Executive Summary

OMB memorandum, “Service Contract Inventories” (SCI) (December 19, 2011), tasks agencies to conduct a meaningful analysis of the service contracts (funded by agency dollars) in their inventories for purposes 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. This report constitutes GSA’s analysis for FY 2012.

Based on analysis, GSA determined that contractor performance remains an acceptable choice for contracted services, and there is no evidence of over reliance 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.

Recommendations include a continued oversight to manage performance risk; refreshing the acquisition workforce on the OMB definitions concerning “critical functions” and “functions closely associated to inherently governmental functions”; and a continued emphasis on the quality of data input to the Federal Procurement Data System - Next Generation (FPDS-NG). These recommendations are continually reinforced with by processes already in place at GSA through the Procurement Management Review program, the Heads of Contracting Authority (HCAs) and the FPDS-NG verification and validation review.

Analysis
A. Table A lists the (1) special interest functions (SIFs) studied by the agency and (2) the dollars obligated to those specific product and service codes (PSCs) in FY 2012. GSA’s rationale for focusing on the identified functions is to ensure that the remaining SIFs as identified in OMB memorandum “Service Contract Inventory” (December 19, 2011), are addressed timely.

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<th>#</th>
<th>$$</th>
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B. Methodology

1. **Select Product Service Codes.** PSCs were selected to ensure GSA completed its assessment of all PSCs as identified by OMB and as submitted in GSA’s FY12 Inventory.

2. **Identify Contracts for Review.** FY 2012 Standard Inventory contained more than 2500 contract actions totaling almost $2.7 billion. Using data obtained from the FPDS-NG for the PSCs listed above, the analysis contained 235 contract actions totaling more than $110 million in spending as shown in Table A.

3. **Develop and Populate Survey Templates.** GSA developed surveys based on guidance issued by OMB as shown in Attachment A and issued them to GSA components consisting of the Federal Acquisition Service, the Public Buildings
Service, the Office of the Chief Financial Officer, and the Office of the Chief Information Officer.

4. **Perform Contract Reviews.** Components conducted their assessment of the contracts within their purview based on (ii) and submitted to the Office of Government-wide Policy.

5. **Analyze Results and Summarize Findings and Recommendations.** The Office of Government-wide Policy compiled the results and prepared high level findings and recommendations.

C. Agency Findings

1. FAS found that some contracts may require increased oversight to manage performance risk. Similar concerns were also made as part of the OCFO review.

2. In the responses to the FAS survey/questionnaire, 9 contract/orders were identified as supporting critical functions, and 11 awards were identified as Functions Closely Associated with Performance of Inherently Governmental Functions. However, in review of the description of services, none of the 9 contract/orders met the definition of “critical function” and of the 11 awards, only five have functions closely associated with inherently governmental functions.

D. Actions taken or planned by the agency to address any identified weaknesses or challenges.

In response to FY12 finding #1 above, GSA will ensure that an appropriate sample of Services Contracts are reviewed through its Procurement Management Review process to ensure appropriate management attention and oversight to ensure better management of performance risk. The PMR process consists of a continual cycle of contract reviews that assesses approximately 1300 contract files annually across approximately 25 business functions.

GSA will also ensure that its Program/Project Managers and Contracting Officers’ Representatives are fully trained and properly certified to better manage performance risk for those contracts they oversee. To support this activity, GSA has successfully deployed the Federal Acquisition Training Application System (FAITAS) certification and continuous learning module. All certification and continuous learning actions are managed in FAITAS delivering to GSA a level of total transparency for its entire acquisition workforce.

In response to FY12 finding #2, GSA will issue clarifying policy regarding regarding proper categorization of awards as supporting Inherently Governmental Functions or Functions Closely Associated with Performance of Inherently Governmental Functions and will incorporate the definition of “critical function,” “inherently governmental
function,” and “functions closely associated with performance of inherently governmental functions” into training as appropriate.

In response to previous findings, the agency has taken the following actions and will continue to take action as described:

1. GSA has worked to develop a better process for cataloguing system issues relating to FPDS-NG itself or its compatibility with systems that feed into it in order to address this source of data error. GSA is pursuing these issues through a Change Control Board process as led by the Federal Acquisition Service (FAS), which manages FPDS-NG. FAS has undertaken efforts to identify and research possible causes for rejected contract actions in FPDS. Multi-office, coordinated efforts ensue to correct the data fields that are causing the rejection notices. This is an ongoing activity. Each FAS business line is involved in data correction and has personnel available to address data quality issues. For example, GSA is currently working with the Department of Defense to address data quality errors for DoD awards.

2. In FY 12, GSA implemented a more robust process for its annual Validation and Verification process whereby GSA conducted quarterly assessments of its data quality in addition to an annual assessment. As part of this effort, GSA conducted significant outreach and coordination with program offices and other stakeholders in the acquisition community.

3. In FY 12, GSA nearly doubled the number of contract files reviewed through its Procurement Management Review process, from 800 to 1350. In the process, the PMRs increased the number of Service Contracts reviewed from X to Y, driving greater visibility into the management of these contracts.

4. In FY12, GSA significantly strengthened its AcqStat process, resulting in quarterly internal review meetings and data analysis at the Service and Regional level. As a result, GSA regularly reviewed its use of selected Management Support Services Contracts, which overlap with the SIFs identified as part of the SCI. Of particular note is GSA’s assessment of R499, “Support - Professional - Other” contracts, to see if a reduction in GSA’s use of Program Management Support Services (PSCs beginning with an “R”) was correlated with an increase in R499. However, no such correlation existed, and in fact, use of all codes has declined since FY 10. In addition, R499 is identified to be considered as part of the FY 13 SCI Inventory Analysis.

5. GSA conducted an analysis of its FY 2013 FAIR Act Inventory that incorporated an assessment of the decline in use of contractors for inherently governmental functions and closely related functions with the overall staffing levels at GSA to test the hypothesis that an increase in contractor support could be correlated to an increase in Full time Equivalents. GSA found no such correlation, and in fact, both FTE and contractor support for these functions has declined since FY 10.
6. The FY 2013 SCI Analysis will address areas of spending for PSCs ending in “99”, a designation used to cover “other” categories not specifically identified. The following PSCs will be considered for analysis.

1. PSC R499 (Support - Professional - Other). This is one of GSA’s top ten spending categories.

2. PSC D399 (IT and Telecom/ Other IT and Telecommunications). This PSC increased by almost $170 million in FY 2013 and became GSA’s second highest spending PSC in terms of obligations.

3. R699 (Support – Administrative - Other).
ATTACHMENT A

The following survey questions were used to gather data for analysis.

a. Identify the contract/task order description to include order number, company name, contract type, total award amount, period of performance

b. 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).

c. Is special attention being given, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions[1] (See OMB guidance)? (Yes, No, Not Applicable).

d. Does this contract use contractor employees to perform inherently governmental functions? (Yes, No, Not Applicable).

e. Is the performance under the award considered a “*critical function”[2] (Yes, No, Not Applicable).

f. 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).

g. 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)?

h. Are there sufficient internal agency resources to manage and oversee contracts effectively? (Yes, No, Not Applicable) (If yes, please describe).

i. What are the functions/services being performed by the contract employees under the subject award? Please provide a summary from the SOW.

j. 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?

k. How is/was the contract performance: ( Good - Fair - Poor)?

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

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

m. Name of the Program Office this contract supports.

n. Number of contractors or contractor FTE under this award.

[1] Work that is closely associated with inherently government 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.

[2] Critical Functions,” is defined as required by the agency to be able to effectively perform and maintain control of its mission and operations