



SECRETARY OF DEFENSE  
1000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1000

DEC 20 2011

The Honorable Howard P. "Buck" McKeon  
Chairman  
Committee on Armed Services  
U.S. House of Representatives  
Washington, DC 20515

Dear Mr. Chairman,

Thank you for your November 14, 2011, letter regarding contracted services. I share your concerns with regard to the Department of Defense's stewardship of all of its resources, particularly those related to the large portion of our budget that is spent on contracted services. My commitment to improve the Department's budgetary accountability is as strong as ever. As you know, on November 22, 2011, the Department delivered a consolidated plan to you and the other congressional defense committees (enclosure) that addresses your request for actions to improve visibility and accountability in this area, specifically:

- (1) This plan identifies both short and long term actions that will improve the inventory of contracts for services and make it a more reliable and complete data set. The Department is seeking emergency relief from the Paperwork Reduction Act, thus enabling actions to move forward with collecting data from private sector firms that will make full implementation of both sections 235 and 2330a of title 10, United States Code, possible. **As you noted, the Army has successfully implemented the inventory as a practical management tool. I am committed to making the Department's information technology and business enterprise systems available to support and enable the efforts of the rest of the Department to quickly implement the Army's "Contractor Manpower Reporting Application" tool this fiscal year, while also leveraging the Army processes, lessons learned, and best practices to comply with the law in the most cost efficient and effective manner.**
- (2) The plan submitted on November 22, 2011, included draft guidance that will be issued Department-wide by the end of this calendar year. This guidance will be expanded to direct the preparation of the FY2011 Inventory of Contracts for Services. Additionally, the plan commits to the issuance of comprehensive guidance and policy by the Under Secretary for Personnel and Readiness that will be included in Department of Defense standardized policies regarding the annual inventory process, as well as delineating responsibilities across various communities, and providing direction for the review of the inventories, to include a certification requirement.
- (3) We are continuing our efforts to strengthen the relationship between the Inventory for Contract Services and the budget justification materials. The FY 2013 budget guidance to the DoD Components requires the budget estimates to be informed by the FY 2010

Inventory for Contract Services. The FY 2013 budget guidance also requires that all Components report funding for contracted services (utilizing object class information) and contractor full-time equivalents for all appropriations at the budget line item level of detail. We will continue to look for ways to improve the way we report the contract services information in our budget justification material. In the long term, we will pursue solutions with OMB to better align the contracting information in the Federal Procurement Data System with the object class information in our accounting systems.

I appreciate your continued support as we further improve the Department's fiscal accountability in these critical areas. I have directed that my staff, led by the Office of the Under Secretary of Defense for Personnel and Readiness, work with your staff members and those of the other congressional defense committees, to ensure the Department's progress is fully transparent and open.

Sincerely,



Enclosure:  
As stated

cc:  
The Honorable Adam Smith  
Ranking Member