINESS)

SUBJECT: Accounting for the Total Force: Contractor Work Force

In the coming fiscal year, about one-third of the Army's total obligation authority will be expended for contract support. In the past eleven years, the Army has significantly reduced its civilian and military work force. These reductions were accompanied by an expanded reliance on contractor support without a comparable analysis of whether contractor support services should also be downsized. Currently, Army planners and programmers lack visibility at the Departmental level into the labor and costs associated with the contract work force and of the organizations and missions supported by them.

I have directed the Assistant Secretary of the Army (Manpower and Reserve Affairs) to oversee the re-establishment of the Army contractor manpower and cost reporting process throughout the Army. The Assistant Secretary of the Army (Financial Management and Comptroller) and the Assistant Secretary of the Army (Acquisition, Logistics and Technology) are providing assistance in integrating internal sources of information with respect to funding sources, missions and functions performed, and organizations supported. However, credible information on contract labor does not exist internal to the Department.

The Army will obtain service contract work year information from contractors supporting the Army, relying on Army requiring activities, resource management offices and contracting activities to make sure the reporting requirement is included as a deliverable requirement in each statement of work. A priced line item will be included in the contract to ensure that contractors will be paid for the fair and reasonable costs associated with providing the data. This approach will provide the Army full visibility into the costs of obtaining the data. The information will be collected prospectively upon implementation.

I ask for your support in making sure that your staffs properly understand and support this Army initiative. Obtaining better visibility of the contractor work force is essential to Army plans for expanded reliance on contractor support and for establishing alternatives to the Office of Management and Budget Circular Number A-76 process. This information will allow us to divest unnecessary, costly, or unsuitable contracted work, or duplicative in-house and contract efforts. Contract support is not unlike all other processes—in order to manage it effectively, we must, first, have full visibility into it.

Thomas E. White