

# FY 2012 Service Contract Inventory Analysis



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## About USDA

The United States Department of Agriculture provides leadership on food, agriculture, natural resources, and related issues based on sound public policy, the best available science, and efficient management.

## Introduction

Service Contract Inventories are prepared annually by civilian agencies that are required to submit an inventory by the Federal Activities Inventory Reform Act of 1998, in order to comply with the act and the provisions of the FY 2010 Consolidated Appropriations Act. The service contract inventory is a tool for assisting agencies in better understanding how contracted services are being used to support agency missions and operations and whether contractors' skills are being utilized in an appropriate manner. In addition to the inventory, which is prepared and published separately, agencies are required to prepare an analysis of the previous year's inventories. This report documents USDA's analysis of the data in its FY 2011 Service Contract Inventories.

## Background

Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare an annual inventory of their service contracts and analyze their inventory to determine if the mix of Federal employees and contractors is effective or if rebalancing may be required. On February 10, 2012, USDA published its completed FY 2011 Service Contract Inventory as required and in accordance with the Office of Federal Procurement Policy memo providing guidance for submission of service contract inventories dated December 19, 2011. This report serves to document the additional requirement to conduct a meaningful analysis of the data in USDA's FY 2011 inventory for the purpose of determining if contract labor is being used in an appropriate and effective manner, and if the mix of federal employees and contractors in the agency is effectively balanced. USDA is required under the above cites to submit a report suitable for public disclosure that discusses its analysis, and the use of contractors for the special interest functions that the agency selected to study.

## Special Interest Functions

In its December 19, 2011 memorandum, the Office of Federal Procurement Policy (OFPP) directed agencies to select “special interest functions” for further analysis. Special interest functions are functions that require increased management attention due to heightened risk of workforce imbalance. In accordance with the OFPP guidance, USDA submitted a planned analysis, identifying which “special interest functions” in its FY 2012 inventory will be evaluated for analysis. USDA selected 18 Product and Service Codes (PSCs) for special interest. The table below shows the special interest functions studied by the agency and the dollars obligated to those specific PSCs in FY 2012.

PSC	Function	Total FY 2011 Dollars
AD23	R&D (Advanced Development)	\$46,153.39
AD25	R&D (Operational Systems Development)	\$2,781,752.09
C213	Architect & Engineering General: Inspection	\$152,288.85
D310	IT and Telecom- Cyber Security & Data Backup	\$6,263,488.02
F019	Natural Resources/Conversation – Other Wildlife Management	\$1,040,328.62
F099	Natural Resources/Conversation – Other	\$41,238,231.61
N047	Installation of Equipment – Pipe, Tubing Hose & Fittings	\$54,358.35
N070	Installation of Equipment – ADP Equipment/Software/Supplies/Support Equipment	\$51,547.77
R413	Support- Professional: Specifications Development	\$39,779.04
R607	Support- Administrative: Word Processing/Typing	\$71,910.72
R612	Support- Administrative: Information Retrieval	\$891,934.83
R699	Support- Administrative: Other	\$19,679,471.59
R704	Support- Management: Auditing	\$3,349,471.26
R710	Support- Management: Financial	\$4,364,471.26
R799	Support- Management: Other	\$18,366,429.28
S206	Housekeeping	\$6,486,599.67
U001	Education Training – Lectures	\$254,628.08
Y1HB	Construction of Government – Owned Government Operated (GOGO) R&D Facilities	\$43,015.72
<b>Total</b>		<b>\$134,361,302.60</b>

## Methodology

To perform its analysis, USDA examined two significant contracts in each of the selected functions awarded in FY 2012 by USDA contracting activities. Contracts were considered significant if they represented a large investment when compared to average contract size at USDA in each PSC in FY 2012. In addition, questionnaires were sent to the head of each contracting activity designee (HCAD) requesting information on how each contracting activity managed and oversaw service contracts during FY 2012. USDA then conducted a comparative analysis, considering factors such as the use of high risk contracting types, the degree to which agencies are contracting independently for the same services and vendors, and the results of the most recent Federal Activities Inventory Reform (FAIR) Act Inventory. In contrast to the Service Contract Inventory, wherein contracted services are examined, the FAIR Act Inventory examines services performed by federal employees. Contrasting the two allows agencies to study whether contractor performance remains an acceptable choice, but may require increased oversight to manage performance risk, or if there are indications that the work must or should be performed by federal employees.

## Agency Findings

In general, there were no reported or discovered instances at USDA in FY 2012 wherein agency practices were inconsistent with the desired outcomes described in section 743(e)(2) of the Fiscal Year (FY) 2010 Consolidated Appropriations Act. At the time of this report, USDA has no indication that contract labor was not being used in an appropriate and effective manner or that the mix of federal employees and contractors in the agency was not effectively balanced during FY 2012. The specific outcomes described in section 743(e)(2) are:

- (i) each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations;
- (ii) the agency is giving special management attention, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions;
- (iii) the agency is not using contractor employees to perform inherently governmental functions;
- (iv) the agency has specific safeguards and monitoring systems in place to ensure that work being performed by contractors has not changed or expanded during performance to become an inherently governmental function;
- (v) the agency is not using contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations; and

- (vi) there are sufficient internal agency resources to manage and oversee contracts effectively;

#### **Use of service contracts in general**

Contrasting the completed FY 2011 service contract inventory with recent FAIR Act inventories revealed that the balance of employees performing inherently governmental functions to the use of the special function service contracts continue to shift over time. USDA's most recently published FAIR Act inventory shows that only about a third of USDA personnel perform functions that are inherently governmental in nature, and that the percentage of employees performing inherently governmental functions has declined slightly over time. Simultaneous with this decrease, the use of service contracts has remained relatively stable. The different balance of contract labor to federal employees did not result in reported instances of failure to achieve the outcomes described in Section 743(e)(2) of the FY 2010 Consolidated Appropriations Act described above. Although no conclusion can be drawn from the difference at this time, USDA will continue to monitor the mix of federal employees and contractors in the agency in order to maintain an effective balance.