

GAO Highlights

Highlights of [GAO-16-119](#), a report to congressional committees

Why GAO Did This Study

In 2014, DOD obligated over \$156 billion to contractors that provide services, such as for engineering support, to meet needs. These contracted services constituted more than half of DOD's total contract spending. House Report 113-446 contained a provision for GAO to evaluate DOD's management of contracted services.

This report assesses (1) trends in DOD spending on contracted services, (2) DOD's insight into its requirements for contracted services, and (3) how DOD reports on contracted services in its budget requests to Congress. GAO analyzed the most recent data available on DOD service contract spending from fiscal years 2010 through 2014, reviewed programming guidance and budget documents as well as a non-generalizable selection of six program office inputs to the budget and planning process for three military commands that spent the most on services in 2013, and interviewed DOD officials.

What GAO Recommends

Congress should consider amending reporting requirements to include estimated spending on services beyond the budget year. GAO recommends that the Secretary of Defense and military departments revise POM guidance, coordinate efforts to forecast services, and fully comply with budget reporting. DOD concurred with the budget reporting recommendation and partially concurred with the two others, citing challenges with estimating future spending, but did not address revised guidance or coordination. GAO believes such actions are needed.

View [GAO-16-119](#). For more information, contact Timothy J. DiNapoli at (202) 512-4841 or DiNapoliT@gao.gov

February 2016

DOD SERVICE ACQUISITION

Improved Use of Available Data Needed to Better Manage and Forecast Service Contract Requirements

What GAO Found

Over the last 5 years, the Department of Defense (DOD) consistently obligated more on services than products. These obligations are significant. For example, in 2014 alone, DOD obligated \$85 billion on its three largest types of services—knowledge-based, research and development, and facility-related services. This amount was more than double the amount DOD obligated for aircraft, land vehicles and ships, the three largest product categories DOD acquired.

Comparison of DOD Obligations for Top Products and Services in Fiscal Year 2014



Source: GAO analysis of Federal Procurement Data System - Next Generation data. | GAO-16-119

Program offices within each of the military departments that GAO met with maintained data on current and estimated future spending needs for contracted service requirements, but they did not identify service contract spending needs beyond the next year, as there was no requirement to do so. As a result, DOD leadership's insight into future spending on contracted services is limited. DOD programming policy requires the military departments and defense agencies to develop a program objective memorandum (POM) that identifies and prioritizes requirements and total funding needs for the current budget year and then four additional years into the future. This policy and the military departments' supplemental POM guidance, however, do not address contracted services. The military departments have started efforts to collect data on contract services requirements beyond the budget year but these efforts could result in the collection of disparate data. For example, the Army plans to request data from program offices on all service contracts to be awarded over the next 5 years. In contrast, the Air Force plans to continue to collect data only for service contracts using operations and maintenance funds beyond the budget year. Unless DOD establishes a mechanism to coordinate efforts—a key internal control standard—it risks collecting different data leading to inconsistency across the department.

DOD's budget exhibits on contract services provide limited visibility to Congress on planned spending, and the primary exhibit for contracted services does not meet statutory reporting requirements. In 2009, Congress required DOD to develop an exhibit to summarize its service contract spending, in part, to improve oversight by DOD and Congress of DOD's contracted services. In its fiscal year 2014 exhibit, however, DOD excluded up to \$100 billion—almost two-thirds—of its estimated spending on contracted services, including those for contingency operations and for medical care, on which it was statutorily required to report. Unlike DOD budget exhibits for weapon systems, DOD's other budget exhibits that contain limited information on contracted services do not include data on projected spending beyond the current budget year. Without a roadmap of future service contract spending needs, Congress has limited visibility into an area that constitutes more than half of DOD's annual contract spending.