



## Service Contract Inventory FY2011

### 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) 2011 Service Contract Inventory, which is available on Peace Corps's website at:

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 2011, 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 2011, and the rationale for focusing on the identified functions**

Peace Corps has analyzed its FY 2011 Service Contract Inventory against the special interest functions identified in OMB's November 2010 and 2011 guidance. The Peace Corps has found that its greatest percentage of obligations within the special interest functions were in R497 (Personal Service Contracts) and R707 (Management Services/Contract & Procurement Support). The Peace Corps obligated \$2,170,010.83 under R497 and \$1,175,672.52 under R707 for FY2011. The largest percentage of obligations not identified as Special interest functions were R799 (Other Management Support Services), D399 (Other ADP & Telecommunications SVCS) and R699 (Other Administrative Support Services). The Peace Corps obligated \$10,259,448.45 under R799, \$2,232,171.08 under D399 and \$1,282,351.24 under R699 in FY2011, which are not special interest functions.

The Peace Corps has determined from the review of its FY2011 data that the contracts under R497 consist of medical personal service contractors that perform support overseas. These contractors primarily consist of nationally certified nurse practitioners, physician assistants and physicians. These personal services contractors are vital to Peace Corps in its effort to provide vital medical care, training, education and counseling overseas. The data results indicate multiple line items for one contract, e.g., compensation costs; pre-contract costs; incremental funding or the exercise of the option. PSC contracts are awarded with a base year and option years, so the cost of one PSC contract will span several reporting years.

The data results indicate a slight decrease in the total obligation under R497 by 25% from FY2010. This decrease in total obligation under special interest function R497 does not indicate a reduced need for personal service contractors overseas. Peace Corps is not allowed to have personal service contractors performing services in the United States except under certain circumstances.

Peace Corps reviewed the contracts under special interest function code R707 for Management Services/Contract & Procurement Support for FY2011. Peace Corps decreased its obligations for Management Services/Contract and Procurement Support by 28%. In Peace Corps FY2010 Inventory Analysis Report, Peace Corps acknowledged incorrect codes used for its IT consultants as the cause for the total obligation under code R707. Peace Corps has notified contracting personnel of ensuring selecting the appropriate code thus resulting in the significant decrease of obligations for PSC R707. Contractors providing support services under this function code are not personal service contractors. These support contracts provide maintenance and support to Peace Corps financial systems. Oversight of these contractors is provided by a designated Contracting Officer's Representative (COR). These contractors do not perform mission critical work or inherently government functions and thus do not weaken Peace Corps control or its ability to function.

**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 contracts it was determined that the duties performed by personal services contractors are neither inherently governmental nor closely associated. 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 Peace Corps Overseas Operations Team regarding PSC contract support and the services provided. PSCs provide specialized training and support which cannot be performed readily by a government employee nor allowed given the limitation of U.S. Direct Hire personnel at overseas posts. Overseas PSCs do not participate in decisions regarding acquisitions or participate in policy making decisions. PSCs are monitored/managed by the Country Director. PSCs serving overseas provide health care, education, counseling services as well as support to the health care program overseas. Peace Corps hired PSCs are known as Peace Corps Medical Contractors (PCMC) which are hired locally where there is a need of such support at a Peace Corps post. Contracting with personal service contractors align 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.

Contracts awarded under Management Services/Contract & Procurement Support were reviewed again and the services provided are specialized IT software and maintenance. Contractors under this function provide specialized IT software development and maintenance. The dynamic nature of IT skills, certification and technology it would be impractical to employ a direct hire. 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. Adequate management of contractor personnel by the Government continues and reviewed continuously. 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 closely associated functions that could affect the ability of the agency to maintain control of its mission and operations in FY2011.

No work performed in FY2011 included closely associated with inherently governmental functions requiring special management. 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.

Peace Corps has adequate trained, experienced direct hire employees to manage the work and its contractors to continue critical operations should a contractor default. Peace Corps has medical and IT personnel with comparable expertise to provide technical insight to contractor personnel and provide final decisions.

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

Contractors working under the R707 service code report to the designated Contracting Officer's Technical Representative (COTR). COTRs for these contracts have received formal training to ensure the appropriate oversight and management of contracts 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 utilizes personal service contractors to accomplish its mission and objectives in promoting peace, friendship and understanding of the American people and other people in foreign countries. PSCs at overseas posts provide essential healthcare, training and counseling to Peace Corps volunteers serving in foreign countries. Peace Corps operate under strict prohibitions which dictate the number of U.S. Direct Hires (Government employees) appointed to each overseas post. The specialized nature of providing medical services can best be provided by personal service contractors. Peace Corps is resolved that these functions are best provided by independent contractor personnel. Peace Corps has 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.