



OFFICE OF THE SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1000

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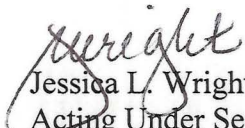
MEMORANDUM FOR: SEE DISTRIBUTION

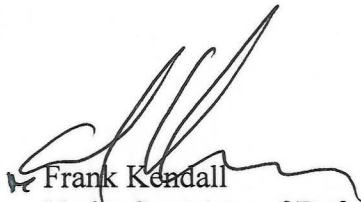
SUBJECT Guidance for the Submission and Review of the FY 2013 Inventory of Contracts for Services

In accordance with section 2330a of title 10, United States Code (10 USC 2330a), this memorandum and its attachments provide guidance for completing your organization's submission for the Inventory of Contracts for Services (ICS) for FY 2013.

Components' transmittal memorandums and inventory data are due to the Office of the Under Secretary of Defense for Personnel and Readiness (OUSD(P&R)) and the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD(AT&L)) not later than May 2, 2014. Electronic submissions shall be made to the following points of contact for OUSD(P&R), Ms. Amy Parker (amy.l.parker26.civ@mail.mil) and Mr. Thomas Hessel (thomas.hessel.civ@mail.mil); and to Mr. Jeffrey Grover (jeffrey.c.grover.civ@mail.mil) for OUSD(AT&L). Any questions regarding this guidance should be directed to these points of contact.

The Department will compile the inventories prepared by the Components to transmit to Congress by June 30, 2014. Following inventory submission, each Component shall complete a review of its ICS in accordance with subsection (e) of 10 USC 2330a and this guidance. Each Component Head shall submit a letter to OUSD(P&R), via the points of contacts for the inventory, certifying completion of the review, and delineating the results in accordance with all applicable title 10 provisions and this guidance.


Jessica L. Wright
Acting Under Secretary of Defense
for Personnel and Readiness


Frank Kendall
Under Secretary of Defense
for Acquisition, Technology, and Logistics

Attachments:

1. ICS Guidance
2. ICS Fields
3. ICS CMRA PSC Rates and Factors
4. ICS Review Categories



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ICS Guidance

1. Components shall submit an inventory of services provided under contract that corresponds to the spreadsheet at **Attachment 2** titled “FY 2013 ICS Fields” containing field descriptions and requirements.
 - a. All services provided in support of, or benefit to, a DoD organization, regardless of dollar amount, contracting agency, or security classification, will be reported on the ICS and subsequently reviewed. In accordance with 10 USC 2330a, the Department may submit annexes to the ICS with classified contract information separately, as appropriate, in coordination with the responsible Components.
 - b. Components will report contracts on the inventory by requiring activity; the organization charged with the mission being performed under contract is the requiring activity.
 - c. Components may use all reporting tools at their disposal to compile this inventory.
 - d. The Director, Defense Procurement and Acquisition Policy (DPAP) has provided a certified data set from the Federal Procurement Data System, Next Generation (FPDS-NG) for FY 2013 on the DPAP website at http://www.acq.osd.mil/dpap/cpic/cp/acquisition_of_services_policy.html. This data should be used to “cross check” against the data fields compiled by components for their inventory.
2. Guidance for Reporting the Functions and Missions for the ICS.
 - a. Function. In accordance with annual DoD Inherently Governmental and Commercial Activities Inventory guidance (most recently issued December 2, 2013), a function is defined as a description of the kind of action or activity performed. For the ICS, the function data field will be reported as the Product Services Code (PSC) description (at the four digit level of detail as posted at <https://www.acquisition.gov/>). The PSC is an alphanumeric categorization of the basic type of service provided, as captured in the FPDS. Each PSC corresponding to a unique location; period of performance; and unique contract, task order, delivery order, or interagency acquisition agreement shall be listed individually (table next page):

<u>Included PSC Categories</u>	
A	Research, Development, Testing & Evaluation (RDT&E)
B	Special Studies and Analysis – Not Research & Development (R&D)
C	Architect and Engineering – Construction
D	Automatic Data Processing and Telecommunication
E	Purchase of Structures and Facilities
F	Natural Resources and Conservation
G	Social Services
H	Quality Control, Testing, and Inspection
J	Maintenance, Repair, and Rebuilding of Equipment
K	Modification of Equipment
L	Technical Representative Services
M	Operation of Government Owned Facilities
N	Installation of Equipment
P	Salvage Services
Q	Medical Services
R	Professional, Administrative, and Management Support
S	Utilities and Housekeeping Services **excluding utilities: S1XX
T	Photographic, Mapping, Printing and Publications
U	Education and Training
V	Transportation, Travel & Relocation **excluding freight and shipping: V1XX, V211-224
Z	Maintenance, Repair or Alteration of Real Property
<u>Fully Excluded Product Service Codes</u>	
W	Lease/Rental of Equipment
X	Lease/Rental of Facilities
Y	Construction of Structures and Facilities

- b. Mission. For the purposes of the ICS, “mission” generally refers to an operational task. Existing fields in DoD databases do not provide for the “mission of the contractor” as required by 10 USC 2330a. In August 2012, OUSD(AT&L)/DPAP updated the “Taxonomy for the Acquisition of Services,” categorizing PSCs for supply and services contracts into 16 “portfolio groups.” Information regarding the latest Taxonomy to be used for ICS reporting can be located at the following link: <http://www.acq.osd.mil/dpap/ss/taxonomy.html>.

3. Guidance for Estimating/Calculating the Number of Contractor Full Time Equivalents

- a. 10 USC 2330a requires that Components collect direct labor hours and associated costs from contractors to calculate contractor full time equivalents (CFTE). A CFTE is defined as a standard measure of labor that equates to one (1) year of full-time work (total labor hours as defined by the Office of Management and Budget Circular A-11 each year) to support a mission requirement.

- b. On November 28, 2012, guidance was issued directing DoD Components to “begin including the language...in all instruments that require the performance of services, including contracts for goods with defined requirements for services. This standard language shall be included in both new statements of work/performance work statements and modifications to existing contracts.” However, Department-wide implementation of the Enterprise-wide Contractor Manpower Reporting Application (ECMRA) is ongoing, and the Department is currently drafting a DoD Federal Acquisition Regulation Supplement rule to implement this reporting requirement for contractors. As such, many Components are not currently fully collecting data as required by statute for all service contracts. Therefore, each Component shall include in their ICS transmittal memo a description of their methodology for collecting, estimating, or calculating CFTE and providing the justification of the methodology used. Components should include in their narrative the percentage of their total contracts that were reported by contractors in the ECMRA in FY 2013 and the extent to which reported data was used to support their inventory submission.
- c. The following methodologies – singularly or in combination – may be used to populate a Component’s ICS. The cost to use a particular option below may be an important consideration when choosing a methodology, thereby making some of the options impractical at this time:
 - 1) Collect direct labor hour information from contractors, as required by 10 USC 2330a, DoD policies, and applicable regulations and then use formula for CFTE calculation described below:

$$\text{CFTE} = \frac{\text{Total Contractor Direct Labor Hours for a specific product service code for a contract, task Or delivery order, or interagency agreement}}{\text{Total hours of labor applied in a specific labor category in a given year (i.e. 2,080)}}$$

Calculations will be rounded to the one-hundredth (.xx) decimal level.

- 2) Collect direct labor hours as reported by the Contracting Officer’s Representatives or Contracting Officer’s Technical Representative for the service during FY 2013.
- 3) Reference the independent government estimate or contractor technical proposals to extrapolate hours for services provided in FY 2013.
- 4) Report information collected from contract invoices.

- 5) Calculate CFTE's using a factor by PSC as provided by the Army at **Attachment 3** titled "FY 2013 CMRA PSC Rates and Factors" or a similar factor based on service specific CMRA data multiplied by the Total Dollar Amount Obligated for the corresponding PSC as follows:

Example: PSC = H110 - Quality Control Svcs/Weapons (Non-OCO)

Obligation amount = \$65 Million.

CFTE Factor = 0.000009996258946

CFTE = (65,000,000 X 000009996258946) = 649.76

The FY 2013 CMRA Rates and Factors at **Attachment 3** are labeled to be used as follows:

- a) "Generating Force - 1" - use a factor on this sheet only if the appropriate 4 digit code does not appear on the "Generating Force - 4" sheet (as Army does not have the 4 digit level of detail for all PSCs), for all contract services provided excluding any support provided in Afghanistan.
 - b) "Generating Force - 4" - use the factors on this sheet that correspond to the appropriate PSCs for all contract services provided excluding any support provided in Afghanistan.
 - c) "OCO - 1" - use a factor on this sheet only if the appropriate 4 digit code does not appear on the "IA - 4" sheet (as Army does not have the 4 digit level of detail for all PSCs), for all contract services provided within Afghanistan.
 - d) "OCO - 4" use the factors on this sheet that correspond to the appropriate PSCs for all contract services provided within Afghanistan.
4. Guidance for Completing the Review of the ICS. In accordance with paragraph (e) of 10 USC 2330a, all services provided in support of, or benefit to a DoD organization, regardless of dollar amount or security classification, will be reviewed by Components within 90 days of submission to Congress of the ICS by functional and organizational alignment with the following considerations (Components should initiate their reviews upon submission to OSD of their respective inventories and need not wait for the consolidated DoD submission to Congress):
- a. Functional reviews shall correspond both to the PSCs and be compared to the annually released DoD function codes for military and civilian personnel. DoD Components shall also review the inventory of military and Government civilian functions compared to your inventory of contracts for services to: assess economies

of scale or scope, identify potential areas of risk and overreliance on contracted services, and identify opportunities for efficiencies.

- b. Reviews of a Component's ICS shall be consistent with its organizational structure and mission, task, function alignments and must be based on each DoD Component's requirements, and include functions associated with all contracts, task orders, delivery orders, or interagency acquisition agreements listed in the DoD Component's inventory for a given fiscal year.
- c. DoD Components shall review the nature or way the contract is performed and administered as well as the organizational environment within which it is operating beyond what can be accessed via a review of the information listed within the inventory.
- d. DoD Components shall use the inventory reviews and subsequent workforce shaping decisions to inform programming and budget matters, including requests to realign work, as appropriate, to military or civilian performance.
- e. In submitting letters to the OUSD(P&R) certifying completion of the review, Components shall, as a minimum, provide the following information:
 - 1) Explanation of the methodology employed to conduct the review and criteria for selection of contracts for review.
 - 2) Delineation of the results in accordance with all applicable title 10 provisions (e.g., 129, 129a, 235, 2330a, and 2463) and this guidance.
 - 3) Identification of any Inherently Governmental (IG) functions or unauthorized personal services contracts, with a plan of action to divest, correct, or realign such functions to Government performance.
 - 4) Identification of contracts under which Closely Associated with Inherently Governmental (CAIG) functions are being performed, and 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.
 - 5) Identification of contracted services to be realigned to Government performance that: are exempt from private sector performance in accordance with DoD Instruction 1100.22, "Policy and Procedures for Determining Workforce Mix;" require special consideration under 10 USC 2463; or can be more cost effectively performed by Government civilians, consistent with DoD Instruction 7041.04, "Estimating and Comparing the Full Costs of Civilian and Active Duty Military Manpower and Contract Support."

- 6) Actions being taken or considered with regards to annual program review and budget processes to ensure appropriate (re)allocation of resources based on the reviews conducted.
- 7) The narrative should explain the degree the functions reviewed are Overseas Contingency Operation (OCO) funded or reimbursable functions not currently included in the Component's budget estimate for contracted services. Actions taken with respect to each of the above categories should be summarized as depicted in the sample table below; the results of these reviews should be represented in terms of the number of CFTE and associated dollars in the following categories: IG functions; Critical functions; CAIG functions; Unauthorized personal services lacking statutory authority; Authorized personal services; and Commercial functions.

Inventory of Contracts for Services: REVIEW RESULTS		Continue Contract		Modify Contract		In-source		Divest	
Requiring Activity: NAME	Review Findings	CFTE	Dollars	CFTE	Dollars	CFTE	Dollars	CFTE	Dollars
	Inherently Governmental		\$ -		\$ -		\$ -		\$ -
	Critical		\$ -		\$ -		\$ -		\$ -
	Closely Associated		\$ -		\$ -		\$ -		\$ -
	Unauthorized Personal Services		\$ -		\$ -		\$ -		\$ -
	Authorized Personal Services		\$ -		\$ -		\$ -		\$ -
	Commercial		\$ -		\$ -		\$ -		\$ -

- (a) The categories in the column titled "Review Findings" on the table is listed in decedending order of precedence/occurrence related to the Office of Management and Budget's Office of Federal Procurement Policy (OFPP) policy letter 11-01, "Performance of Inherently Governmental and Critical Functions," and DoD Instruction 100.22, "Policy and Procedures for Determining Workforce Mix." Most Components have designated a senior, responsible management official who ensures its organization's adherence to and implementation of OFPP policy letter 11-01, and those individuals should assist with this categorization.
- (b) Functions (or work), including those under contract, work orders, task orders, etc. – as a result of performance in execution (not by intent or description in the statement of work or performance work statement) may be inherently governmental, critical, closely associated with inherently governmental, unauthorized personal services, authorized personal services, or commercial, in nature. Additional details regarding the composition of these categories are provided for reference at **Attachment 4**.
- (c) Contracts that are not summarized and listed in the categories inherently governmental, critical, closely associated, unauthorized personal services, or authorized personal services, should be listed as "commercial". Components should be prepared to substantiate the rigor of the methodology used to support their certifications.