

U.S. Department of Labor  
Fiscal Year 2010 Service  
Contract Inventory Analysis

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Section 743 of Division C of the Fiscal Year (FY) 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 mix of Federal employees and contractors is effective or if rebalancing may be required. The Office of Management and Budget (OMB) Memorandum, dated December 19, 2011 regarding Service Contract Inventories provides guidance regarding: 1) the submission of analyses for the FY 2010 inventories, 2) the preparation of FY 2011 inventories, and 3) the development of analyses of the FY 2011 inventories. This report provides an analysis of the Department of Labor's (DOL) FY2010 service contract inventory and the use of contractors for special interest functions that the agency selected to examine.

**Special Interest Functions**

The table below shows the Special Interest Functions studied by the agency and the dollars obligated to those specific Product and Service Codes (PSCs) in FY2010.

The Product and Service Codes (PSCs) were selected from a collection of Special Interest Functions identified by OMB, in their November 5, 2010 Memorandum and the Department's top 4 PSCs targeted high dollars obligations in FY10.

| <b>PSC</b> | <b>Product or Service Description</b> | <b>FY10 Spend*</b> |
|------------|---------------------------------------|--------------------|
| D314       | ADP ACQUISITION SUP SVCS              | \$7,042,483.16     |
| R408       | PROGRAM MANAGEMENT/SUPPORT SERVICES   | \$27,752,173.88    |
| R421       | TECHNICAL ASSISTANCE                  | \$3,537,568.38     |
| R707       | MGT SVCS/CONTRACT & PROCUREMENT       | \$3,017,201.78     |

**Methodology**

The methodology used by DOL to support its analysis began with the review of previous Government Sourcing Initiatives and examining the results of the agency's 2009 Multi-Sector Workforce Pilot (referenced by OMB Memorandum M-09-26), which analyzed the Contract Specialist Support Services function to determine the appropriate mix of Government and contractor resources. In addition, several documents including vital OMB memos, OFPP Policy Letter 11-01, and applicable sections of the Federal Acquisition Regulation (FAR) were reviewed by the Office of Acquisition Management Services (OAMS) workgroup. The workgroup evaluations were based upon an examination of 218 contract files and interviews with Contracting Officers Representatives (CORs), Contracting Officers (COs), Budget Managers and/ or Project Managers (PMs). These interviews were conducted to ensure that contractors were not performing inherently governmental

functions. Furthermore, weekly meetings with the Senior Procurement Executive (SPE), Procurement Executive (PE), and all heads of program activities were conducted. The DOL SPE issued policy memorandum via general correspondences such as emails, to the Head of Contracting Activities (HCA's) requiring reviews of new requirement for services and continued analysis of the service contract inventory by various program activities. Data mining and random sampling are other methods that were used to:

- validate that inherently governmental functions are not being performed by contractors;
- assess needs driven by the mission;
- look for opportunities to reduce duplication; and
- identify challenges and opportunities.

### **Findings**

As a result of the analysis conducted, it was determined that DOL had adequate oversight capacity to monitor its service contracts and that there were some opportunities to eliminate redundant requirements. The analysis found that two (2) service contracts were coded as personal services contracts in the FPDS-NG system in FY 2010. Upon further analysis, it was noted that these actions did not include personal services and were incorrectly coded. Review and discussion with heads of contracting activities identified the need for continued review of contract coding in the FPDS-NG system by managers.

The agency is giving special management attention to functions that are closely associated with inherently governmental functions and is not using contractor employees to perform inherently governmental functions. Generally, heads of contracting activities accounted for consistent and clear separation between inherently governmental functions and contractor performed services.

Of the 218 contract files reviewed:

- No evidence of contractors performing Inherently Governmental Functions;
- No evidence of unlawful personal services occurring, although many contractors work on-site and use Government-furnished equipment;
- Some services provided by the Department's contractors (whether commercial or not) may be considered "closely associated" with inherently governmental functions and/or "mission critical." However, this is not problematic because the Department has sufficient internal resources to manage and oversee these contracts effectively;
- No major performance issues were found. However, some contracts reviewed did not have correctly completed FPDS-NG reports on file.
- Realization of cost saving with the use of Government full time employees in place of contractor support staff is based on the results from the MSWF pilot.

### **Actions Taken/Planned to Address Weaknesses/Challenges**

Training for all acquisition staff in the proper coding of contract actions was highly recommended and will be implemented.

Greater emphasis is also being placed on the use of Firm Fixed Price contracts and Performance-Based Service Acquisition to the maximum extent practicable.

As a result of the MSWF pilot, DOL is in the process of converting 20 DOL contractor positions to federal full-time equivalent positions. These conversions will result in an expected savings of over \$480,000.