

## Analysis of Office of Management and Budget's FY 2010 Service Contract Inventory

Section 743 of Division C of the Consolidated Appropriations for Fiscal Year (FY) 2010 requires all civilian agencies covered by the Federal Activities Inventory Reform (FAIR) Act to develop an inventory of its service contracts, analyze how the contractors are being used, and post a report on the results of the analysis. The report must give particular attention to functions that are closely associated with inherently governmental functions and critical functions and include an assessment on whether the agency is overly reliant on contractor support. This report discusses the analysis performed by the Office of Management and Budget (OMB) on its FY 2010 service contracts.

Almost all of OMB's service contracts involve information technology support. A breakout by total obligations in each product and service code (PSC), and the amount obligated, for all eleven OMB-funded service contract actions above \$25,000<sup>1</sup> awarded in FY 2010 is provided in the chart below.

<b>PSC</b>	<b>PSC Description</b>	<b>Obligations FY10 (\$K)</b>
D302	ADP Systems Development Services	\$2,563
D308	Programming Services	\$248
D316	Telecommunication network management services	\$154
D317	Auto news, data & other services	\$69

OMB reviewed each of these contracts by surveying the contracting officer's representatives (CORs) assigned to the contract. The results of the survey, which are summarized below, indicated that appropriate steps were taken to guard against improper reliance or overreliance on contractors.

- Prior to awarding contracts, the contracting office reviewed the requirements to ensure that unauthorized personal services contracts or inherently governmental functions were not included in the purchase request.
- The program office and requiring activity were required to determine whether there were sufficient internal controls in place to ensure that there was not an overreliance on contractors that would impact the ability of the agency to accomplish its mission.
- OMB requires a certified COR to be identified in and assigned to each contract. Throughout the life of the contract, the COR continually monitors and evaluates performance, ensuring both that the services are completed in accordance with the terms of the contract and that the performance of service does not put the government at risk of overreliance.

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<sup>1</sup> OMB's Office of Federal Procurement Policy (OFPP) Guidance on Service Contract Inventories (November 5, 2010) instructed agencies to only report on services over \$25,000 that were funded by their agency. Therefore, the total represented in the table only accounts for OMB-funded services over \$25,000 awarded in FY 2010.

The chart below summarizes the input of the CORs on each of the specific responsibilities outlined in section 743(e)(2), which lays out the specific areas agencies are to consider in conjunction with reviewing their service contract inventory.

<b>§ 743(e) Review Responsibilities</b>	<b>OMB review results</b>
(i) Each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations.	<i>None of the contracts include personal services.</i>
(ii) The agency is giving special management attention, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions.	<i>None of the contractors are performing closely associated with inherently governmental functions.</i>
(iii) The agency is not using contractor employees to perform inherently governmental functions.	<i>Contractors are not performing inherently governmental functions.</i>
(iv) The agency has 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.	<i>Each contract is assigned a certified COR, who continuously reviews and monitors contractor performance to ensure that mission creep does not occur.</i>
(v) The agency is not using contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations.	<i>While contractors do perform critical functions, OMB has concluded that it has sufficient internal expertise both to maintain control of its operations and to manage the contractors that are supporting the federal employees. In addition, OMB's use of a variety of contractors to provide technical support IT services on commercial software products results in the agency not being overly reliant on these contractors.</i>
(vi) There are sufficient internal agency resources to manage and oversee contracts effectively.	<i>OMB staff members have sufficient internal expertise of IT processes and software engineering to oversee and manage these contracts.</i>

In light of these results, no insourcing of work was considered necessary. OMB will continue to carefully manage and monitor its contracted work in accordance with law, regulation, and policy – including the new guidance set forth in OFPP Letter 11-01, which addresses the performance and management of inherently governmental and critical functions<sup>2</sup> – to maintain the right balance between federal employees and contractors.

<sup>2</sup> OFPP Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions, is available at [http://www.whitehouse.gov/omb/procurement\\_index\\_work\\_performance/](http://www.whitehouse.gov/omb/procurement_index_work_performance/).