



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
RESEARCH, DEVELOPMENT AND ACQUISITION
1000 NAVY PENTAGON
WASHINGTON DC 20350-1000

JUN 30 2009

MEMORANDUM FOR DIRECTOR, DEFENSE PROCUREMENT ACQUISITION POLICY

Subject: Department of the Navy (DON) submission of the FY08 National Defense Authorization Act (NDAA) Section 807 Inventories and Review of Contracts for Services

Reference: (a) DUSD A&T Memo dated 26 May 2009
(b) NDAA Section 807 Statute Inventory Services Contract

Enclosure: (1) DON FY08 NDAA Section 807 Inventory of Services Contract

Per Reference (a), the DON submits Enclosure (1), the FY08 inventory report of services contracts. This memorandum provides a summary of the approach used to develop the inventory report and the consolidated rationale used to populate specific data fields required under Reference (b).

The DON methodology used existing data repositories and databases including the Federal Procurement Data System - Next Generation (FPDS-NG), the Standard Procurement System (SPS) and various other DON Contract Writing Systems (CWS), to electronically capture services contract information and related data elements as required under NDAA Section 807. This captured data was then consolidated and used to generate the required overall NDAA Section 807 inventory report.

Only "service" contracts valued at greater than \$100K for FY08 were pulled from the data repositories and databases. Contracts that were coded under Product Service Code (PSC) "W" (Lease or Rental of Equipment), PSC "X" (Lease or Rental of Buildings), and PSC "Y" (Construction) were not included in this report.

The DON inventory report, as submitted, provides details for each service contract down to the Contract Line Item (CLIN) level, which provided more insight and information on the services that were purchased on each contract. Travel, Material and Other Direct Cost (ODC) CLINs were removed and not included on the inventory report.

The data fields that are blank in the inventory report were a result of the information not being available from the data repositories and databases. The DASN (A&LM) office will work with DPAP to explore ways to capture data that is missing or incorrect from existing DON databases for future inventory reports.

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While required by NDAA Section 807, the number of Full-Time contractor employees or equivalents (FTE) on each service contract, was not directly available or captured in the DON data repositories and database systems. DON developed a statistical sampling approach to calculate and report the number of FTEs. This was coordinated with the Office of Defense Procurement and Acquisition Policy. The entire FY08 DON services contract population was sorted and grouped into 17 separate Federal Supply Code "buckets". A random sampling methodology was then used to select a statistically valid subset of contracts from each of the 17 buckets. An arithmetic average of the fully burdened weighted average labor rate for each bucket was then calculated and used in an algorithm to calculate the labor hours in each bucket. A standard of 2087 annual labor hours per work year was applied in the algorithm to convert the number of labor hours to an estimate of the FTE throughout the inventory report. FTEs that were not reported on the inventory report were due to the fact that the service contracts contained non-labor CLINs.

In the Personal Services Contracts data field column of the inventory report, the DON will determine whether any contract was a personal services contract. This analysis will be performed within 90 days after the inventory report submission as per 10 U.S.C. 2330a(e)(2)(A) of Reference (b) for any inherently governmental and closely related to inherently governmental functions.

The DON will comply with the publication requirements of Reference (b) to include public notification in the Federal Register. The inventory report will be posted on the Assistant Secretary of the Navy (ASN) for Research Development & Acquisition (RD&A) website within 30 days of submission of this inventory report.

The DON will engage the Navy Audit Service to conduct audits of the activities identified in the inventory report as set forth in Reference (b).

The DASN (A&LM) point of contact for the DON inventory pursuant to FY08 NDAA Section 807 requirements is Mr. Roger Yee at roger.yee@navy.mil and commercial phone 703-693-4019 or DSN 223-4019.


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