

# Department of Energy

## FY 2021 Service Contract Inventory Analysis

Department of Energy  
Office of Acquisition Management  
Strategic Programs Division (MA-622)

February 2023



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# Section 1: Scope

## Service Contract Inventories

Section 743 of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare and analyze an annual inventory of their service contracts. Office of Management and Budget (OMB) Memorandum dated November 5, 2010, Subject: “Service Contract Inventories,” provided additional guidance to agencies on how to prepare and analyze a survey of service contracting actions in FY 2010. Each agency was to conduct a meaningful analysis of the data in the 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.

As directed by the OMB Memorandum, the Department of Energy (DOE) used the data elements cited in section 743 of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117 and followed the guidance outlined in OMB’s Office of Federal Procurement Policy’s Policy (OFPP) Letter 11-01 “Performance of Inherently Governmental and Critical Functions” (dated September 12, 2011).

OMB provided a list of priority functions for review called Special Interest Functions (SIFs). OMB identified the SIFs for increased management consideration for review based on concerns of increased risk of losing control of mission and operations as identified through a review of Government reports<sup>1</sup> and its own analysis. DOE considered the OMB-identified SIFs when developing the DOE list of Product Service Codes (PSC) for FY2021. These PSCs were included in the *Department of Energy FY 2021 Service Contract Inventory Plan for Analysis*, submitted to OMB in February 2022<sup>2</sup>. The Product Service Code (PSC) are listed in the table below:

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<sup>1</sup> OMB November 5, 2010 Memorandum entitled “Service Contract Inventories”, states such reports were authored by the Government Accountability Office, the Commission on Wartime Contracting, Agency Inspectors General, Congressional Committees, and the Acquisition Law Panel (also referred to as the “SARA Panel”).

<sup>2</sup> The PSCs designated as SIFs consider OMB guidance dated 9-7-18, FY 2018 Service Contract Inventory Checklist.

PSC	PSC Description
DA01	IT and Telecom – Business Application/Application Development Support Services (Labor) (includes former PSC codes D302, D307, D399, and R413)
DD01	IT and Telecom - Service Delivery Support Services: ITSM, Operations Center, Project/PM (Labor) (includes former PSC code D314)
DJ01	IT and Telecom - Security and Compliance Support Services (Labor) (includes former PSC code D310)
F999	Other Environmental Services
M1GC	Operation of Fuel Storage Buildings
R408	Support- Professional: Program Management/Support
R423	Support- Professional: Intelligence
R425	Support- Professional: Engineering/Technical (includes former PSC codes R414 and R421)
R497	Support- Professional: Personal Services Contracts
R499	Support- Professional: Other
R699	Support- Administrative: Other
R704	Support- Management: Auditing
R707	Support- Management: Contract/Procurement/Acquisition Support
R799	Support- Management: Other
S206	Housekeeping- Guard
U099	Education/Training- Other
X1GC	Lease/Rental of Fuel Storage Buildings
Y1EC	Construction of Production Buildings
Y1JZ	Construction of Miscellaneous Buildings
Y1PZ	Construction of Other Non-Building Facilities

Figure 1: DOE Product Service Codes for FY2021

In its FY 2021 Analysis Plan, the Department identified it would analyze the above PSCs along with additional PSCs based on input from DOE offices in response to the criteria required by Section 743. See *Figure 2: FY 2021 Service Contract Obligations*.

PSC	PSC Description	Obligations	% of Total Obligations
B599	Special Studies/Analysis- Other	\$ 15,906,221	0.0%
C219	Architect and Engineering- General: Other	\$ 4,224,058	0.0%
D302	IT and Telecom - Systems Development	\$ 963,985	0.0%
D310	IT and Telecom - Cyber Security and Data Backup	\$ 10,172,401	0.0%
D399	IT and Telecom - Other IT and Telecommunications	\$ 12,992,143	0.0%
DA01	IT and Telecom – Business Application/Application Development Support Services (Labor) (includes former PSC codes D302, D307, D399, and R413)	\$ 27,353,008	0.1%

DD01	IT and Telecom - Service Delivery Support Services: ITSM, Operations Center, Project/PM (Labor) (includes former PSC code D314)	\$ 319,410	0.0%
DJ01	IT and Telecom - Security and Compliance Support Services (Labor) (includes former PSC code D310)	\$ 5,289,135	0.0%
F999	Other Environmental Services	\$ 1,796,919,440	4.7%
M1GC	Operation of Fuel Storage Buildings	\$ 0	0.0%
R408	Support- Professional: Program Management/Support	\$ 43,034,978	0.1%
R423	Support- Professional: Intelligence	\$ 2,857,496	0.0%
R425	Support- Professional: Engineering/Technical (includes former PSC codes R414 and R421)	\$ 413,032,993	1.1%
R497	Support- Professional: Personal Services Contracts	\$ 4,189,288	0.0%
R499	Support- Professional: Other	\$ 706,021,026	1.8%
R699	Support- Administrative: Other	\$ 121,364,805	0.3%
R704	Support- Management: Auditing	\$ 4,232,272	0.0%
R707	Support- Management: Contract/Procurement/Acquisition Support	\$ 1,427,899	0.0%
R799	Support- Management: Other	\$ 295,587,048	0.8%
S206	Housekeeping- Guard	\$ 164,362,552	0.4%
U099	Education/Training- Other	\$ 271,132,934	0.7%
V119	Transportation/Travel/Relocation- Transportation: Other	\$ 1,850,000	
X1GC	Lease/Rental of Fuel Storage Buildings	\$ 26,623,270	0.1%
Y1EC	Construction of Production Buildings	\$ 0	0.0%
Y1JZ	Construction of Miscellaneous Buildings	\$ (6,752)	0.0%
Y1PZ	Construction of Other Non-Building Facilities	\$ 69,412,886	0.2%
	<b>GRAND TOTAL - Service Contracts</b>	<b>\$ 3,999,262,498</b>	<b>10.4%</b>
	<b>TOTAL DOE OBLIGATIONS</b>	<b>\$38,560,080,384</b>	

Figure 2: FY 2021 Obligations

The DOE studied the SIFs reflected in Figure 2 above based on the SIFs noted by OMB in Figure 1 and additional PSCs chosen by DOE based on programmatic data. The total dollars obligated to these specific PSCs were \$3,999,262,498, representing 10.4% of total obligations. The number of contract actions for the FY 2021 PSCs totaled 4,054.

## Section 2: Methodology

The approach was performed in accordance with the criteria set out in Consolidated Appropriations Act, 2010, (Pub. L. No. 111-117, § 743 (2009)) and Appendix D of the November 5, 2010, Office of Management and Budget (OMB) Memorandum on Service Contract Inventories and will ultimately identify contracts for a more in-depth review.

The DOE Office of Acquisition Management (OAM) and NNSA Office of Partnership and Acquisition Services (NA-PAS) developed the basic inventory in accordance with OMB guidance with the help of the Heads of Contracting Activities (HCA). A list of special interest functions by Product Service Code (PSC) for contracts to be reviewed in response to the criteria required by Section 743 was provided in guidance to the HCAs.

DOE and NNSA took the following steps in the process of its analysis:

- **Step 1:** Identify service contracts with special interest functions.
- **Step 2:** Notify respective programs responsible for contract functions.
- **Step 3:** Programs identify contracts for in-depth review based on following criteria:
  - Based on the 10 criteria identified within the Consolidated Appropriations Act, DOE Programs will prioritize its selection of contracts for further review in the following order:
    - Tier 1: Potential for inherently governmental performance by contractors;
    - Tier 2: Contracts providing services classified as special interest functions;
    - Tier 3: Contracts that do *not* include special interest functions, but were awarded on a non-competitive basis; and
    - Tier 4: Contracts that do *not* include special interest functions but meet any one of the remaining designated criteria.
- **Step 4:** Programs evaluate contracts in accordance with policy and guidance.
- **Step 5:** Programs report results of evaluation to OAM for consolidation.
- **Step 6:** Contracting Officers (COs) review contractor data and work with contractors to make revisions and fill gaps, as necessary.
- **Step 7:** OAM reports consolidated results of analysis as well as the supplemental report to OMB/OFPP.

OFPP has issued guidance documents addressing these requirements; “Service Contract Inventories, Memorandum to Chief Acquisition Officers and Senior Procurement Executives”, dated November 5, 2010 and December 19, 2011. OFPP provided guidance via its annual Service Contract Inventory Annual Kickoff Meeting on September 14, 2022.

The Department also made procurement activities aware of several recommendations that were made by the Government Accountability Office (GAO) in its report “Civilian Service Contract Inventories: Opportunities Exist to Improve Agency Reporting and Review Efforts”, GAO-12-1007 (September 2012) to help improve the quality of agency analyses and the value of inventories as a management tool.

In its report, GAO reviewed a sample of agencies' analyses of their FY 2010 inventories and identified several practices that could help to improve the quality of agency analyses in determining the effective and appropriate use of contractors. Specifically, GAO recommended that agencies --

- Fully describe the scope of the inventory reviews, including information such as the number of contracts and the percentage of contracts reviewed for each product and service code selected and the total universe of contracts;
- Report on the number of contractor personnel and functions that were involved with the workforce issues identified during their inventory reviews; and
- Include the status of agency efforts to resolve findings identified in previous reviews until they are resolved.

The Department guidance also advised the procurement activities to consider the points below as they prepared their reports, consistent with the DOE Acquisition Guide:

**Scope** (provided by HCAs). The report should describe the special interest functions studied by the agency, and the dollars obligated to those specific product and service codes (PSCs) in FY 2021. The report should also describe how many contracts were reviewed, how the contracts were selected for review, and the percentage of obligations the contracts covered for the product and service codes on which the review focused.

**Methodology** (provided by HCAs). The report should discuss the methodology used to support its analysis (e.g., sampled contract files, conducted interviews of members of the acquisition workforce working on specific contracts of interest).

**Findings** (provided by HCAs). The report should summarize the findings, including a brief discussion of the extent to which the desired outcomes described in section 743(e) (2) are being met (e.g., the activity is not using contractor employees to perform critical functions in such a way that could affect the ability of the activity to maintain control of its mission and operations). Where workforce issues are identified, the report should identify the estimated number of contractor personnel and/or labor resources involved (e.g., in "full-time equivalents").

**Actions taken or planned** (provided by HCAs). The report should explain the steps the activity has taken or plans to take to address any identified weaknesses or challenges.

## Section 3: Findings

### Summary

The Service Contract inventory is a tool for assisting agencies in better understanding how contracted services are being used to support mission and operations and whether contractors' skills are being utilized in an appropriate manner.

### Service Contract Inventory

The results of the Department's service contract inventory continue to be favorable in terms of meeting OMB initiatives. Specifically, the outcome of the Department's inventory analysis resulted in the following findings:

1. None of the contracts are characterized as "personal services" as defined by the Federal Acquisition Regulation;
2. Contractor employees do not perform any inherently governmental functions;
3. Ongoing comprehensive monitoring and evaluations are performed by government personnel and the contractor performance requirements have not changed or been expanded to be classified as inherently governmental type functions;
4. Contractor employees are not performing critical functions in such a way that would affect the Department's ability to maintain control of its missions and operations; and
5. Sufficient government personnel are available and assigned to manage and oversee contracts effectively without the need to rebalance the mix of federal and contractor employees.

The service contracts that contain special interest functions identified by OMB and these additional PSCs chosen by DOE comprise 10.4% of the Department's overall obligations, or \$3,999,262,498. A vast majority of the contracts are competed (77%), and most are either cost reimbursable or time and material type. Most of the special interest functions are supported by businesses from the entire spectrum of the social economic groups.

The Department's top PSCs are encompassed by Management and Operating (M&O) contracts or contracts related to the M&O business model, which are not considered Service Contracts. The obligations for these series of PSCs are consistent with what the Department has reported for several years: approximately 85% or more of DOE obligations are associated with M&O contracts or contracts related to the M&O business model. The inventory also shows that a majority of these contracts are competed and because of the business model that is used, the majority of spend is through cost type contracts.

## Section 4: Actions Taken or Planned

### FY22 Analysis Plan

The DOE approach will be performed in accordance with the criteria set out in Consolidated Appropriations Act, 2010, (Pub. L. No. 111-117, § 743 (2009)), Appendix D of the November 5, 2010, OMB Memorandum on Service Contract Inventories, and will ultimately identify contracts for a more in-depth review.

DOE will develop the basic inventory in accordance with OMB guidance using FPDS-NG data to address a number of the inventory requirements consistent with the Consolidated Appropriations Act. The DOE OAM will provide this list of contracts with special interest functions to the Programs in order to gather supplemental contract data in response to the criteria required by Section 743.

DOE will take the following steps in the process of its analysis:

- **Step 1:** Identify service contracts with special interest functions.
- **Step 2:** Notify respective programs responsible for contract functions.
- **Step 3:** Programs identify contracts for in-depth review based on following criteria:
  - Based on the 10 criteria identified within the Consolidated Appropriations Act, DOE Programs will prioritize its selection of contracts for further review in the following order:
    - Tier 1: Potential for inherently governmental performance by contractors;
    - Tier 2: Contracts providing services classified as special interest functions;
    - Tier 3: Contracts that do *not* include special interest functions, but were awarded on a non-competitive basis; and
    - Tier 4: Contracts that do *not* include special interest functions but meet any one of the remaining designated criteria.
- **Step 4:** Programs evaluate contracts in accordance with policy and guidance.
- **Step 5:** Programs report results of evaluation to OAM for consolidation.
- **Step 6:** COs review contractor data and work with contractors to make revisions and fill gaps, as necessary.
- **Step 7:** OAM reports consolidated results of analysis as well as the supplemental report to OMB/OFPP.

### Responsible Officials

The senior agency management official who is accountable for the development of agency policies, procedures, and training associated with OFPP Policy Letter 11-01 addressing the performance of inherently governmental and critical functions (this designation is already required by section 5-4(e) of the Policy Letter) is **John Bashista, Director, Office of Acquisition Management**.

The official who is responsible for ensuring appropriate internal management attention is given to the development and analysis of service contract inventories, if different than the official named in (1) above is **John Bashista, Director, Office of Acquisition Management**.

The individual who can serve on the working group is Lance Nyman, Procurement Analyst, Strategic Programs Division ([Lance.Nyman@hq.doe.gov](mailto:Lance.Nyman@hq.doe.gov)) or 240-474-7960.