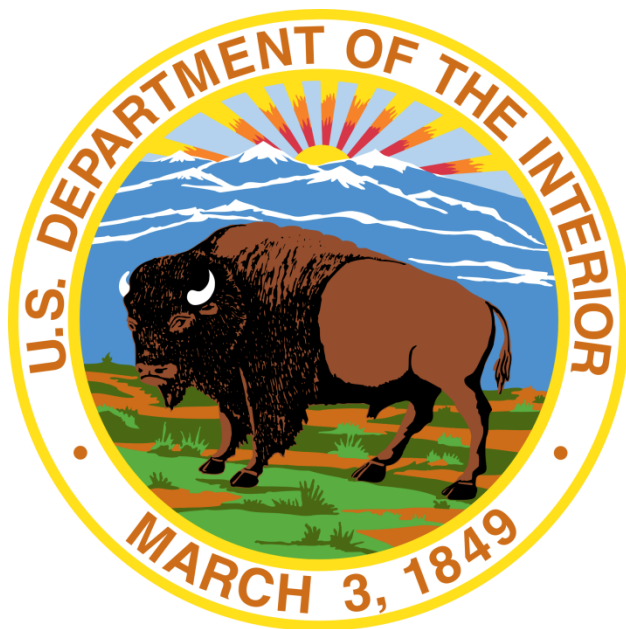


# Department of the Interior



## **Fiscal Year 2015 Service Contract Inventory Analysis Report**

*prepared by  
Office of Acquisition and Property Management  
U.S. Department of the Interior  
February 2017*

## A. Executive Summary

Section 743 of Division C of the Fiscal Year 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare an annual inventory of their service contracts and to analyze the inventory to determine if the mix of Federal employees and contractors is effective or if rebalancing is required. On October 17, 2016, the Associate Administrator for Federal Procurement Policy issued an alert containing guidance for agencies to use in preparing their FY 2016 inventories and analyzing their FY 2015 data; the alert also advised agencies to continue using prior years’ guidance including Office of Federal Procurement Policy (OFPP) Memorandum dated December 19, 2011 and the recommendations in the GAO report *Civilian Service Contract Inventories: Opportunities Exist to Improve Agency Reporting and Review Efforts*, GAO-12-1007, September 2012. The requirements specified in these guidance documents are addressed in this report.

The purpose of this analysis is to determine if contracted labor was used at the Department of the Interior (DOI) in an appropriate and effective manner during FY 2015, such that critical functions were performed solely by Federal employees and that the agency was able to maintain control of its mission and operations. A detailed discussion of the results of this analysis is provided in the Findings section of this report. Additionally, this report describes the scope and methodology of the analysis conducted, actions taken and planned for addressing findings, and a list of agency officials who are accountable for implementation and oversight of these actions.

## B. Scope

### Special Interest Functions

The table below includes a list of the special interest functions studied by DOI from its service contract inventory for this analysis, and the total dollars obligated to those specific product and service codes (PSC) in FY 2015.

DOI FY 2015 Service Contract Inventory Selected Special Interest Functions		
PSC	Description of Function	Dollar Obligations
B510	Special Studies/Analysis – Environmental Assessments	\$19,175,827
C219	A/E-General: Other	\$64,001,597
D308	IT/Telecommunications: Programming	\$27,072,126
J070	Maintenance/Repair: ADP Equipment, Software, Supplies	\$17,764,703
R415	Support-Professional: Technology Sharing/Utilization	\$24,351,816
R425	Support-Professional: Engineering/Technical	\$89,666,210
Y1PZ	Construction of Other Non-Building Facilities	\$27,491,042
Z2JZ	Repair or Alteration of Miscellaneous Buildings	\$40,652,259
<b>Total Special Interest Function Obligations</b>		<b>\$310,175,578</b>

As recommended by OFPP guidance, DOI generally looked to select functions that were not previously the subject of a DOI SCI review. In the past, the agency has focused its reviews solely on D-category services (IT and telecommunications) and R-category services (professional support); these categories are still considered high risk with respect to contractor-employee balance

and are represented in this year’s special interest functions by codes D308, R415, and R425 for additional analysis. However, new PSC categories have been added where both risk and DOI expenditure are significant, including B (special studies and analyses), C (architect and engineering services), J (equipment maintenance), Y (construction), and Z (maintenance and repair of real property).

Each of the 8 selected special interest functions were among the top 35 highest spend categories—95th percentile—for the agency in FY 2015. Moreover, expenditure for the majority of these PSCs increased dramatically from the previous fiscal year—more than doubling for J070 and D308, and increasing by factors of 5 and 10 for Z2JZ and R415, respectively.

### Review Sample

DOI’s inventory included 957 special interest service contracts. For the purposes of this analysis, DOI reviewed 52 of these contracts, constituting a sample size of 5 percent. To select the contracts for the review, the list of all 957 special interest contracts was broken out by PSC and then again by DOI Bureau. Each Bureau was then asked to review 5 percent of its total contracts per PSC to meet the sample size. The table below shows the number of contracts reviewed by each Bureau for each special interest PSC, totaling 52 agency-wide.

DOI FY 2015 Service Contract Inventory Number of Contracts Reviewed, by Contracting Bureau and PSC									
DOI Bureau Name	Product and Service Code								Total
	B510	C219	D308	J070	R415	R425	Y1PZ	Z2JZ	
Bureau of Indian Affairs		1	1			1			3
Bureau of Land Management	1			2	1	1	2		7
Bureau of Reclamation	1	2	1						4
Bureau of Ocean Energy Management	1								1
National Park Service	1	4			1	1	2	3	12
Interior Business Center				1		1			2
U.S. Fish & Wildlife Service	1	2	1				2		6
U.S. Geological Survey		4	1	1		11			17
<b>DOI Total</b>	<b>5</b>	<b>13</b>	<b>4</b>	<b>4</b>	<b>2</b>	<b>15</b>	<b>6</b>	<b>3</b>	<b>52</b>

Bureaus were granted discretion in determining the specific contracts to be reviewed, but were encouraged to focus their attention on high dollar value contracts and contracts that were particularly vulnerable to overreliance on contractors and other risks. The combined value of reviewed contracts totaled \$38,234,871, or 12.3 percent of the total dollars obligated for special interest functions.

### C. Methodology

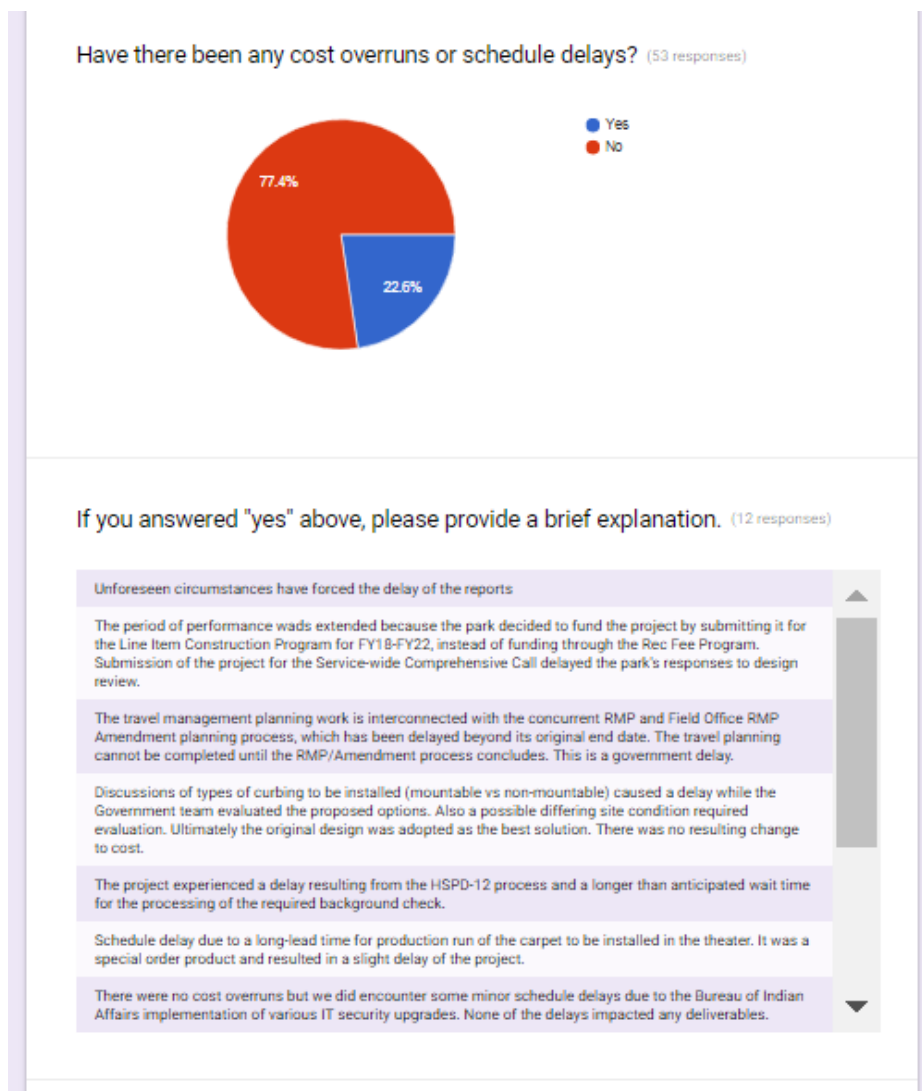
In April 2015, the DOI Office of Acquisition and Property Management (PAM) worked collaboratively with representatives from each DOI Bureau to devise a revised approach to analyzing the service contract inventory, which we continued to implement this year in our analysis of the FY 2015 inventory. The new approach involves an improved contract review methodology

that utilizes the Google Forms online survey tool to facilitate information gathering, with the ultimate goal of yielding clearer, more actionable results.

The survey included 32 questions about contract oversight and contractor activity for each contract in the review, such as:

- Who supervises and/or assigns workload to contractor personnel?
- Describe any monitoring systems or processes in place for contract management and oversight.
- Are contractors involved in acquisition planning activities?
- Do contractor personnel perform critical functions in such a way that could affect the ability to maintain control of the agency mission and operations?

The screenshot below shows an excerpt from the questionnaire results summary.



*Results, DOI FY 2015 Service Contract Inventory Survey*

Surveys were completed by the administering Contract Specialist and/or Contracting Officer (CO), with additional input from the Contracting Officer's Representative (COR), for each of the 52 contracts in the review sample. Survey responses were due August 31, 2016. After all responses were received, an analyst from the PAM Office conducted an in-depth, comprehensive analysis of the results, which are captured in the next section.

In an attempt to reduce self-reporting biases, Bureaus were instructed to complete their contract reviews in groups for improved accountability and to involve Bureau Headquarters personnel for further input and oversight. Additionally, the PAM Office conducted a detailed review of survey responses and sought clarification where there appeared to be inconsistencies or issues.

## **D. Findings**

This section summarizes the findings of DOI's FY 2015 service contract inventory analysis, the purpose of which was to determine if contracted labor was used in an appropriate and effective manner such that the agency was able to maintain control of its mission and operations.

### **Contract Management and Oversight**

Survey participants were asked to report the number of contractor personnel involved in the performance of the contract as well as the number of Federal employees involved in the oversight of the contract. On average this ratio was roughly four contractors to every Federal employee who oversaw the execution of a particular contract. While this figure is considerably higher than last year's ratio of 1.4 contractors to every employee, it is mostly attributable to a few outliers for which there was a small number of Federal employees overseeing teams of over 60 contractors. Regardless of this increase, DOI believes that 4:1 is still a relatively reasonable workload in terms of an individual employee's ability to oversee and regulate contractor activity.

When asked to describe any monitoring systems or processes in place for contract oversight, participants reported activities such as regular progress meetings with contractor personnel, use of an online project management tracking system, daily site inspections and close observation of tasks by the CO or COR, contractor submission of weekly or monthly status reports, and other similar contract management activities. COs reported that overall they felt there was adequate oversight of contract activity and that sufficient quality controls were in place to ensure the contractor complied with contract terms and conditions, as well as applicable policies and regulations.

Cost overruns and/or schedule delays were reported on 22.6 percent of surveys, however, all but one of these issues were attributed to "Government delays" or uncontrollable circumstances, rather than contractor cause. For the one that was due to issues on the part of the contractor, the CO identified the problem early on and the portion of the contract that remained undelivered was terminated for convenience. In this case, proper oversight prevented unnecessary spending and further delays.

### **Nature of Contractor Activity**

Contracts were reviewed to determine whether contractor personnel were performing tasks associated with inherently governmental activities. Survey participants were asked if any activities on a list of nine specific tasks with the potential of being inherently governmental were being performed by the contractor. For 87 percent of actions reviewed, no such tasks were reported to

have been performed; of the remaining 13 percent, reported activities included conducting agency training courses and attending conferences on behalf of the agency. Upon seeking further clarification regarding the exact nature of these activities, contractor roles were determined not to be inherently governmental. Training conducted by contractor personnel was done solely in relation to the specific systems and services provided and developed by the contractor, and as required and defined in the contract Statement of Work. Contractors who attended conferences on behalf of the agency were accompanied by Federal personnel and did not misrepresent their affiliation or contractual relationship with the Government.

### **Product and Service Code Designation**

In last year's inventory review, nearly 39 percent of contracts reviewed were reported to have been originally designated with an inappropriate or incorrect PSC; this year, only three contracts (less than 6 percent) were coded incorrectly:

1. A construction contract for a U.S. Fish & Wildlife Service visitor center was coded as Y1PZ, construction of other non-building facilities, rather than Y1PA, construction of recreation facilities (non-building).
2. A U.S. Geological Survey contract for work with captive animals at the Patuxent Wildlife Research Center was coded as R425, support – professional: engineering/technical, rather than B534, special studies/analysis – wildlife.
3. A software contract for the Bureau of Land Management was incorrectly coded as J070, software maintenance, rather than 7010, ADP equipment system configuration. Because this was identified as a non-service contract, no further analysis was conducted for this award and a new service contract was reviewed in its place.

These three contracts have since been modified for PSC correction.

### **Discussion**

The findings above indicate that there are strong safeguards in place for ensuring proper contract performance and minimizing the risk of contractors performing critical or inherently governmental functions. The evidence supports DOI's ability to maintain control of its mission and operations through effective contract management and oversight.

While the work performed by Federal employees and contractors appears well balanced, some mission activities continue to be heavily supported by contract services. The nature of DOI's mission requires contract support in several areas including IT strategy and architecture, systems development, telecommunications, as well as in program management, engineering/technical support, and other professional support services. With the enactment of the Federal Information Technology Acquisition Reform Act (FITARA), DOI anticipates increased oversight and new opportunities for contract consolidation in these areas.

Analysis of the service contract inventory provided a greater understanding of the extent of the work performed by contractors and insight into the appropriate use of contract labor for supplementing, rather than substituting, work done by Federal employees. DOI appears to be in control of operations and is able to successfully carry out its mission to protect and manage the Nation's natural resources and cultural heritage; to provide scientific and other information about those resources; and honor its trust responsibilities or special commitments to American Indians, Alaska Natives, and affiliated island communities.

## **E. Action Items**

In accordance with OFPP guidance, this section discusses DOI's actions, both taken and planned, to address weaknesses or challenges identified as a result of this analysis. An update on the status of planned actions from last year's inventory analysis is also provided.

### **Actions Taken**

As discussed in the Findings section, last year's SCI survey results revealed a weakness in data quality related to proper coding of PSCs in the Federal Procurement Data System – Next Generation (FPDS-NG). In response to this issue, we planned to make improvements in this area by providing training opportunities to contracting personnel about how PSC information is used, the negative downstream effects of incorrect data entry, and the overall importance of data quality in FPDS-NG and other systems. In FY 2016 DOI purchased a subscription for a product called FedDataCheck, which scans FPDS-NG for data entry issues and alerts the responsible contracting personnel to correct or justify the error. Since deploying this tool, DOI has reduced its error rate down to 2.8 percent as of January 2017, the second best data quality rate of all sixteen Federal agencies using FedDataCheck.

Another successfully executed action item was to improve our service contractors' compliance in reporting required contract information in the System for Award Management (SAM), per FAR Subpart 4.1703. The PAM Office worked hard to communicate and promote this regulation to the acquisition community so that they would in turn encourage their contractors to report. This effort was a great success: all nine DOI bureaus exceeded the Government-wide reporting rate of 56 percent, achieving an agency-wide average of 72 percent.

### **Planned Actions**

The acquisition workforce can always benefit from additional training regarding contractor oversight and the performance of inherently governmental functions strictly by Federal employees. DOI COs should pay particular attention to risky contractor activities such as approving or helping to determine policy, approving Government position descriptions, participating in contractor performance evaluations, and attending conferences on behalf of the agency. PAM will continue to encourage monitoring of these activities to ensure such functions are not performed by contractor personnel.

## **F. Accountable Officials**

The DOI senior agency official accountable for the development of agency policies, procedures, and training regarding the SCI is Megan Olsen, Acting Deputy Director, Office of Acquisition and Property Management.

The DOI senior agency official responsible for ensuring appropriate internal management attention is given to the development and analysis of the SCI process is Debra Sonderman, Director, Office of Acquisition and Property Management and Senior Procurement Executive.

Questions regarding the content of this report may be directed to Samantha Brownstein, Program Analyst – Data and Reporting, Office of Acquisition and Property Management.