



READINESS AND FORCE
MANAGEMENT

ASSISTANT SECRETARY OF DEFENSE
4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000

MAY 30 2014

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Reductions in Funding for Contracts for Performance of Closely Associated with Inherently Governmental Functions and Staff Augmentation Contracts

- Ref:
- (a) Under Secretary of Defense for Personnel & Readiness and Under Secretary of Defense for Acquisition, Technology, & Logistics Memorandum, "Guidance for the Submission and Review of the FY 2013 Inventory of Contracts for Services", dated 18 March 2014
 - (b) Deputy Secretary of Defense Memorandum, "Guidance for Limitation on Aggregate Annual Amount Available for Contracted Services", dated 3 June 2012
 - (c) Under Secretary of Defense, Comptroller Memorandum, "Guidance for Limitation on Aggregate Annual Amount Available for Contracted Services for Fiscal Year 2014", dated 19 May 2014

This memorandum provides additional guidance for the Component head certification letters, as required by reference (a), following Component reviews of their respective Inventory of Contracts for Services. This guidance is required in order to ensure compliance with Congressionally mandated direction to reduce funding for contracts for the performance of closely associated with inherently governmental (CAIG) functions AND staff augmentation contracts, as per subsection (c)(2) of section 808 of the fiscal year (FY) 2012 National Defense Authorization Act (NDAA), public law (P.L.) 112-81, as modified by section 802 of the FY 2014 NDAA, P.L. 113-66.

In implementing subsection (c)(2) of section 808, reference (b) required that "The Secretaries of the Military Departments and the Heads of the Defense Agencies/Field Activities (to include the Offices of the Secretary of Defense, the Joint Staff, the Combatant Commands, and all other organizations of the Department of Defense) shall reduce by 10 percent per fiscal year in FY 2012 and FY 2013 obligations for staff augmentation contracts and contracts for the performance of functions closely associated with inherently governmental functions."

The Congress, in section 802 of the FY14 NDAA, directed, via a carryover subsection, that "If the reductions required by subsection (c)(2) for fiscal years 2012 and 2013 are not implemented, the amounts remaining for those reductions in fiscal years 2012 and 2013 shall be implemented in fiscal year 2014." The Department's implementation of section 802 is reference (c) and indicated that additional guidance would be forthcoming relative to the carryover of reductions provision.

Accordingly, Components shall delineate specific actions taken and provide supporting documentation demonstrating their compliance with subsection (c)(2) of section 808, as modified by the carry-over of reductions requirements in section 802. Actions and supporting data showing the required funding reductions in EACH of FY12 and FY13 for both contracted CAIG functions AND staff augmentation contracts shall be submitted as part of the certification letter required by reference (a).

Questions should be addressed to the Office of Total Force Planning & Requirements:
Mr. Thomas Hessel (thomas.j.hessel.civ@mail.mil or 703-697-3402) and Ms. Amy Parker
(amy.l.parker26.civ@mail.mil or 703-697-1735).



F. E. Vollrath

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OFFICE OF THE SECRETARY OF DEFENSE
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MAR 18 2014

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:

CFTE =	$\frac{\text{Total Contractor Direct Labor Hours for a specific product service code for a contract, task Or delivery order, or interagency agreement}}{\text{Total hours of labor applied in a specific labor category in a given year (i.e. 2,080)}}$
<i>Calculations will be rounded to the one-hundredth (.xx) decimal level.</i>	

- 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 decending 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.

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MEMORANDUM FOR: SEE DISTRIBUTION

JUN 03 2012

SUBJECT: Guidance for Limitation on Aggregate Annual Amount Available for Contracted Services

This memorandum provides guidance (Attachment 1) regarding compliance with section 808 of the National Defense Authorization Act for Fiscal Year 2012, P.L. 112-81. Section 808 limits the amount of funds the Department may obligate for contract services in FY 2012 and FY 2013. Consistent with this statutory language, the Department's obligations for all contracted services shall not exceed, in FY 2012 and FY 2013, the total amount requested for the Department for all contracted services in the President's FY 2010 budget submission, excluding contracted services relating to overseas contingency operations, military construction, and research and development. Each Component must take action to ensure compliance with the limitation on the aggregate amount for contracted services reflected in your FY 2012-enacted budget and FY 2013 President's Budget request.

Given the nature of how appropriated funds are allocated to fulfill requirements for contracted services and the fact we are well into the year of execution for FY 2012, compliance with section 808 will require close coordination among all stakeholders. Execution will be measured using obligations from base funds, reported semi-annually in the Department's accounting systems as described in Attachment 2, to ensure that there is no migration or growth of contracted services that were excluded from the FY 2010 baseline and as tracked against Component services portfolios and contractor inventories.

Questions regarding this guidance should be directed to the following points of contact: Office of the Under Secretary of Defense (OUSD) (Comptroller): Mr. Keith Anderson (keith.anderson@osd.mil); OUSD (Personnel and Readiness): Ms. Amy Parker (amy.parker@osd.mil) and Mr. Thomas Hessel (thomas.hessel@osd.mil); and OUSD (Acquisition, Technology and Logistics): Mr. John Tenaglia (john.tenaglia@osd.mil) and Mr. Jeffrey Grover (jeffrey.grover@osd.mil).

Attachments:
As stated



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**Guidance to Implement Section 808 of the National Defense Authorization Act for
Fiscal Year 2012, P.L. 112-81**

1. The primary means by which the Department is to meet or be below the aggregate annual limitation for contracted services is for the individual Military Departments and Defense Components to limit obligations for contracted services to the FY 2012 enacted budget amount and FY 2013 President's Budget request. The following adjustments apply:
 - a. Excluding amounts allocated for overseas contingency operations, military construction, and research, development, test and evaluation;
 - b. Including all object classification code 25 categories, except 25.3 (Other goods and services from Federal sources) and 25.6 (Medical Care) as defined in DoD Financial Management Regulation 7000.14-R Volume 1: General Financial Management Information, Systems and Requirements, Appendix A;
 - c. Excluding statutory exceptions for offsetting cost increases associated with the number of civilian billets approved above the number of billets in the FY 2010 civilian personnel baseline as part of the Department's efficiencies initiatives; and
 - d. Excluding amounts adjusted for net transfer from funding for overseas contingency operations.

Except where approved increases to the current limitations on civilian personnel occur, each Military Department and Defense Agency will not exceed the FY 2012 President's Budget enacted amount for contract services and FY 2013 President's Budget request for the Department to meet the aggregate limitation, as reflected in this attachment.

2. For all contracts or task orders with an estimated value of more than \$10,000,000 awarded for contracted services in FY 2012 or FY 2013, contracting officers shall establish negotiation objectives for direct labor and overhead rates that are less than or equal to direct labor and overhead rates paid to that contractor for the same or similar contracted services in FY 2010. Contracting officers shall coordinate with the Defense Contract Management Agency and the Defense Contract Audit Agency to determine the applicable rates. In the event such contracts or task orders are to be awarded that provide for continuing services at an annual cost that exceeds the annual cost paid by the Military Department or Defense Agency/Field Activity for the same or similar services paid in FY 2010, the Secretary of the Military Department or the Head of the Defense Agency/Field Activity must provide written approval prior to contract award or order issuance.
3. The Secretaries of the Military Departments and the Heads of the Defense Agencies/Field Activities (to include the Offices of the Secretary of Defense, the Joint Staff, the Combatant Commands, and all other organizations of the Department of Defense) shall identify and eliminate any instance where such organization is utilizing contracted services to perform inherently governmental functions. In instances where inherently governmental functions are found to be performed under contract, the department or

agency shall take immediate actions to either in-source the work to government civilian performance or immediately divest the function and associated workload, reducing the scope of the contract. The term “inherently governmental functions” is defined in the Office of Federal Procurement Policy (OFPP) Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions, available online at (http://www.whitehouse.gov/omb/procurement_index_work_performance/).

4. The Secretaries of the Military Departments and the Heads of the Defense Components (to include the Offices of the Secretary of Defense, the Joint Staff, the Combatant Commands, and all other organizations of the Department of Defense) shall reduce by 10 percent per fiscal year in FY 2012 and FY 2013 obligations for staff augmentation contracts and contracts for the performance of functions closely associated with inherently governmental functions (as defined in section 2383(b)(3) of title 10, U.S.C., and described in OFPP Policy Letter 11-01).
 - a. Section 808 defines staff augmentation contracts as contracts for personnel who are subject to the direction of a government official other than the contracting officer for the contract, including but not limited to contractor personnel who perform personal service contracts. The reductions for staff augmentation contracts have already been factored into the budget documentation for FY 2012 and FY 2013. However, the aforementioned senior officials are responsible for ensuring those reductions are sustained.
 - b. For the purpose of fulfilling the requirement to reduce by 10 percent the amount of contracted services spent acquiring functions that are closely associated with inherently governmental functions, Components should use the classification in the FY 2010 Inventory of Contract Services as the baseline amount. If this data is unknown in the FY 2010 inventory, Components should use the classification in the FY 2011 Inventory of Contract Services.
5. The Secretaries of the Military Departments and the Heads of the Defense Agencies shall assign responsibility for overseeing and implementing this guidance to the officials designated pursuant to section 2330 of title 10, U.S.C., and section 812(b) of the National Defense Authorization Act for Fiscal Year 2006, P.L. 109-163, and ensure that the contractor inventory and program and budget proponents provide appropriate support.
6. As required by section 235 of title 10, U.S.C., this information must be consistent with a component’s contractor inventory compiled pursuant to section 2330a.

(\$\$ in Thousands)

Contract Services
 (includes all appropriations except MILCON and RDT&E)
 Object Class 25.xxx (excluding .3 and .6)

	FY 2012 PB Enacted (PRCP Base only)	FY 2013 PB Request (CIS (00-FEB-2012 Final))
Army		
Aircraft Procurement, Army	252,176	213,510
Army General Gift Fund (Trust)		5,448
Environmental Restoration, Army	346,031	
Family Housing Construction, Army		
Family Housing Operation and Maintenance, Army	128,417	127,423
Joint Improvised Explosive Device Defeat Fund	185,328	172,328
Military Personnel, Army	11,143	10,171
Missile Procurement, Army	53,182	48,212
National Science Center, Army	25	25
Operation and Maintenance, Army	7,162,514	10,107,133
Operation and Maintenance, Army National Guard	1,246,324	1,280,219
Operation and Maintenance, Army Reserve	626,184	502,257
Other Procurement, Army	129,062	112,253
Procurement of Ammunition, Army	173,597	151,504
Procurement of Weapons and Tracked Combat Vehicles, Army	23,500	20,394
Restoration of the Rocky Mountain Arsenal		8,000
TOTAL	10,337,483	12,758,877

Air Force		
Aircraft Procurement, Air Force	77,598	75,866
Family Housing Operation and Maintenance, Air Force	131,836	216,713
Military Personnel, Air Force	109,931	114,901
Missile Procurement, Air Force	174,439	168,922
Operation and Maintenance, Air Force	13,376,274	13,485,354
Operation and Maintenance, Air Force Reserve	399,743	376,144
Operation and Maintenance, Air Force, Recovery Act		
Operation and Maintenance, Air National Guard	1,405,440	1,309,815
Other Procurement, Air Force	179,978	164,412
Procurement of Ammunition, Air Force	2,694	2,536
TOTAL	15,857,933	15,914,663

Navy		
Aircraft Procurement, Navy	368,734	323,708
Family Housing Operation and Maintenance, Navy and Marine Corps	124,701	118,519
Military Personnel, Marine Corps	11,343	10,021
Military Personnel, Navy	6,008	5,700
National Defense Sealift Fund	19,280	9,896
Operation and Maintenance, Marine Corps	1,382,299	1,377,606
Operation and Maintenance, Marine Corps Reserve	75,740	84,194
Operation and Maintenance, Marine Corps Reserve, Recovery Act		
Operation and Maintenance, Marine Corps, Recovery Act		
Operation and Maintenance, Navy	9,231,443	10,879,377
Operation and Maintenance, Navy Reserve	393,188	337,913
Operation and Maintenance, Navy Reserve, Recovery Act		
Operation and Maintenance, Navy, Recovery Act		
Other Procurement, Navy		
Procurement of Ammunition, Navy and Marine Corps	306,890	271,510
Procurement, Marine Corps	4,437	2,871
Shipbuilding and Conversion, Navy	42,275	33,755
Weapons Procurement, Navy	333,268	331,183
TOTAL	12,349,484	13,829,076

(\$\$ in Thousands)

Contract Services
(includes all appropriations except MILCON and RDT&E)
Object Class 25.xxx (excluding .3 and .6)

	FY 2012 PB Enacted (PRCP Base only)	FY 2013 PB Request (CIS (00-FEB-2012 Final))
Defense		
Chemical Agents and Munitions Destruction, Army	1,152,848	989,579
Cooperative Threat Reduction Account	455,175	421,379
Defense Coalition Support, Defense		
Defense Production Act Purchases	213,558	94,316
Department of Defense Acquisition Workforce Development Fund	161,074	466,287
Department of Defense Family Housing Improvement Fund	2,184	1,786
Disposal of Department of Defense Real Property	91,202	7,855
DoD Overseas Military Facility Investment Recovery	7,295	229
Drug Interdiction and Counter-drug Activities, Defense	347,796	299,842
Family Housing Operation and Maintenance, Defense-Wide	3,103	2,006
Lease of Department of Defense Real Property	91,815	12,029
Office of the Inspector General, Recovery Act		
Office of the Inspector General	47,072	19,032
Operation and Maintenance, Defense-Wide		
DAU	19,544	19,259
DCAA	15,225	17,237
DCMA	41,113	44,236
DFAS	11,975	17,513
DHRA	424,308	459,284
DIA	1,156,881	1,039,683
DISA	841,094	849,558
DLA	124,457	71,014
DLSA	2,608	1,768
DMACT	81,554	70,562
DODEA	280,111	297,403
DPMO	622	693
DSCA	56,936	60,482
DSS	68,894	64,871
DTRA	200,578	210,139
DTSA	6,408	6,727
MDA	202,342	255,729
NDU	6,780	7,316
NGA	1,384,321	1,499,319
NSA	2,941,862	2,558,101
OEA	36,172	141,193
OSD	986,144	849,862
SOCOM	1,095,167	1,659,037
TJS	249,664	199,037
WHS	156,036	136,136
Overseas Humanitarian, Disaster and Civic Aid	108,078	57,647
Procurement, Defense-Wide	107,433	80,299
United States Court of Appeals for the Armed Forces	390	490
Defense Health Program	3,017,197	3,073,269
TOTAL	16,197,016	16,062,204

Department TOTAL	54,741,916	58,554,820
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Section 808 Exceptions

FY 2010 PB Request Baseline	50,876,680	50,876,680
Adjustment for Civilian Pay Increase from FY 2010 PB	3,030,446	3,809,499
OCO to Base Transfer	2,561,644	4,352,887
FY 2010 PB Request Adjusted IAW Sec 808	56,468,770	59,039,066

Below Section 808 Annual Aggregate Limitation	-1,726,854	-474,246
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Excludes Civil Functions, MILCON and RDT&E appropriations
 Excludes Overseas Contingency Operations (Afghanistan Security Funds and Iraq Security Forces Fund)
 Includes Major Category 25 - Contract Services
 Excludes Minor Category: 310 - GDS/Service from other Agencies; 320 - Pay Foreign Nationals; and 330 - Buy from Revolving Funds
 Excludes Minor Category: 610 - Medical Care

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COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

MAY 19 2014

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY FOR
FINANCIAL MANAGEMENT AND COMPTROLLER
ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE FOR
FINANCIAL MANAGEMENT AND COMPTROLLER
ASSISTANT SECRETARY OF DEFENSE (HEALTH AFFAIRS)
INSPECTOR GENERAL FOR THE U.S. DEPARTMENT OF
DEFENSE
COMPTROLLERS OF THE DEFENSE AGENCIES
COMPTROLLERS OF THE DOD FIELD ACTIVITIES
BUSINESS FINANCIAL MANAGER, OPERATIONAL
TEST AND EVALUATION

SUBJECT: Guidance for Limitation on Aggregate Annual Amount Available for Contracted Services for Fiscal Year 2014

This memorandum and attachment 1 provide guidance regarding compliance with section 802 of the National Defense Authorization Act for Fiscal Year (FY) 2014, Public Law 113-66. Section 802 limits the amount of funds the Department may obligate for contract services in FY 2014. This memo extends the limits originally established in the Deputy Secretary of Defense June 3, 2012 memorandum by providing FY 2014 spending limits. Consistent with this statutory language, the Department's obligations for all contracted services shall not exceed the total amount requested for the Department for all contracted services in the President's FY 2010 budget submission excluding contracted services relating to overseas contingency operations, military construction, and research and development. Each Component must take action to ensure compliance with the limitation on the aggregate amount for contracted services in your FY 2014 enacted budget with approved adjustments as reflected in attachment 2.

Section 802 added a new requirement in paragraph (e) which states that if the components did not achieve the 10 percent reduction per year in FY 2012 and FY 2013 for staff augmentation contracts and contracts for the performance of functions closely associated with inherently governmental functions, the balance of those reductions must be implemented in FY 2014. Additional guidance will be forthcoming on this requirement as it relates to the FY 2013 Inventory of Contract Services.

Compliance with Section 802 will require close coordination among all stakeholders given the nature of how appropriated funds are allocated to fulfill requirements for contracted services, and the fact that we are well into the year of execution for FY 2014. Execution will be measured using obligations from base funds, reported in the Department's accounting systems as described in attachment 1 to ensure that there is no growth in contracted services.



Questions regarding this guidance should be directed to Mr. Dennis P. Roy
(dennis.p.roy4.civ@mail.mil) in the Operations Directorate.

A handwritten signature in black ink, appearing to read "Robert F. Hale". The signature is written in a cursive style with a large, prominent initial "R".

Robert F. Hale

Attachments:
As stated

**Guidance to Implement Section 802 of the National Defense Authorization Act for
Fiscal Year 2014, P.L. 113-66**

1. The primary means by which the Department is to meet or be below the aggregate annual limitation for contracted services is for the individual military departments and defense components to limit obligations for contracted services to the FY 2014 enacted budget amount. The following adjustments apply:
 - a. Exclude amounts allocated for overseas contingency operations, military construction, and research, development, test and evaluation.
 - b. Include all object classification code 25 categories, as recording in the Comptroller's Program Resource Collection Process (PRCP), except 25.3 (Other goods and services from Federal sources), 25.5 (R&D contracts), and 25.6 (Medical Care) as defined in DoD Financial Management Regulation 7000.14-R Volume 1: General Financial Management Information, Systems and Requirements, Appendix A,
 - c. Exclude statutory exceptions for offsetting cost increases associated with the number of civilian billets approved above the number of billets in the FY 2010 civilian personnel baseline as part of the Department's efficiencies initiatives. The civilian full time equivalents are reflected as of the FY 2014 enacted position of the FY 2015 President's Budget submission
 - d. Exclude amounts adjusted for net transfer of contract services funding from overseas contingency operations funding. The FY 2014 OCO to Base amount has been adjusted for congressionally directed Base to OCO transfers contained in the Consolidated Appropriations Act of 2014.

2. If a Military Department or Defense Agency must exceed the limitation to meet a critical mission requirement, a deviation request must be submitted to OUSD(C) Operations Directorate. It is imperative that each military department and defense agency not exceed the FY 2014 enacted amount for contract services for the Department to meet the aggregate limitation, as reflected in the attachment.

3. Compliance will be measured by actual baseline obligations reported in the FY 2014 column of the FY 2016 budget.

FY 2014 Section 802 Contract Services Limitations

(\$\$ in Thousands)

Contract Services
(includes all appropriations except MILCON and RDT&E)
Object Class 25.xxx (excluding .3, .5, and .6)

	FY 2010 Obama Budget Request (CIS (00-May-2009 Final))	FY 2013 EOY Actuals PRCP 01- 06-2014	FY 2014 Enacted (PRCP 03-10- 2014) with approved adjustments
Army			
Aircraft Procurement, Army	238,521	627,102	549,555
Army General Gift Fund (Trust)	5,487	0	0
Environmental Restoration, Army	0	0	4,155
Family Housing Construction, Army	941	0	0
Family Housing Operation and Maintenance, Army	153,150	127,423	125,366
Joint Improvised Explosive Device Defeat Fund	527,600	0	0
Military Personnel, Army	9,638	11,772	10,843
Missile Procurement, Army	44,087	78,763	75,000
National Science Center, Army	0	25	0
Operation and Maintenance, Army ¹	7,699,599	9,813,056	10,100,000
Operation and Maintenance, Army National Guard	1,363,216	1,805,410	1,712,336
Operation and Maintenance, Army Reserve	327,064	796,541	620,500
Other Procurement, Army	99,569	1,927,479	1,120,000
Procurement of Ammunition, Army	143,651	190,568	85,000
Procurement of Weapons and Tracked Combat Vehicles, Army	24,170	66,807	65,000
Restoration of the Rocky Mountain Arsenal	15,000	0	0
TOTAL	10,651,693	15,444,946	14,467,755

1/ FY 2014 Enacted does not include \$1,214 million of base funds transferred to OCO.

Air Force			
Aircraft Procurement, Air Force	70,000	88,927	54,011
Family Housing Operation and Maintenance, Air Force	18,250	168,685	143,284
Military Personnel, Air Force	111,236	21,314	21,773
Missile Procurement, Air Force	13,425	167,684	133,795
Operation and Maintenance, Air Force ²	13,387,568	10,727,884	12,867,427
Operation and Maintenance, Air Force Reserve	471,247	310,365	358,325
Operation and Maintenance, Air Force, Recovery Act	219,192	0	0
Operation and Maintenance, Air National Guard	1,247,537	1,424,285	1,308,585
Other Procurement, Air Force	31,604	176,479	142,980
Procurement of Ammunition, Air Force	1,192	2,280	2,045
TOTAL	15,571,251	13,087,903	15,032,225

2/ FY 2014 Enacted does not include \$252 million of base funds transferred to OCO.

Navy			
Aircraft Procurement, Navy	228,876	502,388	305,250
Family Housing Operation and Maintenance, Navy and Marine Corps	144,601	111,337	123,254
Military Personnel, Marine Corps	10,976	0	10,165
Military Personnel, Navy	33,333	1,909	1,212
National Defense Sealift Fund	115,137	21,078	18,101
Operation and Maintenance, Marine Corps ³	1,586,537	1,678,342	1,226,287
Operation and Maintenance, Marine Corps Reserve	53,319	110,989	80,291
Operation and Maintenance, Marine Corps Reserve, Recovery Act	11,972	0	0
Operation and Maintenance, Marine Corps, Recovery Act	34,161	0	0
Operation and Maintenance, Navy ⁴	8,320,282	9,858,686	9,046,424
Operation and Maintenance, Navy Reserve	357,216	284,222	330,644
Operation and Maintenance, Navy Reserve, Recovery Act	16,526	0	0
Operation and Maintenance, Navy, Recovery Act	197,119	0	0
Other Procurement, Navy	378,360	239,083	109,052
Procurement of Ammunition, Navy and Marine Corps	5,183	3,929	5,210
Procurement, Marine Corps	29,432	54,825	34,145
Reserve Personnel, Marine Corps	0	25,496	0
Shipbuilding and Conversion, Navy	417,633	383,610	335,479
Weapons Procurement, Navy	52,750	32,555	31,222
TOTAL	11,993,413	13,308,449	11,656,736

3/ FY 2014 Enacted does not include \$215 million of base funds transferred to OCO.

4/ FY 2014 Enacted does not include \$639 million of base funds transferred to OCO.

FY 2014 Section 802 Contract Services Limitations

Contract Services

(includes all appropriations except MILCON and RDT&E)

Object Class 25.xxx (excluding .3, .5, and .6)

(\$\$ in Thousands)

	FY 2010 Obama Budget Request (CIS (00-May-2009 Final))	FY 2013 EOY Actuals PRCP 01-06-2014	FY 2014 Enacted (PRCP 03-10-2014) with approved adjustments
Defense			
Chemical Agents and Munitions Destruction, Army	1,184,373	981,146	591,138
Cooperative Threat Reduction Account	376,847	348,325	268,795
Defense Coalition Support, Defense	22,000	0	0
Defense Production Act Purchases	0	68,700	4,650
Department of Defense Acquisition Workforce Development Fund	46,000	125,341	137,717
Department of Defense Family Housing Improvement Fund	2,554	1,337	1,365
Disposal of Department of Defense Real Property	10,177	19,116	0
DoD Overseas Military Facility Investment Recovery	1,227	0	0
Drug Interdiction and Counter-drug Activities, Defense	187,342	0	271,554
Family Housing Operation and Maintenance, Defense-Wide	292	1,597	141
Lease of Department of Defense Real Property	7,707	28,958	0
Office of the Inspector General, Recovery Act	97	0	0
Office of the Inspector General	6,013	36,169	33,194
Operation and Maintenance, Defense-Wide			0
DAU	23,090	12,316	18,364
DCAA	14,298	16,043	18,807
DCMA	46,530	49,709	50,689
DFAS		0	0
DHRA	444,577	272,622	534,651
DIA	251,025	943,953	990,018
DISA	776,005	754,837	790,664
DLA	68,395	98,956	104,939
DLSA	10,708	106	698
DMACT	112,008	46,017	58,662
DODEA	502,105	226,899	296,934
DPMO	382	1,387	3,043
DSCA	45,118	42,723	42,168
DSS	129,046	63,259	64,829
DTRA	183,858	181,591	186,007
DTSA	2,408	4,664	5,185
MDA		221,609	348,643
NDU	9,479	8,131	8,971
NGA	1,674,995	1,470,635	1,283,337
NSA	2,727,944	2,271,183	2,278,185
OEA	3,619	4,282	2,542
OSD	1,031,526	986,440	770,956
SOCOM	997,433	1,550,959	1,695,358
TJS	253,405	203,341	178,441
WHS	177,601	123,405	145,045
Overseas Humanitarian, Disaster and Civic Aid	61,098	14,898	23,677
Procurement, Defense-Wide	4,303	132,488	89,924
United States Court of Appeals for the Armed Forces	3,422	2,261	457
Defense Health Program	1,261,316	2,493,191	2,664,151
TOTAL	12,660,323	13,808,594	13,963,879
Department TOTAL	50,876,680	55,649,892	55,120,595
FY 2010 PB Request Baseline	50,876,680	50,876,680	50,876,680
Adjustment for Civilian Pay Increase from FY 2010 PB		2,234,070	3,810,003
OCO to Base Transfer		4,352,887	1,542,245
FY 2010 PB Request Adjusted IAW Sec 808/802		57,463,637	56,228,928
Below Section 808/802 Annual Aggregate Limitation		-1,817,745	-1,108,333

Excludes Civil Functions, MILCON and RDT&E appropriations
 Excludes Overseas Contingency Operations (Afghanistan Security Funds and Iraq Security Forces Fund)
 Includes Major Category 25 - Contract Services
 Excludes Minor Category: 310 - GDS/Service from other Agencies; 320 - Pay Foreign Nationals; and 330 - Buy from Revolving Funds
 Excludes Minor Category: 610 - Medical Care
 Excludes Minor Category: 510 - RDT&E