

# GAO Highlights

Highlights of [GAO-23-106123](#), a report to congressional committees

## Why GAO Did This Study

DOD obligates hundreds of billions of dollars each year on service contracts. Despite some progress, DOD has faced challenges with managing service contracts. As such, law required that DOD refine processes to validate service requirements and begin forecasting budget needs across a 5-year period.

A Joint Explanatory statement and House Committee report included provisions for GAO to assess DOD's processes for validating service requirements. This report assesses DOD's (1) trends in service contract obligations for fiscal years 2017–2022, (2) processes for validating service requirements, and (3) progress forecasting budget needs for service contracts over a 5-year period.

GAO reviewed federal procurement data for fiscal years 2017–2022, and selected a major command from each military department based on service contract obligations. GAO reviewed DOD and military department policies and analyzed a nongeneralizable sample of service requirements from each selected major command. GAO also reviewed DOD budget guidance for fiscal years 2023 and 2024, and interviewed DOD officials.

## What GAO Recommends

GAO is making five recommendations, including that: the Air Force and Army update guidance to aggregate and review data on service requirements, and DOD specifies how to forecast budget needs for service contracts. DOD concurred with three recommendations and partially concurred with two based on terminology. GAO believes the recommendations are sound as stated.

View [GAO-23-106123](#). For more information, contact W. William Russell at (202) 512-4841 or [russellw@gao.gov](mailto:russellw@gao.gov).

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# DOD SERVICE CONTRACTS

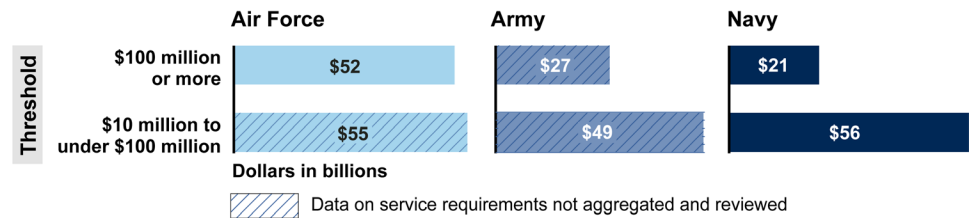
## Actions Needed to Identify Efficiencies and Forecast Budget Needs

### What GAO Found

Services performed by contractors, such as administrative and technical support, account for about half of the Department of Defense's (DOD) contract obligations. Obligations on contracts for services increased from fiscal year 2017 through 2020 before decreasing in fiscal years 2021 and 2022, and ranged from \$184 billion to \$226 billion over the period.

DOD has processes to validate individual service requirements but lacks some data needed to identify broader efficiencies among those requirements. DOD requires the military departments—the Air Force, Army, and Navy—to provide data that can be reviewed to identify efficiencies for service requirements valued at \$10 million or more. GAO found that the Navy aggregates and reviews data on service requirements at that threshold. However, the Army does not aggregate data on service requirements, and the Air Force only does so for service requirements with a value at or above \$100 million. This results in missed opportunities to identify efficiencies and potential cost savings among service requirements on contracts totaling billions of dollars, as shown in the figure.

**Military Departments' Obligations on Contracts for Services by Different Dollar Value Thresholds, Fiscal Years 2017–2022**



Source: GAO analysis of Federal Procurement Data System data. | GAO-23-106123

DOD made progress forecasting budget needs for service contracts across a 5-year period, as required by law, but communication challenges affected the military departments' ability to provide reliable data. For example, the military departments lacked timely guidance on implementing the forecasting requirement and the methodology and data sources to use. In January 2023, DOD established a working group to develop a path forward for fully implementing the forecasting requirement. But, this working group is in its early stages, having just recently developed a charter. Further, it has not established timeframes for communicating the methodology and data sources that the military departments should use. Without setting timeframes and clarifying how to forecast service contract budget needs, DOD cannot ensure that future budget submissions—starting with fiscal year 2026—will provide Congress with reliable and useful information for decision-making and oversight.