



Department of Defense Trends in Overseas Contract Obligations

Moshe Schwartz

Specialist in Defense Acquisition

Wendy Ginsberg

Analyst in American National Government

Daniel Alexander

Research Associate

July 22, 2011

Congressional Research Service

7-5700

www.crs.gov

R41820

Summary

The Department of Defense (DOD) has long relied on contractors to support military operations. Contractors provide the U.S. military with weapons, food, uniforms, and logistic services, and without contractor support, the U.S. would currently be unable to arm and field an effective fighting force. DOD spends more on federal contracts than all other federal agencies combined.

Understanding the costs associated with contractor support of overseas military operations could provide Congress more data upon which to weigh the relative costs and benefits of different military operations, including contingency operations and maintaining bases around the world.

The federal government tracks contract obligations through the Federal Procurement Data System. Obligations occur when agencies enter into contracts, employ personnel, or otherwise commit to spending money. This report examines DOD overseas contract obligations within the context of U.S. government and DOD contract spending.

Total DOD Contract Obligations

From FY1999 to FY2008, DOD contract obligations increased from \$165 billion (in FY2010 dollars) to \$414 billion (in FY2010 dollars). Contract obligations also consumed an increasing share of total DOD obligations, increasing from 50% of total obligations in FY2003 to 60% in FY2008. In FY2009 and FY2010, DOD contract obligations decreased. In FY2010, DOD obligated \$366 billion to contracts (54% of total DOD obligations).

DOD Contract Obligations Performed Overseas

DOD obligated \$45 billion for contracts performed overseas in FY2010. Although much of these funds were to support operations in Afghanistan and Iraq, a significant portion—\$18 billion, or 40%—was spent to support DOD operations in other parts of the world.

DOD contract obligations for work performed overseas occurred primarily in the area under the jurisdiction of U.S. Central Command (61% of total), which includes the Iraq and Afghanistan areas of operation. DOD contractors working abroad performed their remaining work in the geographic regions that fall under U.S. European Command (21%), U.S. Pacific Command (7%), U.S. Northern Command (7%), U.S. Southern Command (1%), and U.S. African Command (1%).

Concerns have been raised over the reliability of data contained in the FPDS-NG database. There are also specific data reliability concerns regarding contracts listed as having been performed overseas. These concerns bring into question the extent to which the data can or should be relied upon to conduct policy analysis or make policy decisions. DOD is now aware of concerns relating to overseas contract obligations and is working to correct the data.

Comparison of DOD, State, and USAID Overseas Contract Obligations

Some analysts argue that in order to achieve its foreign policy objectives, the United States must bring together the resources of, among others, DOD, the Department of State, USAID—and government contractors. DOD's share of federal government obligations for contracts performed abroad has declined from a high of 87% in FY1999 to 73% in FY2010. Over the same period,

combined Department of State and U.S. AID contract obligations increased from 5% to 16% of all overseas obligations.

Contents

Introduction	1
Total DOD Contract Obligations	1
DOD Contract Obligations Performed Overseas	3
Where DOD Obligates Contract Dollars	5
Operations in Afghanistan and Iraq	8
Whole-of-Government Approach	8
How Reliable Is the Data on Overseas Contract Obligations?	10
Impact of Reliability Concerns	13
DOD Efforts to Correct the Data	14

Figures

Figure 1. Contract Obligations by Agency	2
Figure 2. DOD Contract Obligations	3
Figure 3. Percentage of DOD Contract Obligations Performed Outside the United States	5
Figure 4. DOD Contract Obligations for Work Performed in Combatant Commands Areas of Responsibility	6
Figure 5. DOD’s Proportion of Total U.S. Government Contract Work Performed Overseas	10
Figure 6. DOD Contract Obligations for Performance in Moldova.....	12
Figure 7. Listed vs. CRS Estimated Actual Obligations	13

Tables

Table 1. Value of Obligations for Contracts Performed in Combatant Commands Areas of Responsibility	7
Table 2. Top 10 Foreign Countries.....	7

Appendixes

Appendix A. List of Countries Sharing Identical Two Letter FPDS Codes with U.S. State or Territory.....	15
Appendix B. The Federal Procurement Data System.....	17

Contacts

Author Contact Information	18
Acknowledgments	18

Introduction

The Department of Defense (DOD) has long relied on contractors to support overseas military operations. Contractors provide the U.S. military with weapons, food, uniforms, and logistic services, and without contractor support, the United States would currently be unable to arm and field an effective fighting force. In FY2010, DOD obligated \$45 billion for contracts performed overseas. Although much of these funds were obligated to fund operations in Afghanistan and Iraq, a significant portion—\$18 billion, or 40%—was spent to support DOD operations in other parts of the world. Most of the overseas contract obligations are related to supporting U.S. troops stationed abroad.

Congress has long recognized the critical role contractors play in supporting overseas military operations and has grappled with the role of contractors in supporting overseas operations and the costs associated with DOD's reliance on contractors. Understanding the costs associated with contractor support of overseas military operations could provide Congress more data upon which to weigh the relative costs and benefits of different military operations, including contingency operations and maintaining permanent bases around the world. This report examines (1) DOD's overseas contract obligations in the larger context of U.S. government and DOD contract spending, and (2) how those contract obligations are used to support DOD operations in different regions. This report also examines the extent to which this data is sufficiently reliable to use as a factor when developing policy or understanding government operations.

Total DOD Contract Obligations

When Congress appropriates money, it provides *budget authority*—the authority to enter into obligations. *Obligations* occur when agencies enter into contracts, submit purchase orders, employ personnel, or otherwise legally commit to spending money. *Outlays* occur when obligations are liquidated (primarily through the issuance of checks, electronic fund transfers, or the disbursement of cash).¹

How Is Government Contract Data Tracked?

The Federal Procurement Data System—Next Generation (FPDS-NG) is a central database of U.S. government-wide procurement. The purpose of FPDS-NG is to provide data that can be used as “[A] basis for recurring and special reports to the President, the Congress, the Government Accountability Office, Federal executive agencies, and the general public.”² The contract data in this report comes from the FPDS-NG database.

FPDS-NG generally reports information on contracts that exceed \$3,000 in obligations. FPDS-NG does not include data from judicial branch agencies, the Government Accountability Office (GAO), the Congressional Budget Office

¹ CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by Bill Heniff Jr., p. 2. GAO defines an obligation as “a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another.” U.S. Government Accountability Office, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, September 1, 2005.

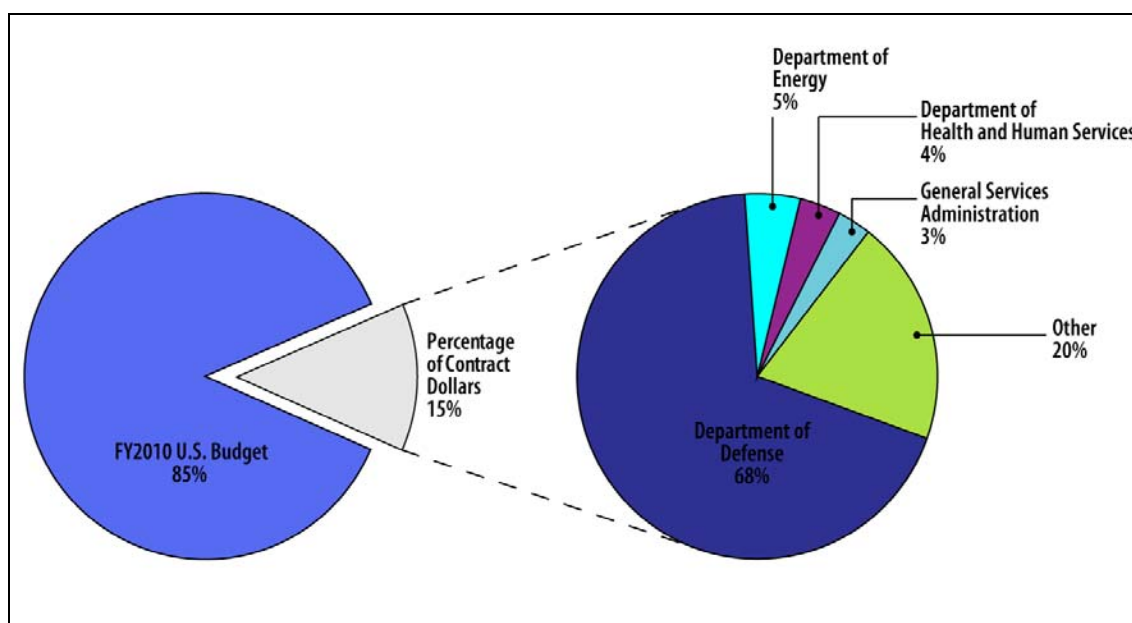
² Federal Acquisition Regulation 4.602.

(CBO), or select executive branch agencies, such as the Central Intelligence Agency and National Security Agency.

Due to concerns over data reliability (see below), data from FPDS-NG is used in this report only to identify broad trends and rough estimations. FPDS-NG contains data from 1978 to the present. For a more detailed discussion on how FPDS operates, see **Appendix B**.

In FY2010, the U.S. government obligated \$535 billion for contracts for the acquisition of goods, services, and research and development.³ The \$535 billion obligated on contracts is equal to 15% of the entire FY2010 U.S. budget of nearly \$3.6 trillion. As noted in **Figure 1**, DOD obligated more money on federal contracts (\$366 billion) than all other government agencies combined, equal to 11% of the entire U.S. budget.

Figure 1. Contract Obligations by Agency
FY2010



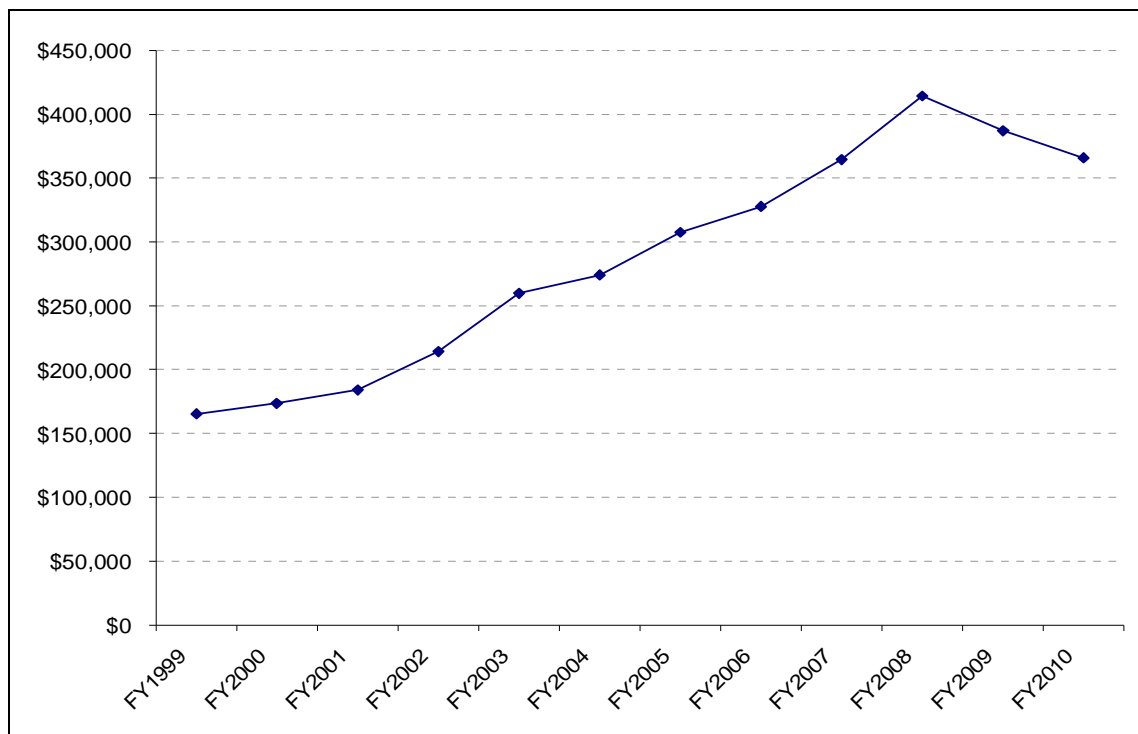
Source: USASpending.gov, March 2, 2011. USASpending.gov derives its data from FPDS-NG. Figure by CRS Graphics.

From FY1999 to FY2008, adjusted for inflation, DOD contract obligations increased from \$165 billion (in FY2011 dollars) to \$414 billion (in FY2011 dollars) (see **Figure 2**). Contract obligations also consumed an increasing share of total DOD obligations, increasing from 50% of total obligations in FY2003 to 60% in FY2008.⁴

³ The U.S. Government obligated more money on services (51%) than on goods (37%) and research and development (11%) combined (numbers do not equal 100% due to rounding). Calculations are based on total contract dollars in FY2010 from Federal Procurement Data System—Next Generation, February 24, 2011, and the Budget of the United States Government: Fiscal Year 2012.

⁴ For purposes of this report, total obligations are defined as total direct obligations. See Department of Defense, *Budget for Fiscal Year 2005-FY2010*, Financial Summary Tables. Deflators for converting into constant dollars derived from Office of the Under Secretary of Defense (Comptroller), Department of Defense, *National Defense Budget Estimates for FY2011*, “Department of Defense Deflators – TOA ‘Total Non-Pay,’” p. 46, March 2010.

Figure 2. DOD Contract Obligations
FY1999-FY2010 (in millions)



Source: Federal Procurement Data System—Next Generation, January 3, 2011.

Notes: Deflators for converting into constant dollars derived from Office of the Under Secretary of Defense (Comptroller), Department of Defense, *National Defense Budget Estimates for FY2011*, “Department of Defense Deflators – TOA, ‘Total Non-Pay,’” p. 46, March 2010.

As shown above, in FY2009 and FY2010 DOD decreased the amount of obligations that went to contractors. In FY2010, out of total direct obligations of \$681 billion, DOD obligated \$366 billion (54%) to contracts, compared to \$414 billion (60%) in FY2008.⁵ DOD’s overall decreased reliance on overseas contractors is not a result of a policy to use fewer contractors in Afghanistan and Iraq. Contract obligations to support operations in Afghanistan and Iraq have remained relatively stable over the past two years.⁶

DOD Contract Obligations Performed Overseas

DOD relies on contractors to support operations worldwide, including contingency operations in Afghanistan and Iraq, permanently garrisoned troops overseas, and ships docking at foreign ports.

⁵ DOD obligations in FY2010 broke down as follows: 45% on goods, 43% on services, and 12% on research and development. Contract obligation data drawn from FPDS-NG, January 3, 2011, for FY1999 through FY2010. See Department of Defense, *Budget for Fiscal Year 2012, Financial Summary Tables*, for total direct obligations.

⁶ Contract obligations in the Afghanistan and Iraq areas of operation decreased from \$29 billion in FY2008 to \$27 billion in FY2010.

What Is Place of Performance?

FPDS-NG defines place of performance as “the location of the principal plant or place of business where the items will be produced, supplied from stock, or where the service will be performed.”⁷ Foreign place of performance is defined here as work produced, supplied, or performed primarily outside of the United States or its territories.

According to DOD, the FPDS-NG is required to collect only the predominant place of performance for contract actions. Because FPDS-NG lists only one country for place of performance, contracts listed as being performed in one country can also involve substantial performance in other countries.

In FY2010, DOD obligated more than \$45 billion or 12% of its total contract obligations for work performed outside of the United States (see **Figure 3**).⁸ Operations in Afghanistan and Iraq accounted for approximately 60% of all contract obligations (\$27 billion) for work performed outside of the United States.⁹ Excluding operations in Afghanistan and Iraq, overseas obligations would represent approximately 5% to 6% of all DOD contract obligations.¹⁰

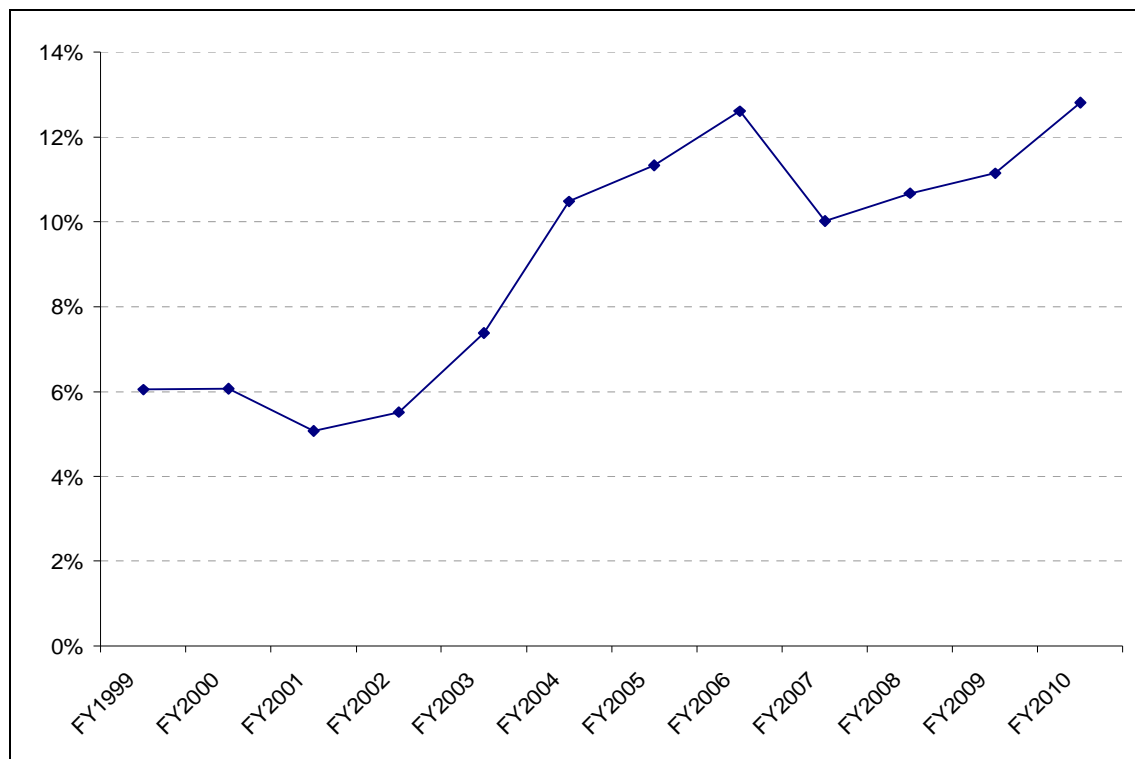
⁷ General Services Administration, Federal Procurement Data System-Next Generation (FPDS-NG) Data Element Dictionary, version 1.4, February 15, 2011.

⁸ FPDS-NG, January 3, 2010, for FY1999 through FY2010.

⁹ Based on Congressional Budget Office (CBO) methodology, the Iraqi theater includes Iraq, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Turkey, and the United Arab Emirates. See Congressional Budget Office, *Contractors' Support of U.S. Operations in Iraq*, August 2008, p. 3. For purposes of this analysis, the Afghan theater includes Afghanistan, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan.

¹⁰ Projection based on the level of overseas obligations prior to the onset of operations in Afghanistan and Iraq and by comparing current overseas obligations, less Afghanistan and Iraq, to overall current obligations.

Figure 3. Percentage of DOD Contract Obligations Performed Outside the United States



Source: FPDS-NG, January 3, 2011, for FY1999 through FY2010.

Where DOD Obligates Contract Dollars

DOD divides its missions and geographic responsibilities among six unified combatant commands, including the U.S. Northern Command (NORTHCOM), U.S. African Command (AFRICOM), U.S. Central Command (CENTCOM), U.S. European Command (EUCOM), U.S. Pacific Command (PACCOM), and U.S. Southern Command (SOUTHCOM).¹¹ These commands do not control all DOD contracting activity that occurs within their respective geographic areas of responsibility. For example, Transportation Command (TRANSCOM) may contract with a private company to provide transportation services in the Central Command area. For purposes of this report, DOD contract obligations are categorized by the place of performance, not the DOD component that signed the contract or obligated the money. For example, all contract obligations for work in the geographic location that falls under the responsibility of CENTCOM will be allocated to CENTCOM.

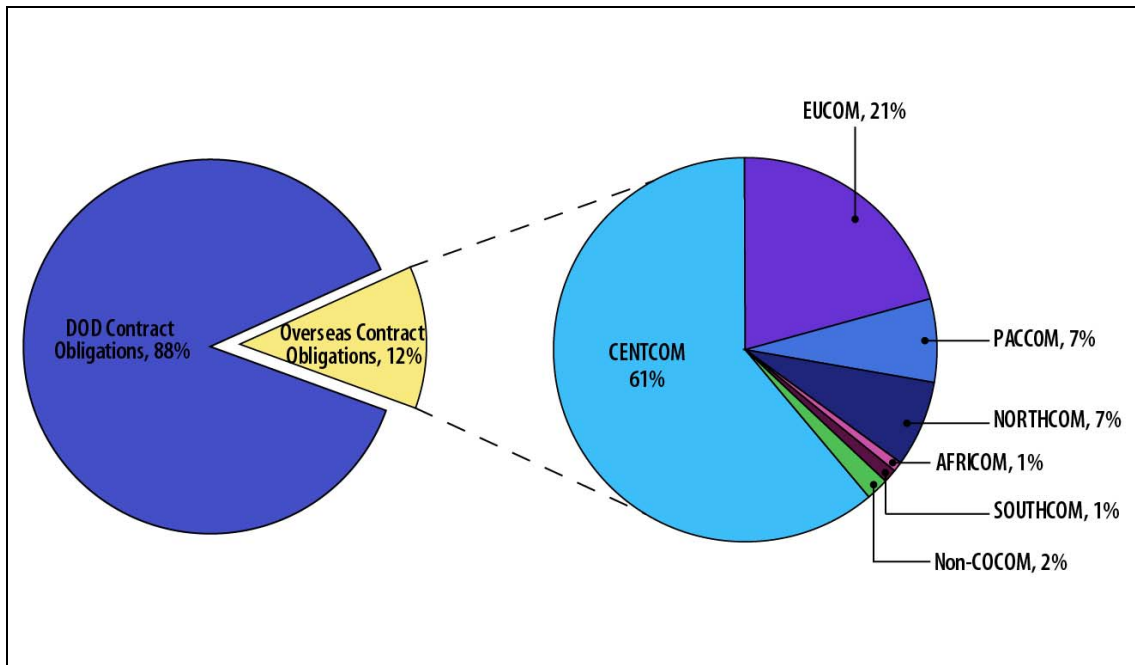
In FY2010, most of DOD's contract work (88%) was performed in NORTHCOM. While NORTHCOM also includes the Bahamas, Canada, and Mexico, the majority of this money is spent within the United States and its territories.¹² DOD obligated 8% of its contract work to CENTCOM, followed by 3% in EUCOM and 1% in PACCOM.¹³

¹¹ Department of Defense, *Unified Command Plan*, December 17, 2008.

¹² In FY2010, DOD obligated 99% of its contract work in NORTHCOM to the United States and its territories. Some (continued...)

The Unified Combatant Commands where DOD obligates contract dollars reflects DOD’s military operations and overseas permanent garrisoned U.S. troops. DOD contract obligations for work performed overseas went primarily to CENTCOM (61%), which includes the Iraq and Afghanistan areas of responsibility. DOD contractors performed their remaining work abroad in EUCCOM (21%), PACCOM (7%), NORTHCOM (7%), SOUTHCOM (1%), and AFRICOM (1%) (see **Figure 4** and **Table 1**). CENTCOM and EUCCOM combined represent over 80% of all overseas contract obligations and approximately 85% of troops deployed overseas.¹⁴

Figure 4. DOD Contract Obligations for Work Performed in Combatant Commands Areas of Responsibility
FY2010



Source: FPDS-NG, January 3, 2011, for FY2010. Figure by CRS Graphics.

(...continued)

countries do not fall under the geographical jurisdiction of any of the Unified Combatant Commands.

¹³ Percentages based on data from FPDS-NG, January 4, 2011, for FY1999 through FY2010. Each Unified Combatant Command lists the countries that comprise its areas of responsibility on its respective website.

¹⁴ Based on data provided by the Defense Manpower Data Center, as of September 30, 2010. For number of troops in South Korea, see CRS Report R41481, *U.S.-South Korea Relations*, coordinated by Mark E. Manyin.

Table 1. Value of Obligations for Contracts Performed in Combatant Commands Areas of Responsibility
FY2010

Unified Combatant Command	Amount
CENTCOM	\$27,618,890,372
EUCOM	\$9,652,423,800
PACCOM	\$3,381,097,568
NORTHCOM	\$3,095,378,614
AFRICOM	\$526,775,708
SOUTHCOM	\$490,057,648

Source: FPDS-NG, January 3, 2011, for FY2010.

Notes: Total does not equal 100% because approximately 2% of DOD contract obligations are for contracts performed in countries that do not fall under any of the Unified Combatant Commands.

Of the top 10 countries where DOD contractors perform work abroad, 4 were in CENTCOM, 3 in EUCOM, 2 in PACCOM, and 1 in NORTHCOM (see **Table 2**).

Table 2. Top 10 Foreign Countries
By Contract Place of Performance, FY2010

Rank	Country	Amount	Unified Combatant Command
1	Afghanistan	\$11,388,984,141	CENTCOM
2	Iraq	\$6,951,316,839	CENTCOM
3	Kuwait	\$4,491,779,115	CENTCOM
4	Canada	\$2,979,078,000	NORTHCOM
5	Germany	\$2,455,331,525	EUCOM
6	United Arab Emirates	\$2,368,843,593	CENTCOM
7	United Kingdom	\$2,311,271,319	EUCOM
8	Sweden	\$2,089,727,880	EUCOM
9	Japan	\$1,832,346,842	PACCOM
10	South Korea	\$1,240,436,061	PACCOM

Source: FPDS-NG, January 3, 2011.

Recently, Congress has focused on DOD's construction and fuel contracts, as a result of operations in Afghanistan and Iraq. In FY2010, DOD obligated \$24.8 billion (7% of overseas contract obligations) for construction, of which approximately \$2.7 billion was for construction in Afghanistan and Iraq.¹⁵ In FY2010, DOD obligated \$12.4 billion (3% of overseas contract

¹⁵ For more background on military construction, see CRS Report R41653, *Military Construction: Analysis of the President's FY2012 Appropriations Request*, by Daniel H. Else.

obligations) for fuel, of which approximately \$4.8 billion was for fuel in Afghanistan and Iraq areas of responsibility.¹⁶

Operations in Afghanistan and Iraq

As discussed above, 60% of all DOD overseas contract obligations in FY2010 were for work performed in the Afghanistan and Iraq areas of operation. Contractors provide a wide variety of services and products to support DOD operations in Afghanistan and Iraq, including base support, construction, security, training of local security forces, and transportation. While many of these contracts are for work in Afghanistan and Iraq, a number are for work to be performed in surrounding countries within the U.S. Central Command (CENTCOM).

DOD reports on the breakdown of the type of services that contractors provide in Iraq, but it does not provide a similar breakdown for Afghanistan. As of December 2010, base support functions (such as maintaining the grounds, running dining facilities, and performing laundry services) and security combined to represent almost 80% of DOD contractor personnel in Iraq.

As the services required by DOD change during the course of operations, the percentages and numbers of contractors providing different types of services also change. For example, from June 2008 to December 2010, contractors providing base support and construction services in Iraq declined by 53% and 97%, respectively, whereas the number of contractors providing security actually increased by 39%. The drop in the number of contractor personnel performing base support and construction is a reflection of DOD's shrinking footprint and winding down of reconstruction activities in Iraq.

Whole-of-Government Approach

In FY2009, DOD had a base budget of \$515.4 billion,¹⁷ more than 13 times the combined budgets of the Department of State, the U.S. Agency for International Development (USAID), and other foreign affairs agencies.¹⁸ In addition, DOD had a total workforce of more than 2.4 million, nearly 70 times the combined workforce of the Department of State and USAID.¹⁹ A number of analysts have argued that as a result of its larger budget and workforce, DOD often undertakes

¹⁶ The FPDS-NG category (product service code) for fuel also includes obligations for oils and lubricants. For more background on DOD's fuel expenditures, see CRS Report R40459, *Department of Defense Fuel Spending, Supply, Acquisition, and Policy*, by Anthony Andrews. According to the Defense Logistics Agency, DOD spent \$14.5 billion dollars for energy. This figure includes expenses for petroleum, natural gas, aerospace energy, federal excise tax, transportation, facilities, DLA Energy operations and headquarters. In addition, the figures include over \$1 billion in increased inventory on hand at the end of the fiscal year. See Defense Logistics Agency, *Defense Logistics Agency Energy, Fact Book Fiscal Year 2010*, pp. 20, 22-23, <http://www.energy.dla.mil>.

¹⁷ Based on the Budget for the U.S. Government, Fiscal Year 2009. This figure excludes supplemental war funding.

¹⁸ Statistic based on foreign operations budget request for FY2009, which includes Department of State, USAID, and other foreign affairs agencies and offices, such as the Millennium Challenge Corporation, Peace Corps, Inter-American Foundation, and the African Development Foundation. Offices with the Department of Treasury and Department of Agriculture also receive funding from this request. Finally, several multilateral economic assistance organizations such as the African and Asian Development Banks are also included in this request.

¹⁹ DOD workforce includes active military, reserves, and civilians. Reserves are generally not full-time employees. National Guard is not included in the total. Department of State workforce includes foreign service officers, civil service, and foreign service nationals. Based on Full Time Employee (FTE) equivalents. Contractors are excluded from all counts.

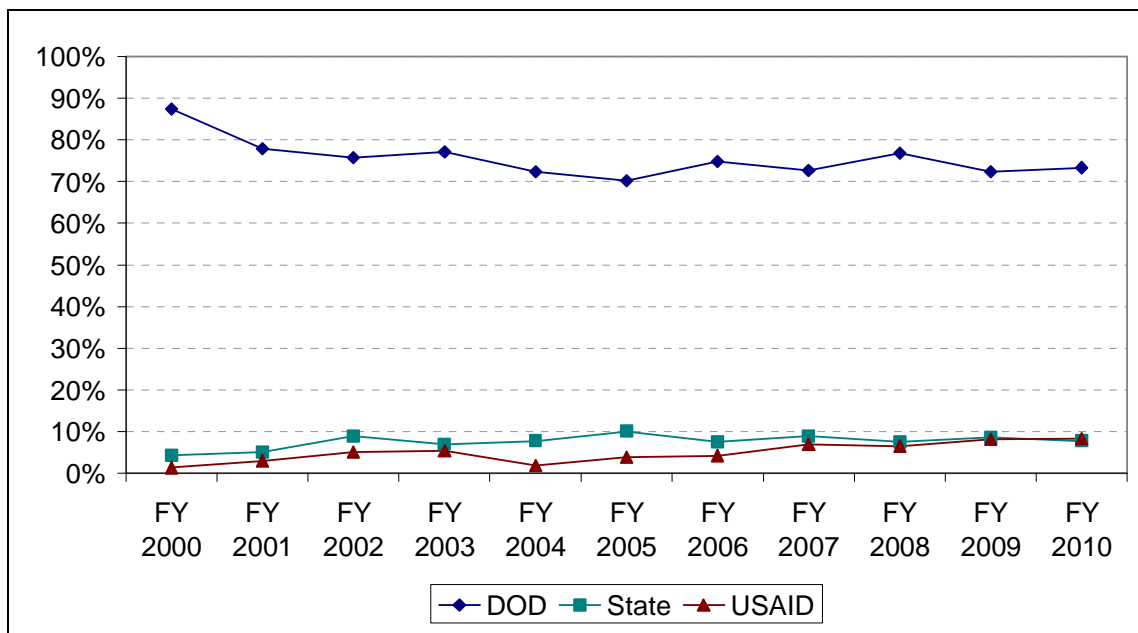
traditionally civilian missions because other agencies do not have the necessary resources to fulfill those missions. Senate Foreign Relations Committee Majority, Discussion Paper on Peacekeeping, Majority Staff, April 8, 2010, states, “The civilian capacity of the U.S. Government to prevent conflict and conduct post-conflict stabilization and reconstruction is beset by fragmentation, gaps in coverage, lack of resources and training, coordination problems, unclear delineations of authority and responsibility, and policy inconsistency.” These analysts have argued that to achieve its foreign policy goals, the United States needs to take a more whole-of-government approach that brings together the resources of, among others, DOD, the Department of State, USAID—and government contractors. Secretary of Defense Robert Gates echoed this approach when he argued for strengthening the use of soft power in national security through increased non-defense spending. As Secretary Gates stated:

What is clear to me is that there is a need for a dramatic increase in spending on the civilian instruments of national security—diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development ... We must focus our energies beyond the guns and steel of the military, beyond just our brave soldiers, sailors, Marines, and airmen. We must also focus our energies on the other elements of national power that will be so crucial in the coming years.²⁰

Contract obligations since FY2000 indicate a shift toward a more whole-of-government approach to achieving foreign policy objectives. DOD’s share of total government obligations for contracts performed abroad has trended down from a high of 87% in FY2000 to 73% in FY2010. Over the same period, combined Department of State and USAID contract obligations increased from 5% to 16% of all U.S. government overseas obligations (see **Figure 5**).

²⁰ Remarks delivered by Secretary of Defense Robert M. Gates at Manhattan, KS, November 26, 2007.

Figure 5. DOD's Proportion of Total U.S. Government Contract Work Performed Overseas



Source: DOD data from FPDS-NG, January 4, 2011. Department of State and USAID data from FPDS-NG on March 16, 2011.

Notes: USAID was established as an independent agency in 1961, but receives overall foreign policy guidance from the Secretary of State.

How Reliable Is the Data on Overseas Contract Obligations?

GAO, CBO, and the Special Inspector General for Iraq Reconstruction have all raised concerns over the accuracy and reliability of the data contained in the FPDS-NG database. According to GAO, FPDS-NG often contains inaccurate data.²¹ Because of the concerns raised over the reliability of data, most analysts rely on FPDS-NG only to identify broad trends and make rough estimations. One DOD official stated that with the data contained in the system prior to FY2007, FPDS-NG is sufficiently reliable to analyze overall trends but is not as reliable at the individual data element level.²² The official also stated that over that past three years, a number of steps have been taken that have significantly improved DOD's data at the individual data element level.²³

²¹ U.S. Government Accountability Office, *Federal Contracting: Observations on the Government's Contracting Data Systems*, GAO-09-1032T, September 29, 2009, p. Highlights.

²² FY2007 is when DOD began reporting data directly into FPDS-NG. Phone conversation with DOD official, July 13, 2011.

²³ E-mail exchange with DOD official, July 21, 2011.

Officials from the General Services Administration, the agency that administers FPDS-NG, stated that data errors in FPDS-NG do not substantively alter the larger context of 1.4 million actions and billions of dollars worth of obligations entered into the system by DOD every year.²⁴

There are also specific data reliability concerns regarding contracts listed as having been performed overseas. According to the FPDS dictionary, there are 29 countries that have a two-letter code identical to that of a U.S. state or territory (see **Appendix A**). For example, the country code for Turkmenistan is TX, which is also the two-letter code for the state of Texas. As a result, in some instances, contract obligations that were performed in Texas were incorrectly coded as having taken place in Turkmenistan. The coding error occurs if TX is mistakenly entered into the country-code data field rather than the state-code data field, thus marking the place of performance as Turkmenistan.²⁵

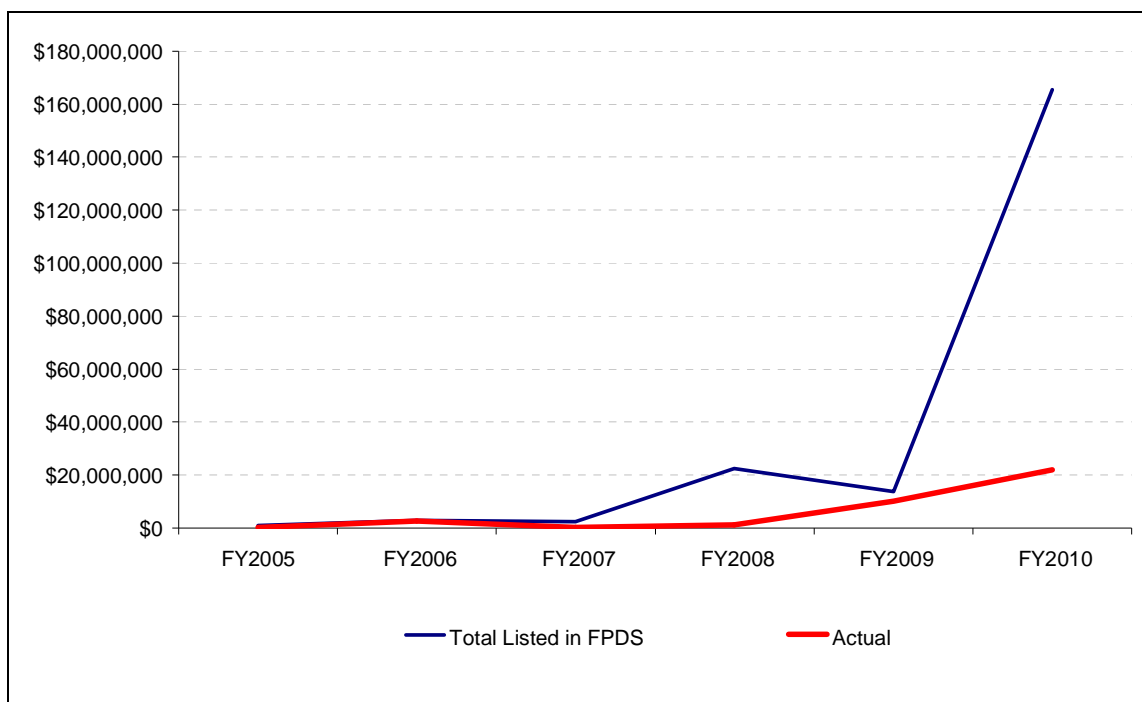
In some instances the coding error is not statistically significant; in other instances, however, the coding error is very significant. For example, Moldova and the state of Maryland both share the same two letter code (MD). According to FPDS-NG, from FY2005 to FY2010, DOD obligated \$208 million dollars for contracts performed in Moldova. However, a closer look at the data indicates that actual DOD obligations for contracts performed in Moldova during the period was closer to \$36 million, an overestimation of about \$170 million, or almost 500% (see **Figure 6**).²⁶

²⁴ Based on meetings and e-mail exchanges with GSA officials on July 6 and 17, 2011. According to GSA, “the data entered by agencies into FPDS represents what the agency has provided. Responsibility for the quality of that data lies with the agency inputting it.”

²⁵ This error was first identified in a news article published in *Eurasianet.org*. See Deirdre Tynan, “Turkmenistan: Memo to Pentagon – Austin and Ashgabat Are on Different Continents,” *EURASIANET.org*, July 5, 2011 (<http://www.eurasianet.org/node/63803>).

²⁶ By comparison, CRS reviewed Department of State contracts listed as having a place of performance of Turkmenistan (TX), Madagascar (MA), Moldova (MD), and Western Sahara (WI) for FY2005-FY2010. In the review of these countries, CRS was unable to identify instances of improper coding for these countries.

Figure 6. DOD Contract Obligations for Performance in Moldova
 FPDS-NG Listed Data vs. Estimated Actual Obligations



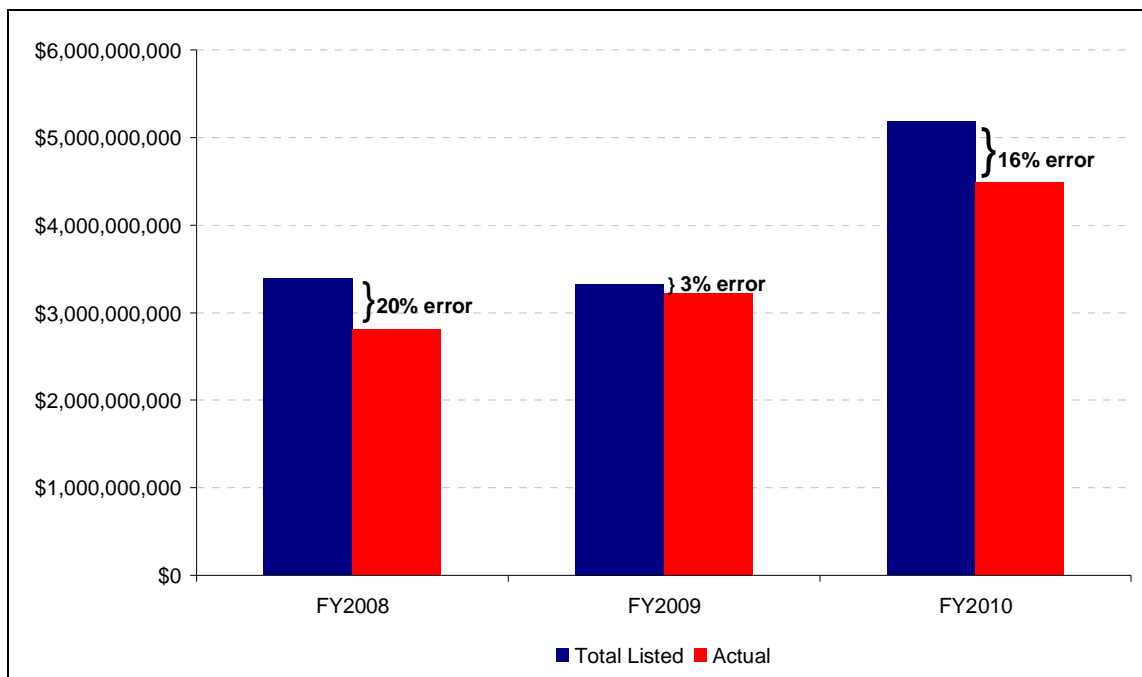
Source: CRS analysis of FPDS-NG data.

Based on a CRS analysis of contract obligations from FY2005-FY2010 listed in FPDS as having a place of performance in countries that share an identical code with a U.S. state or territory, more than \$1.4 billion in contract obligations that were listed as having been performed overseas was likely performed in the United States.²⁷ The magnitude of the error varies by year. As seen in **Figure 7**, data in FPDS-NG appear to overestimate obligations in these countries by approximately 20% in FY2008 and 16% in FY2010. In contrast, the error for FY2009 appears to be less than 5%.

²⁷ CRS reviewed every DOD contract action listed in FPDS-NG as having a place of performance in the 29 countries listed in **Appendix A**, for the period FY2005-FY2010. The CRS methodology for identifying likely errors was discussed with officials in DOD and GSA. Data were collected from the FPDS-NG system between June 27 and July 8, 2011.

Figure 7. Listed vs. CRS Estimated Actual Obligations

Total obligations for performance in countries that share two-letter code with a U.S. state or territory



Source: CRS analysis of FPDS-NG data.

Impact of Reliability Concerns

According to the Federal Acquisition Regulation, FPDS-NG can be used to measure and assess “the effect of Federal contracting on the Nation’s economy and ... the effect of other policy and management initiatives (e.g., performance based acquisitions and competition).”²⁸ FPDS is also used to meet the requirements of the Federal Funding Accountability and Transparency Act of 2006 (P.L. 109-282), which requires all federal award data to be publicly accessible.²⁹

Congress, legislative and executive branch agencies, analysts, and the public all rely on FPDS as a primary source of information for understanding how the federal government spends contracting dollars.³⁰ Congress and the executive branch rely on the information to help make informed policy and spending decisions. Analysts and the public rely on the data in FPDS to conduct analysis and gain visibility into government operations.

Data reliability is essential to the usefulness of FPDS. As GAO has stated, “[R]eliable information is critical to informed decision making and to oversight of the procurement

²⁸ FAR 4.602

²⁹ FAR 4.603

³⁰ Numerous reports published by the Government Accountability Office, Congressional Budget Office, and Congressional Research Service incorporate FPDS data into their analyses. See U.S. Government Accountability Office, *Defense Acquisitions: Further Actions Needed to Address Weaknesses in DOD’s Management of Professional and Management Support Contracts*, GAO-10-39, November 20, 2009; Congressional Budget Office, *Contractors’ Support of U.S. Operations in Iraq*, August 2008.

system.”³¹ If the data contained in FPDS is sufficiently unreliable, the data may not provide an appropriate basis for measuring or assessing federal contracting, making policy decisions, or providing transparency into government operations. In some circumstances, unreliable data could lead analysts and decision makers to draw incorrect or misleading conclusions. The result could be the implementation of policies that squander resources and waste taxpayer dollars.³²

DOD Efforts to Correct the Data

According to DOD, within days of being alerted to the error of “contracting officers entering TX (meaning Turkmenistan) in the place of performance country code when they really mean Texas,” DOD sent a request to the appropriate contracting offices to review and correct the effort as soon as possible.³³ The contracts listed incorrectly in FPDS as having been performed in Turkmenistan appear to have been substantially corrected for FY2009 and FY2010.³⁴ In addition, DOD is reviewing all instances of countries and U.S. states or territories sharing the same two-letter code. DOD is also exploring options for preventing this error in the future. Depending on the action taken, it could take up to two years to incorporate a programming solution into FPDS (and all of the federal IT systems that feed into FPDS) that would prevent similar errors from occurring in the future.³⁵

³¹ U.S. Government Accounting Office, *Reliability of Federal Procurement Data*, GAO-04-295R, December 30, 2003, p. 1. For an additional discussion on the importance of having reliable data to develop policies affecting acquisitions, see U.S. Government Accountability Office, *Defense Acquisitions: Tailored Approach Needed to Improve Service Acquisition Outcomes*, GAO-07-20, November 9, 2006.

³² For a discussion on the importance of good contract data to improving government efficiency and saving taxpayer money, see U.S. Government Accounting Office, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue: Collecting improved data on interagency contracting to minimize duplication could help the government leverage its vast buying power*, GAO-11-318SP, March, 1, 2011, p. 70.

³³ For example, if a future version release of FPDS-NG changes the country code standard from a two-letter code (the historical FIPS 10-4 standard) to a three-letter code (the ISO standard), federal agencies would have to upgrade transition their own contract writing systems to be compatible with the new FPDS-NG version, a process that could take up to two years. Based on email exchange with official from Defense Procurement and Acquisition Policy, July 7, 2011.

³⁴ A subsequent CRS review of the FPDS database revealed that the total value of contracts listed as having been performed in Turkmenistan for FY2009 and FY2010 dropped by more than \$100 million in the first two weeks of July. DOD confirmed that change in obligations listed with a place of performance in Turkmenistan was the result of efforts to correct the data.

³⁵ For example, if a future version release of FPDS-NG changes the country code standard from a two-letter code (the historical FIPS 10-4 standard) to a three-letter code (the ISO standard), federal agencies would have to upgrade their own contract writing systems to be compatible with the new FPDS-NG version, a process that could take up to two years. Based on discussions with General Service Agency and Department of Defense officials, July 7, 2011 and July 13, 2011. GSA is the agency that administers the FPDS system. Possible corrective action includes improved training or programming changes that would likely cut down on this type of error.

Appendix A. List of Countries Sharing Identical Two Letter FPDS Codes with U.S. State or Territory

Listed in alphabetical order by country.

1. Albania and Alabama (AL)
2. Argentina and Arkansas (AR)
3. Australia and American Samoa (AS)
4. Canada and California (CA)
5. Central African Republic and Connecticut (CT)
6. Colombia and Colorado (CO)
7. The Gambia and Georgia (GA)
8. India and Indiana (IN)
9. Indonesia and Idaho (ID)
10. Korea (South) and Kansas (KS)
11. Laos and Louisiana (LA)
12. Madagascar and Massachusetts (MA)
13. Malawi and Michigan (MI)
14. Malta and Montana (MT)
15. Mauritius and Northern Mariana Islands (MP)
16. Moldova and Maryland (MD)
17. Monaco and Minnesota (MN)
18. Montserrat and The Marshall Islands (MH)
19. Morocco and Missouri (MO)
20. Namibia and Washington (WA)
21. New Caledonia and North Carolina (NC)
22. Niue and Nebraska (NE)

- 23. Paraguay and Pennsylvania (PA)
- 24. Serbia and Rhode Island (RI)
- 25. Tonga and Tennessee (TN)
- 26. Turkmenistan and Texas (TX)
- 27. Vanuatu and New Hampshire (NH)
- 28. Vatican City and Vermont (VT)
- 29. Western Sahara and Wisconsin (WI)

Appendix B. The Federal Procurement Data System

On August 30, 1974, Congress enacted the Office of Federal Procurement Policy Act, which established an Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget (OMB) and required the establishment of “a system for collecting, developing, and disseminating procurement data which takes into account the needs of Congress, the executive branch, and the private sector.”³⁶ One of the goals of establishing a system for tracking procurement data was to “promote economy, efficiency, and effectiveness in the procurement of property and services.”³⁷

In February 1978, the OFPP issued a government-wide memorandum that designated the Department of Defense as the executive agent to operate the Federal Procurement Data System.³⁸ Agencies were instructed to begin collection of procurement data on October 1, 1978, and to report the data to DOD in February 1979.³⁹ Since 1982, the General Services Administration has operated the system on behalf of the OFPP.⁴⁰ Today, FPDS is the only government-wide, publicly available system that contains all federal procurement data. FDPS data are used by other federal-spending information resources, including *USASpending.gov*.

Almost from FPDS’s inception, the Government Accountability Office expressed concerns about the accuracy of the information in the database.⁴¹ OMB attempted to eliminate many of the errors in FPDS by introducing a successor system—the Federal Procurement Data System-Next Generation (FPDS-NG), which began operation on October 1, 2003.⁴² FPDS-NG was to “rely less

³⁶ P.L. 93-400, Sec. 6(d)(5).

³⁷ *Ibid.* Sec. 2. The section also states that Congress has a policy interest in “avoiding or eliminating unnecessary overlapping or duplication of procurement and related activities” and in “coordinating procurement policies and programs of the several departments and agencies.”

³⁸ U.S. General Accounting Office, *The Federal Procurement Data System - Making it Work Better*, April 18, 1980, p. 3, <http://archive.gao.gov/f0202/112171.pdf>.

³⁹ *Ibid.*, p. 4.

⁴⁰ Letter from Katherine V. Schinasi, Managing Director, Acquisition and Sourcing Management, Government Accountability Office, to The Honorable Joshua B. Bolten, Director, Office of Management and Budget, September 27, 2005, GAO-05-960R, p. 2, at <http://www.gao.gov/new.items/d05960r.pdf>.

⁴¹ For example, in an October 1979 letter to former Representative Herbert E. Harris, II, then-Comptroller General Elmer B. Staats wrote of FPDS that “the extent of completion and accuracy varies for the different agencies involved.” Moreover he wrote, “the Federal Procurement Data System relies on the integrity of many individuals to prepare the Individual Procurement Action reports ... and to prepare them correctly.” Letter from Elmer B. Staats, Comptroller General Of the United States, to The Honorable Herbert E. Harris, II, Chairman, Subcommittee on Human Resources of the Committee on Post Office and Civil Service, October 12, 1979, GAO/PSAD-79-109, pp. 1-2, at <http://archive.gao.gov/d46t13/110552.pdf>. In an August 19, 1994 report, GAO wrote “we found that the [Federal Procurement Data] Center does not have standards detailing the appropriate levels of accuracy and completeness of FPDS data.... [U]sers have identified instances where contractor names and dollar amounts were erroneous. We believe developing standards for FPDS data accuracy and completeness, then initiating a process to ensure that these standards are met, would improve data accuracy and completeness.” U.S. General Accounting Office, *OMB and GSA: FPDS Improvements*, GAO.AIMD-94-178R, August 19, 1994, p. 2, at <http://archive.gao.gov/t2pbat2/152380.pdf>. In a September 27, 2005, report, GAO wrote that “GSA has not informed users about the extent to which agencies’ data are accurate and complete. This lack of confirmation perpetuates a lack of confidence in the system’s ability to provide quality data.” Letter from Katherine V. Schinasi, Managing Director, Acquisition and Sourcing Management, Government Accountability Office, to The Honorable Joshua B. Bolten, Director, Office of Management and Budget, September 27, 2005, GAO-05-960R, at <http://www.gao.gov/new.items/d05960r.pdf>.

⁴² Letter from William T. Woods, Director, Acquisition and Sourcing Management, Government Accountability Office, to The Honorable Joshua B. Bolten, Director, the Office of Management and Budget, December 30, 2003, p. 3, at (continued...)

on manual inputs and more on electronic ‘machine-to-machine’ approaches.”⁴³ Despite the systems update, GAO said “[i]nformation in FPDS-NG can only be as reliable as the information agencies enter through their own systems.”⁴⁴

In September 29, 2009, testimony before the Senate Homeland Security and Government Affairs Subcommittee on Contracting Oversight, William T. Woods, director of Acquisition and Sourcing Management said the following about FPDS information:

Our past work has found that federal contracting data systems, particularly FPDS-NG, contain inaccurate data. FPDS-NG is the primary government contracting data system for obligation data. Despite its critical role, GAO and others have consistently reported on FPDS-NG data quality issues over a number of years.⁴⁵

Author Contact Information

Moshe Schwartz
Specialist in Defense Acquisition
mschwartz@crs.loc.gov, 7-1463

Daniel Alexander
Research Associate

Wendy Ginsberg
Analyst in American National Government
wginsberg@crs.loc.gov, 7-3933

Acknowledgments

Andrew Wolf, a Research Associate at the Congressional Research Service, contributed to this report.

(...continued)

<http://www.gao.gov/new.items/d04295r.pdf>. FPDS-NG was designed and is maintained and updated by Global Computer Enterprises, Inc., through a contract with GSA.

⁴³ Ibid. According to GAO, most agencies were “expected to have computerized contract writing systems that [would] allow for direct submission of data to FPDS. Reliability of data [was] expected to improve because agency submissions to FPDS-NG [would] be based on data already in the contract writing systems, reducing or eliminate separate data entry requirements. The system provides for immediate data verification to detect errors. If errors are detected, agency procurement officials will have the opportunity to correct them immediately while the information is still readily available.”

⁴⁴ Ibid.

⁴⁵ U.S. Government Accountability Office, *Federal Contracting: Observations on the Government’s Contracting Data Systems*, GAO-09-1032T, September 29, 2009, p. 3, <http://www.gao.gov/new.items/d091032t.pdf>.