



Service Contract Inventory FY2010

Agency Inventory Analysis

Background: The Peace Corps was established by President John F. Kennedy pursuant to the Executive Order 10924 (March 1, 1961) and became Public Law 87-293 on September 22, 1961 (as amended), The Peace Corps Act. The purpose of the Peace Corps is to promote world peace and friendship through a Peace Corps; help the peoples of such countries and areas in meeting their needs for trained manpower, particularly in meeting the basic needs of those living in the poorest areas of such countries; and help promote a better understanding of the American people on the part of the peoples served and better understanding of other peoples on the part of the American people.

The analysis was performed by the Chief of Procurement Policy.

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 the mix of Federal employees and contractors is effective or if rebalancing may be required.

Pursuant to Section 743 and associated guidance from the Office of Management and Budget (OMB), the Peace Corps performed the following analysis of its Fiscal Year (FY) 2010 Service Contract Inventory, which is available on Peace Corps's website at:

http://multimedia.peacecorps.gov/multimedia/pdf/policies/PC_Service_Contracts_FY2010.pdf.

Peace Corps' analysis report shall identify:

- a) Special interest functions studied by the agency, the dollars obligated to those specific product and service codes (PSCs) in FY 2010, and the rationale for focusing on the identified functions;
- b) The methodology used by the agency to support its analysis (e.g., sampled contract files, conducted interviews of members of the acquisition workforce working on specific contracts of interest);
- c) Agency 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 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); and
- d) Actions taken or planned by the agency to address any identified weaknesses or challenges.

A) Special interest functions studied by the agency, the dollars obligated to those specific product and service codes (PSCs) in FY 2010, and the rationale for focusing on the identified functions

Peace Corps has analyzed its FY 2010 Service Contract Inventory against the special interest functions identified in OMB's November 2010 guidance. The Peace Corps has found that its greatest percentage of obligations were in R497 (Personal Service Contracts) and R707 (Management Services/Contract & Procurement Support). The largest percentage not included in the Special interest functions were R799 (Other Management Support Services). The Peace Corps obligated \$2,907,427.54 under R497 and \$1,654,964.17 under R707 for FY2010. The Peace Corps also obligated \$3,578,572.00 under R799 in FY2010, not a special interest function.

The Peace Corps has determined from the review of its FY2010 data that the contracts under R497 consist of personal service contractors that perform support overseas. Personal services contractors are vital to Peace Corps in its effort to provide vital medical training, education and counseling overseas. The data results also indicate multiple line items for one contract, e.g., compensation costs; pre-contract costs; and the exercise of the option.

Peace Corps also reviewed the contracts under R707 for Management Services/contract & Procurement Support for FY2010. Operations and maintenance support for our financial management system was needed and a multiple award contract was awarded for IT consultants. It appears that this action was coded incorrectly and should fall under a more appropriate service code for Information Technology support. The consultants were contracted to provide technical support which were grouped into three components: COTS financials, Human Resources Payroll and Custom Applications.

B) Methodology used by the agency to support its analysis (e.g., sampled contract files, conducted interviews of members of the acquisition workforce working on specific contracts of interest)

Based on the analysis of its special interest functions and Peace Corps's review of a sampling of PSC contracts it was determined that the duties performed by contractors are not inherently governmental functions. Each Peace Corps posts is limited to the number of U.S. Direct Hires and Foreign Service Nationals (FSNs), and thus PSCs are used to supplement support of the Agency's mission. Interviews were conducted with the Overseas Acquisition Support Team regarding PSC contract support and the services provided. PSCs provide specialized training and support which cannot be performed readily by a government employee. Overseas PSCs do not participate in decision regarding acquisitions or participate in policy making decisions. PSCs are monitored/managed by the Country Director. PSCs overseas provide health care, education, counseling services as well as support to the health care program overseas. Peace Corps hires PSCs as known as Peace Corps Medical Contractors (PCMC) which are hired locally where there is a need of such support at a Peace Corps posts. Utilizing PSCs to perform specialized functions overseas aligns with Peace Corps' strategic mission to promote world peace and friendship; help people of such countries and areas in meeting their needs for trained manpower; and promote a better understanding of the American people.

The contracts for Management Services/Contract & Procurement Support were reviewed and interviews conducted with the Domestic IT Acquisition workforce. The services provided by these contractors are those of a specialized nature involving IT software and maintenance. The contractor is not performing critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations. This contract is adequately managed by government personnel. Peace Corps has an office dedicated to the support of this financial system, which is comprised of direct hire staff and contractors working collaboratively to maintain the system and support operations.

C) Agency 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 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)

Peace Corps determined through its review that there were no PSCs or other contracting personnel neither performing inherently government work nor performing critical functions that could affect the ability of the agency to maintain control of its mission and operations in FY210 under R497 and R707.

There was no work performed that was closely associated with inherently governmental functions and thus no special management attention was necessary. The review indicated that Peace Corps is not using contractors to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations.

D) Actions taken or planned by the agency to address any identified weaknesses or challenges

Peace Corps has identified the need to ensure service contracts are properly coded when entering data into FPDS. The analysis of FY2010 service inventories discovered a misidentification of several contracts under R707, which should have been coded under a more appropriate service under Automated Information Systems Services or ADP Systems Development Services. Peace Corps will discuss with acquisition workforce the importance of labeling/coding service contracts.

Contractors working under the R707 service code more appropriately IT Support or ADP Systems Development Services report to the designated Contracting Officer's Technical Representative (COTR). The COTR for this contract has obtained formal training for the oversight and management of the contract as well as guidance from the Office of Acquisitions and Contract Management.

Under Section 10(a)(5) of the Peace Corps Act, Peace Corps has been granted authority to acquire personal services by contract to carry out its mission. Peace Corps acknowledges that personal service contractors are essential to the success of its mission and objectives in promoting peace, friendship and understanding of the American people and other people in Foreign countries. Given the restrictions of the number of direct hires appointed to each overseas posts and the specialized nature of providing medical services, Peace Corps determines that these functions are best provided by independent contractor personnel. Peace Corps has in place appropriate supervision to ensure personal service contractors are not performing inherently governmental functions. Personal service contractors carry out the functions/duties as directed by the Country Director and does not actively participate in making

policies, acquisition decisions, nor exercise control over federal employees. Peace Corps will continue to monitor its service contracts where functions performed by contractors are closely associated with inherently government functions and will implement stronger internal controls or consider direct hires to ensure balance.