

Department of Energy

FY 2011 Service Contract Inventory Analysis

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

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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's (OMB) memorandum dated November 5, 2010, Subj: "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 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 reminder of those requirements in a memorandum dated December 21, 2012, Subj: "Development and Analysis of Service Contract Inventories".

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 recent Government reports¹ and its own analysis. The SIFs for increased management attention are listed by their Product Service Codes (PSC) in *Figure 1: OMB Designated Special Interest Functions*.²

Special Interest Functions	
PSC	PSC Description
D302	IT and Telecom- Systems Development
D307	IT and Telecom- IT Strategy and Architecture
D310	IT and Telecom- Cyber Security and Data Backup
D314	IT and Telecom- System Acquisition Support
R408	Support - Professional: Program Management/Support
R413	Support - Professional: Intelligence
R414	Systems Engineering Services
R421	Technical Assistance
R423	Support - Professional: Intelligence
R425	Support - Professional: Engineering/Technical
R497	Support - Professional: Personal Services Contracts
R707	Support - Management: Contract/Procurement/Acquisition Support

Figure 1: OMB Designated Special Interest Functions

¹ OMB November 5, 2010 Memorandum titled 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").

² The PSCs designated as SIFs have been updated per OMB email from Daniel I. Gordon, Administrator for Federal Procurement Policy to the CAO Council, August 2011.

Management of Support Services

OMB memorandum dated November 7, 2011 Subj: "Reduced Contract Spending for Management Support Services," was issued to agencies to highlight the objective of reducing expenditures for Management Support Services (MSS) as an important component of the Campaign to Cut Waste and the Executive Order on Delivering an Efficient, Effective, and Accountable Government.

During the White House Forum on Accountability in Federal Contracting in the summer of 2011, OMB announced a goal of reducing spending on MSS contracts by 15 percent by the end of FY 2012. For the purposes of this initiative, OMB identified the MSS as functions covered by twelve PSCs which are identical to the SIF codes identified in the Service Contract Inventory guidance.

In order to better align the other OMB/OFPP Service Contract related initiatives to include the OMB MSS initiative, the list of SIFs was further expanded for use with the Department identified spending reduction initiatives. Many of the SIF PSCs and MSS PSCs are duplicative as highlighted in *Figure 2: FY 2011 Special Interest Functions*.

PSC	PSC Description	Action Obligation	% of Total Obligations
D302	IT and Telecom-SystemsDevelopment	\$9,430,615	0.04%
D307	IT and Telecom- IT Strategy and Architecture	\$4,517,767	0.02%
D310	IT and Telecom- Cyber Security and Data Backup	\$0	0.00%
D314	IT and Telecom- System Acquisition Support	\$4,168,991	0.02%
D399	Other IT & Telecommunications Services	\$153,832,921	0.62%
F999	Other Environmental Services/Studies/Support	\$167,024,430	0.68%
R408	Support - Professional: Program Management/Support	\$120,365,357	0.49%
R413	Support - Professional: Intelligence	\$0	0.00%
R414	Systems Engineering Services	\$21,553,754	0.09%
R421	Technical Assistance	\$39,857,356	0.16%
R423	Support - Intelligence Services	\$10,780,653	0.04%
R425	Support - Professional: Engineering/Technical	\$183,373,159	0.74%
R499	Other Professional Services	\$166,967,225	0.67%
R699	Other Administrative Support Services	\$101,631,213	0.41%
R707	Support- Management: Contract/Procurement/Acquisition Support	\$22,249,567	0.09%
S206	Guard Services	\$287,421,869	1.16%
U099	Other Ed & Training Services	\$136,141,010	0.55%
Y153	Construct/Production Buildings	\$516,514,301	2.09%
Y199	Construct/Misc Buildings	\$254,290,390	1.03%
Y299	Construct/All Other Non-Bldg Facilities	\$138,470,939	0.56%
	Total	\$2,338,591,517	9.45%
	Total Obligations	\$24,739,579,663	
	OMB 15% reduction target		

Figure 2: FY 2011 Special Interest Functions

The Department of Energy studied the SIFs/PSCs reflected in Figure 2 above. The applicable contracts were selected for review based upon their being encompassed in OMB's list of SIFs, as well as DOE's list of contracts to be studied. The total dollars obligated to those specific PSCs were \$2,338,591,157, representing 9.45% of total obligations. The number of contracts reviewed totaled 1,486.

Section 2: Methodology

The Department of Energy methodology to support its analysis was as follows. 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, and collect additional data through a survey in order to gather supplemental contract data in response to many of the criteria required by Section 743.

The results of these surveys were inconclusive due to a low response rate. Notwithstanding, the Department of Energy reached the OMB mandated reduction in MSS contracts. The Department determined that the intended effect of the Service Contract Inventory Analysis was accomplished by the reductions achieved through the MSS reduction initiative.

To further enhance the analysis, the Department took a broader view of support service contracts and developed two separate but related initiatives to ensure success; instituting a moratorium on support service contracts and a Measures of Performance “MOP” program.

Moratorium on Support Service Contracts

The Department recognized how the service contract inventory could be used as a tool for assisting the agency in better understanding how contracted services are being used to support mission and operations and whether the contractors’ skills are being utilized in an appropriate manner. In order to better focus the agency’s limited resources on evaluating this category of contract spending, the Department of Energy Deputy Secretary issued a Memorandum to the Heads of All Departmental Elements imposing a “Moratorium on Support Service Contracts”, dated May 11, 2011.

This memorandum challenged all who serve at the Department to achieve and sustain a commitment to Management and Operational Excellence in support of our Mission. The memorandum further states: “As we collectively develop the most highly-qualified, capable, and flexible federal workforce, we must assess the nature of our work and make tough decisions regarding whether some work currently contracted to support service contractors is still required. While we assess and make such decisions, we are imposing an immediate moratorium on the award of any new, or modification of any existing, support service instrument subject to the following”.

This recognized that the definition of “support services” for the purpose of this moratorium is all those contracts defined as those services encompassing “Special Studies and Analysis” and “Professional, Administrative and Management Support” Product Service Codes. By including this broad scope in the definition, DOE effectively required that all support services contracts, prior to action being taken to propose, award, fund, or modify, be evaluated for the purpose of determining if work currently contracted was still required.

Measures of Performance

Through the DOE Strategic Plan, the Secretary of Energy challenged those within the Department of Energy to achieve and sustain a commitment to Management and Operational Excellence in support of our mission -- from Headquarters, to every site office and service center, and every laboratory and production facility.

The goal of "Achieving Management and Operational Excellence" is to establish an operational and adaptable framework that combines the best wisdom of all Department stakeholders to maximize mission success.

Focused on the safe, secure, efficient, and effective mission execution, results/actions are tracked via 52 Measures of Performance (MOP) which are aligned with the Department's Strategic plan. The Associate Deputy Secretary (on behalf of the Secretary and the Deputy) conducts bi-monthly Management Reviews with leaders to ensure accountability in achieving desired performance results.

There are two key MOP measures that optimize our workforce and reduce service support contracts (see attached). By combining several OMB initiatives as well as to meet budget reductions, The Department of Energy is reducing its reliance on support service contractors as a cost savings/avoidance measure, while also ensuring that its federal workforce retains its core competencies, talent, and marketability. At the same time, it ensures that a reduction in support service contracts does not adversely impact the Department's achievement of its small business goals.

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 the contractors' skills are being utilized in an appropriate manner. The moratorium on support service contracts was imposed to limit the award of any new, or modification of any existing, support service contract to facilitate an assessment of the nature of work and to make tough decisions regarding whether some work currently contracted to support service contractors was still necessary. The OMB MSS initiative requires a reduction of service support contracts identified in the inventory. The Department of Energy Measures of Performance program measured the Department's progress in meeting these initiatives.

Service Contract Inventory

The results of the Department's service contract inventory continue to be favorable in terms of meeting OMB initiatives. None of the Department's contracts have been identified as including inherently governmental functions. Of those that are nearly inherently governmental or critical, the Department has processes/procedures in place to prevent them from becoming inherently governmental.

The service contracts that contain special interest functions comprise only 9.6 percent of the Department's overall obligations, or \$2,403,944,520. A vast majority of the contracts are competed, and most are either cost reimbursable or time and material type. Most of the special interest functions are supported by small businesses.

The Department's top 10 PSCs are Management and Operations (M&O) contracts or contracts related to the M&O business model. The obligations for these series of PSCs are consistent with what the Department has reported for several years: 80 percent or more of Department of Energy obligations are associated with M&O contracts. The inventory also shows that a majority of these contracts are competed and because of the business model that is used, a majority are cost contract types.

Management of Support Services

OMB established a goal of reducing spending on MSS contracts by 15 percent by the end of FY 2012. The Department of Energy reduced its spending on MSS contracts by 35 percent by the end of FY 2012.

Moratorium on Support Services

The moratorium was imposed to limit the award of any new, or modification of any existing, support service contract to facilitate an assessment of the nature of the Department's work and to make tough decisions regarding whether some work currently contracted to support service contractors was still necessary.

When compared to the same period of time in FY 2010, the moratorium resulted in an 18.7 percent reduction in service support contracts in FY 2011. The moratorium also allowed the Department to

reduce the number of contracts and consolidate several into overarching Blanket Purchase Agreements (BPAs) that the entire Department can use.

Measures of Performance

The Associate Deputy Secretary (on behalf of the Secretary and the Deputy) bi-monthly Management Reviews with leaders ensured accountability in achieving desired performance results. Support Service contracts were reduced and the functions transferred to existing federal staff. Improvements in work efficiency also contributed to the reduction of contracts.

Section 4: Actions Taken or Planned

FY12 Analysis Plan

The Department of Energy (DOE) approach will be 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 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 Office of Acquisition and Project Management (APM) 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 IG 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 APM for consolidation.**
- **Step 6: APM reports consolidated results of analysis to OMB/OFPP.**

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 **Ingrid Kolb, Director, Office of 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 **Ingrid Kolb, Director, Office of Management.**

The individual who can serve on the working group is Jeff Davis, Procurement Analyst (jeff.davis@hq.doe.gov, (202)287-1877).