

December 11, 2012

**GENERAL SERVICES
ADMINISTRATION**

SERVICE CONTRACT INVENTORIES

FY 2011 ANALYSIS

Executive Summary

GSA's mission is to use expertise to provide innovative solutions for our customers in support of their missions and by so doing foster an effective, sustainable, and transparent government for the American people.

Section 743 of Division C of the Consolidated Appropriations Act of Fiscal Year (FY) 2010 requires agencies to prepare an annual inventory of service contract actions and analyze these contracted services to determine if the mix of Federal employees and contractors is effective or if rebalancing is required.

In the OMB Memorandum, "Service Contract Inventories (SCI)", dated December 19, 2011, agencies were tasked to conduct a meaningful analysis of the service contracts (funded by agency dollars) in their inventories 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.

The Office of Government-wide Policy (OGP) has developed a GSA cross-organizational workgroup to create and analyze GSA's "FY 2011 Service Contract Inventory". This team includes the services, (Public Building Services (PBS) and Federal Acquisition Services (FAS)), as well as, representatives from the Office of the Chief Financial Officer (OCFO), the Office of the Chief People Office (OCPO), the Office of Administrative Services (OAS), the Office of Small Business Utilization (OSBU) and the Office of Acquisition Policy (OAP). A complete listing of team members and agency officials can be found at Appendix A.

OMB prescribed for each agency to select and analyze a select number of Product Services Codes (PSCs) of their choice in the agency's evaluation of service contracts. In compliance with the requirements of the OMB Memorandum, GSA compiled its Service Contract Inventory for FY 2011, using data housed in the Federal Procurement Data System – Next Generation (FPDS-NG). In total, the GSA Service Contract Inventory contained over 30,000 contract actions and \$6.5 billion dollars. For the FY 2011 Analysis, the workgroup focused on the following PSCs:

- D302 IT AND TELECOM - SYSTEMS DEVELOPMENT
IT AND TELECOM - IT STRATEGY AND
- D307 ARCHITECTURE
IT AND TELECOM - CYBER SECURITY AND DATA
- D310 BACKUP
- D314 IT AND TELECOM - SYSTEM ACQUISITION SUPPORT

Based on the analysis, it was determined that contractor performance remains an acceptable choice for contracted services and that there is no evidence of overreliance on contracted functions. In addition, adequate safeguards and monitoring systems are in place to ensure that work performed by contractors does not become inherently governmental; and there are sufficient internal resources available to effectively manage and oversee contracts.

However, the analysis also revealed a small number of transactions in need of correction.

Corrective action has been taken to correct any errors discovered during the analysis. We have also provided several recommendations for GSA to consider in order to provide a more complete and accurate picture of the agencies contracting dollars.

The recommendations include the following which are further summarized at the end of this report.

- Focus reviews on selected PSCs ending in “**99” in order to determine a more accurate PSC code, rather than the catch-all codes used to expedite processing. (See Recommendation #1)
- A review of FPDS-NG data validation processes is necessary to eliminate “blank” data elements and inaccurate coding. The nature of awarding contracts requires individuals to take “shortcuts” in order to get the transaction into the system for processing. Invalid, missing, or incorrect data, provided by contract owners and interface systems creates inaccurate reporting. This includes establishing valid “Funding Agency IDs” with a related “Contracting Agency ID”, for all organizations wishing to award a contract. (See Recommendation #3)
- GSA has a very effective and robust Program Management Review (PMR) process that replicates some of the efforts performed as part of the Service Contract Inventory analysis. Combining these activities may provide GSA a more effective use of their resources. (See Recommendations #2, 4 & 5).

FY 2010 Recommendation Status

The only recommendation from the FY 2010 Analysis was to improve data input and quality. This issue is addressed continually with GSA’s program Management Review Team that completes annual reviews of GSA acquisition offices.

FY 2012 Analysis Plan

The FY 2012 Analysis will focus on the “Professional Services” PSCs (R category) that were not included in the FY 2010 analysis of similar PSCs. By focusing on these remaining “R” category codes, GSA will have conducted an analysis on all of the Special Interest Functions identified by OMB Memorandum dated November 5, 2010 – Service Contract Inventories. The FY 2012 Analysis planned PSC codes include:

| | |
|------|---|
| R406 | POLICY REVIEW/DEVELOPMENT SERVICES |
| R407 | PROGRAM EVALUATION SERVICES |
| R409 | PROGRAM REVIEW/DEVELOPMENT SERVICES |
| R413 | SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT |
| R414 | SYSTEMS ENGINEERING SERVICES |
| R423 | INTELLIGENCE SERVICES |

| | |
|------|--|
| R425 | SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL |
| R497 | SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS |

Analysis Methodology

The OFPP memorandum required agencies to prepare an annual inventory of service contract actions in excess of \$25,000 dollars and analyze the contracted services, specifically those activities identified by OFPP as “special interest functions”, to determine if the mix of Federal employees and contractors is effective or if rebalancing is required. The special interest functions are captured under 15 Product & Service Codes (PSCs) and consist of activities such as: program evaluation, acquisition support, information systems development, engineering and technical services and other related functions.

In 2010, GSA focused on the “Professional Services” PSCs, in the “R” categories. For FY 2011, GSA focused on the “IT Product and Service Codes”, “D” category service codes (D302, D307, D310, & D314).

The FY 2011 service contract inventory analysis consisted of over 2,000 contract actions. The OMB Memorandum provided that when choosing functions for FY 2011, that agencies “...should identify functions that were not previously the subject of a focused analysis unless additional analysis of those functions is necessary”. In order to conduct a meaningful analysis, the Office of Government-wide Policy workgroup focused on only the top four “D” PSCs, to conduct the analysis.

Each organization that conducted an analysis utilized a service contract inventory questionnaire as a basis for their review. Depending on the number of contracts that needed analysis, the questionnaire was completed centrally or submitted to the Contracting Officer (CO) who, in conjunction with the Program or Project Manager, Contracting Officer Representative (COR), and/or Technical Point of Contact, was instructed to complete the survey and validate that the action was on behalf of GSA.

The questionnaire included the following questions:

- Identify the contract/task order description to include order number, company name, contract type, total award amount, period of performance
- Is the contract a personal services contract? If the contract is a personal services contract, is it being performed in accordance with applicable laws and regulations (Yes, No, Not Applicable)
- Is special attention being given, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions¹ (See OFPP guidance)? (Yes, No, Not Applicable)

¹ Work that is closely associated with inherently governmental functions may be performed by either Federal employees or contractors. Examples are support for budget preparation, support for policy development, support for acquisition planning such as conducting market research, support for source selection such as participating as a technical advisor.

- Does this contract use contractor employees to perform inherently governmental functions? (Yes, No, Not Applicable)
- Is the performance under the award considered a “*critical function”? (Yes, No, Not Applicable)
- Are there 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? (Yes, No, Not Applicable) (If yes, provide how)
- Are contractor employees performing critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations? (Yes, No, Not Applicable)
- Are there sufficient internal agency resources to manage and oversee contracts effectively? (Yes, No, Not Applicable) (If yes, please describe)
- What are the functions/services being performed by the contract employees under the subject award?
- Please provide a summary from the SOW
- Are any functions restricted by the contract (i.e. approval of documents, attendance at meetings, firewalled activities, etc)? How is it monitored? How effective is the monitoring?
- How is/was the contract performance? (Good - Fair - Poor)

Questions for the requesting office (the program manager was specifically requested to provide this information)

- How many FTEs are located in the program office that this award supports?
- Is recruitment of Federal employees an issue/obstruction? (Can refer question to management)

The survey requested respondents to provide additional information as follows:

- Name of the Program Office this contract supports.
- Number of contractors or contractor FTE under this award.

Results and findings from the reviews conducted by the various segments of GSA are included below. A separate document, Appendix B, accompanies this analysis and provides additional detail referred to in this document.

RESULTS AND FINDINGS

PBS Findings

Appendix B, Table A, PBS Analysis contains a summary of the scope of the PBS review. The results confirmed that the services procured in the identified transactions are being properly managed with oversight by government personnel. There were no services procured using PSC "D314". Each GSA region provided statements that the description of requirements was sufficient to control the scope and control of the business process and had Project Managers (PM) and/or Contracting Officer Representatives (CORs) that provided adequate monitoring of activities and contractor performance.

FAS Findings

The Federal Acquisition Service (FAS) is positioned to meet any purchasing need across a vast range of products and services. Our entire operation focuses on providing straightforward, streamlined solutions that support mission-critical requirements and comply with federal laws, regulations and policies. FAS serves Federal, State and local government, and the military and offers volume discount prices on over 11 million commercial products and services from thousands of industry partners.

The FAS review originally found 98 transactions for review by focusing on the on the "D" PSCs. However this population of 98 included Federal Supply Schedules (FSS) that do not receive obligated funding. As such, the population had to be further reduced to remove these contracts from the sample population. As a result, the remaining FAS population of records to review amounted to seven (See Appendix B - FAS).

Analysis of the sampled contracts resulted in the following findings:

- Two out of the seven awards were made on behalf of other agencies. The contracting offices corrected the Funding Agency ID Code in FPDS and these awards were removed from the review
- None of the contacts identified any inherently government functions. Two of the contracts (GST111BJ7045 & GST111BJ7021) were identified as closely associated with inherently government functions. In these cases, the contracting office provided the following safeguards: "Currently, all contractor support being provided by CTEC is adhering to the terms and conditions of the contract, specifically the scope of work, which does not contain any inherently governmental functions. No additional labor categories have been modified to CTEC's contract and all personnel are following directions and guidance from CTEC's Program Manager and not Government employees. Contractor personnel are required to identify themselves as contractors at all meetings and general correspondence. Additionally, contractor support is not permitted to attend meetings with other Government customers

unless GSA Government personnel are present.” There are a total of 3 Government personnel providing oversight over these contracts. All Contracting Officer Representatives are required to be certified before providing oversight over a contract. The certification process is an added safeguard to ensure COR personnel are aware of their responsibilities and duties in overseeing contractor performance. COR personnel have the experience, training and certification and are knowledgeable of the mitigating the risk of changes to the scope of work that would expand into an inherently governmental functions being performed by the contractor

- All of the survey respondents provided that the performance under the contracts/task orders were good. This means that government is not spending obligated funds on services that are being poorly performed
- There was no evidence that contractor employees are being used to perform inherently governmental functions or critical functions in such a way that could affect the ability of the Department to maintain control of its mission and operations
- GSA has not entered into any unauthorized Personal Services contracts in violation of the provisions in FAR 37.104(b)
- As a result of the review, there was no evidence of overreliance of contract performance. As such, Contractor performance remains an acceptable choice for the contracted services
- The analysis did not identify any contracts for consideration of conversion

OCIO Findings

Out of the nine contracts that appeared under the OCIO funding code within the chosen service codes, one is a \$6,000 dollar add-on to an FY 2010 contract; one is a software maintenance contract rather than a service contract; and four were not managed by OCIO. The four records that were not managed by OCIO were researched and corrections were made in the FPDS-NG, to associate them with the correct “Funding Agency ID” category.

The first of the three contracts analyzed in this report is with Iron Mountain Government Services Incorporated. This contract was awarded for off-site media storage and data protection. The vendor picks up and stores all types of data media for GSA in compliance with our records management program. The work performed under this contract is not inherently government and there is little risk that the office will lose control of its mission or operations. While this work is performed solely by the contractor, the media must be kept off-site in the event of an emergency for protection. This contract makes fiscal sense for GSA. See Attachment 3A for additional detail concerning this transaction.

The second contract to be analyzed is with Unisys Corporation. This contract was awarded for developing applications, database management, maintenance, and end-user support. The vendor also provides initial setup and configuration, user management, operations and maintenance, and end-user support for wikis, blogs, and dashboards for GSA. The work performed under this contract is not inherently government. While the vendor is the primary for customer support, code development, infrastructure management and support, and analysis of requirements and tasks, there is little risk that the office will lose control of its mission or operations. While this work is performed mainly by the contractor due to their greater expertise, there are sufficient Federal workers and monitoring safeguards in place to protect GSA's interests. This contract makes fiscal sense for GSA. See Attachment 3B for additional detail concerning this transaction.

The final contract to be analyzed is with Telos Corporation. This contract was awarded for creating security procedural guides and reviewing security authorization packages. The work performed under this contract is not inherently government and there is little risk that the office will lose control of its mission or operations. While this work is performed solely by the contractor, the work and the deliverables are closely monitored by a Federal Project Manager. There are proper safeguards in place to protect GSA's interests. This contract makes fiscal sense for GSA. See Attachment 3C for additional detail concerning this transaction.

OCPO Findings

The mission of the Office of the Chief People Office (OCPO) is to help GSA organizations hire, retain, train, and manage the talent needed to help GSA perform its mission. We are committed to providing the best service possible by constantly listening to our customers, applying best practices from across the Government and developing our workforce to be more agile and responsive to customer needs. The OCPO uses contractors to provide Human Resources and Human Capital Services for the GSA. This requires OCPO to use service information technology contracts to support this mission. After reviewing FPDS-NG data, OCPO has identified 6 contracts to be included in the FY 2011 Service Contract Inventory Analysis:

- GSA's Comprehensive Human Resources Integrated System (CHRIS) is a tool that enables employees to access their personnel information online. CHRIS also serves as an automated tool used by GSA Human Resource (HR) professionals and client agencies. There are four contracts related to CHRIS that were examined for this report.
- GSA's On-Line University (OLU) is available to all GSA employees and offers over 1600 online courses covering a wide range of topics including links to mandatory GSA training classes and on-line access to numerous books. One contract was identified for review.
- GSA's Learning Management System (LMS) is a tool that fosters the learning and further achievement of employees on the management level. One contract was identified under the specified PSCs being reviewed.

A review of the above contracts did not find any inherently governmental functions being performed by contract personnel. There were no closely associated to inherently governmental functions or critical functions being performed by contractor employees. The contractors which include One CGI, Man Tech, Monster Government Solutions and Saba Human Concepts were being performed properly and in accordance with the contract documentation.

A breakdown of the reviews chosen for OCFO:

| D302 | D307 | D310 |
|------|------|------|
| 5 | 0 | 1 |

OCFO Findings

In Fiscal Year 2011, the GSA Office of the Chief Financial Officer (OCFO) funded \$46.7 million in obligations through 128 contract actions on 76 contracts recorded in FPDS-NG. OCFO contracts for the selected PSCs totaled \$22.40 million in obligations (48% of total FY 2011 obligations) and included 24 contract actions on seven contracts. OCFO reviewed 67% of selected PSC contract actions (16 contract actions) and 86% of Special Interest Functions (SIF) contracts (six contracts) totaling 99.8% of the selected PSC obligations (\$22.26 million). OCFO reviewed six contracts totaling \$22,366,634.37

Detailed results of the six contract reviews are included in Appendix B – OCFO. In accordance with section 743(e)(2) of the 2010 Consolidated Appropriations Act, the OCFO performed a review of SIF contracts and found:

1. ***OCFO did not enter into any personal services contracts; all contracts are being performed in accordance with applicable laws and regulations.***
None of the six contracts reviewed were personal services contracts; all contracts reviewed are being performed in accordance with applicable laws and regulations.

2. ***OCFO is giving special management attention, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions.***
This review assessed the extent to which functions might be closely associated with inherently governmental functions, and identified internal controls, including governance and internal reviews, to ensure functions that are closely associated with inherently governmental functions are given special attention. None of the contracts were found have functions closely associated with inherently governmental functions. OCFO depends on well trained integrated project team of Contracting Officer Representatives, Project Managers, and Subject Matter Experts, to ensure that work performed by contractor does not

expand into inherently governmental functions during the performance of a contract. By assigning a sufficient number of qualified federal employees to provide contract oversight, OCFO monitors contract progress through bi-weekly progress reviews through a contract governance process.

1. OCFO is not using contractor employees to perform inherently governmental functions.

Contractor employees did not perform inherently governmental functions in any of the contracts reviewed.

2. OCFO 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.

OCFO depends on well trained integrated project team of CORs, PMs, and Subject Matter Experts (SME), to ensure that work performed by contractor does not expand into inherently governmental functions during the performance of a contract. None of the six contracts are at risk of evolving into inherently governmental work.

3. 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.

The six OCFO contracts were assessed based on the complexity of the functions, impact of stop-work, and the risk of the functions. Based on this assessment, OCFO did not use contractor employees to perform critical functions and OCFO's ability to maintain control of its mission and operations was not adversely impacted.

4. There are sufficient internal agency resources to manage and oversee contracts effectively.

Based on the number of contractors compared to the number of federal workers, and federal workers providing oversight and management of service contracts, OCFO has sufficient internal resources to manage and oversee contracts effectively. The sufficiency of contract management, through the availability of appropriately trained and experience Contracting Officer Representatives (CORs) and contract staff, was also assessed as sufficient.

OCAO Findings

The Office of the Chief Acquisition Officer had three transactions to review and no irregularities were revealed.

Other Findings (General Observations)

The FPDS-NG data base includes many records with blank data fields. In many cases this is not a significant problem but there are a number of records with blank "Funding Agency IDs" and other critical data fields.

There were two transactions coded to 4700 as the Funding Agency ID. "4700" is not a valid Funding Agency ID.

There are instances transactions are coded with a "Funding Office ID" but no related "Funding Agency ID" is attached.

Agency points of contact are not sufficiently knowledgeable of the coding elements necessary to input a record into FPDS-NG. This places the Contracting Officer (CO) in a difficult position trying to get the transaction into the system. This also applies to automated systems that upload transactions into FPDS-NG.

Zero dollar transactions are numerous. These result from FAS Schedules or from Blanket Purchase agreements where a contracting document is available for use by multiple organizations and agencies.

RECOMMENDATIONS

1. Expand the list of Special Interest and expand sampling. Nine percent (\$4.38 million) obligated dollars and 10 percent of the contract actions (13 contract actions) funded by the Office of the Chief Financial Officer in FY 2011 were coded to Product Service Codes R499 (Other Professional Services) and R699 (Other Administrative Support Services). Recommend adding these codes in to future reviews to place greater review attention on contract actions coded to the 'other' categories. In addition, recommend updating the sampling procedures to include a limited number of contracts outside of the special interest functions in the review sample. These samples could be selected at random using either a dollar-weighted sampling approach and/or a stratified design. This will expand review to provide an assessment on all contract actions, and include other OCFO PSC codes with high obligation dollars (e.g., PSC R421).
2. Remove Invalid Organizational Coding and Update Organizational Coding to be Consistent with Current Organization. 45% of the FY 2011 contract actions (8.4% of obligated dollars) were awarded against the invalid funding office codes. Coding inconsistencies with GSAM, and GSA's current organizational structure, should be corrected and removed from the set of available organizational coding. Since no single organization at GSA has the ability to view all coding at GSA, the agency's ability to enforce consistent and correct coding is limited. Recommend centralizing control, aligning GSA guidance to align with the GSA organization coding used in CHRIS, and including an annual review/validation to ensure coding remains current and consistent with policy and the current GSA organization. See Appendix G for details on the data quality assessment of organizational names.
3. Expand the use of cross-functional review teams for Service Contract Inventory (SCI) Review by coordinating reviews with GSA procurement reviews (PMRs). The PMR could provide acquisition, contract management, and contract review expertise to assist reviewers participating from each office. Coordinating SCI reviews with PMR reviews could enforce a consistent and compliant review methodology, facility communication and training of SCI requirements across the contracting community, and potential reduce review resource requirement across the agency. Additionally, coordinating reviews with the PMR will enable the SCI review results to be presented through the same governance body, with findings tracked through the same process, as the procurement management reviews.
4. There are "Funding Agency IDs" available in FPDS-NG without an associated "Funding Office ID". Additionally, a "Funding Agency ID" is

not always available in FPDS-NG for offices submitting contracts for award. These data elements are required by FPDS-NG yet contracts are submitted for award where neither the contract owner nor the contracting officer are aware of the appropriate code nor is an obvious match found or available in the FPDS-NG edit tables.

5. Relying on individual Funding Office/Agency ID personnel to know and input their own information into FPDS-NG. There are a vast number of “blank” data elements in FPDS-NG for data that can only be provided by the contract owners. Contract owners, automated interface systems and FPDS-NG provide very little, if any, data validation before entering data nor is there adequate follow-up or correction of erroneous or missing data elements other than the dollars obligated.

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Transactions Analyzed
by Funding Office ID

| Funding Agency | Transactions Reviewed |
|----------------|-----------------------|
| 4700 | 2 |
| 4705 | 6 |
| 4717 | 16 |
| 4732 | 7 |
| 4740 | 33 |
| 4745 | 3 |
| 4750 | 9 |
| TOTAL | 76 |

| Funding Agency ID | Funding Agency Description |
|-------------------|---|
| 4700 | General Services Administration |
| 4705 | Office of the Chief People Officer |
| 4717 | Office of the Chief Financial Officer |
| 4732 | Federal Acquisition Service |
| 4740 | Public Buildings Service |
| 4745 | Office of the Chief Acquisition Officer |
| 4750 | Office of the Chief Information Officer |
| Blank | Unknown |