

Federal Energy Regulatory Commission FY 2014 Service Contract Inventory Analysis

Federal Energy Regulatory Commission
Office of Executive Director
Acquisitions Services Division

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Service Contract Analysis for FY 2014
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The Federal Energy Regulatory Commission ("FERC") has prepared this Analysis pursuant to the requirements of Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, P.L. 111-117. Office of Management and Budget's (OMB) Memorandum dated November 5, 2010, Subject; "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. The associated inventory of all service contracts above \$25,000.00 for FY 2014 will be available on FERC's website along with this Analysis.

As directed by the OMB Memorandum, FERC 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 (OFPP) Policy 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 November 25, 2014, Subject: "Service Contract Inventories".

1. Special interest functions studied by FERC, the dollars obligated to those specific product and service codes (PSCs) in FY 2011, and the rationale for focusing on the identified functions.

OMB provided a list of priority functions for review called Special Interest Functions (SIFs), Table 1 "Special Interest Functions-2010" contained in Administrator for Federal Procurement Policy Daniel I. Gordon's Memorandum dated November 5, 2010. 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 reports and its own analysis. The PSCs designated as SIFs have been updated per OMB email from Administrator Gordon to the CAO Council, August 2011.

Of the listed functions, FERC had contracts issued under 5 (five) of the functional areas in FY 2014:

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|---|-----------|
| 1) Automated Information Systems Services | PSC: D307 |
| 2) Program Management/ Support Services | PSC: R408 |
| 3) Systems Engineering Services | PSC: R414 |
| 4) Engineering and Technical Services | PSC: R425 |
| 5) Contract/Procurement/Acquisition Support | PSC: R707 |

In 2014, "Systems Engineering Services" R414 accounted for 43.97% of FERC's total expenditure on service contracts, or \$19,397,147.00. R425, "Engineering and Technical Services", represented the next largest expenditure under the Special Interest Functions, representing 2.16% of all service contract obligations, or \$953,343.66. R707, "Contract/Procurement/Acquisition Support", accounted for 2.12% of the total service contract obligations, or \$933,277.00. D307, "Automated Information System Services", represented less than 1% of total service contract obligations, or \$245,159.00, as did R408, "Program Management/Support Services, with \$273,839.00.

The rationale for focusing on these special interest functions is that these were the functions identified by OFPP as worthy of heightened management oversight and for which FERC had relevant contracts.

- 1) R414 represents FERC's single largest contract for IT Support Services. There was only 1 contract and contractor for this PSC. Acquisition Services Division ("ASD") met with program office personnel and reviewed the file and determined that services provided were all commercial in

nature, were not personal services and that the functions performed were not inherently governmental in nature.

- 2) R425 is comprised of five (5) separate contracts for engineering and technical support services. As in 1), above, services were all commercial in nature and not personal as well as not being inherently governmental.
- 3) D307 "Automated Information Systems Services". This Special Interest Function was represented by only one contract for \$245,159.00. It was for support services for FERC's financial management system. It, too, was commercial in nature, not personal services and not inherently governmental.
- 4) R408 "Program Management/Support Services" total \$273,839.00, which accounted for less than 1% of FERC's total service contracting obligations in FY 2014. Specifically, services provided Microsoft support. Again, services were deemed commercial in nature, non-personal and not inherently governmental.

FERC also analyzed its service contracts under other PSCs that were not identified in previous guidance but for which FERC had contracts that represented an additional 29.36% of service contract expenditures. These were:

- 1) D399 "Other ADP & Telecom Services". These five contracts totaled \$2,896,202.30 and equaled 6.57% of FERC's 2014 service contracts, and provided support for FERC's financial reporting system.
- 2) B510 "Study/ Environmental Assessments". This PSC represented 7.71% of FERC's FY 2014 service contract obligations, or \$3,400,582.76. These six contracts provided technical analyses and studies to numerous FERC program offices. The expertise provided was largely unavailable to FERC through its employee base, thus the reliance on contractors.
- 3) S206 "Guard Services". This PSC accounted for 5.50% of FERC's total service contracts, or \$2,427,816.78. FERC leases its headquarters building through GSA and is responsible for providing its own private sector security. A small additional contract with the landlord provides an outside guard. Most federal agencies have resorted to private security firms for the physical security of their premises.
- 4) One contract under PSC R706 "Logistics Support Services" made up 3.67% of FERCs total service contracts, or \$1,616,902.36.
- 5) V229 "Transportation/Travel/Relocation" consisted of one contract, which represented 1.93% of FERC's 2014 service contracts, or \$850,642.00.
- 6) X299, "Lease – Rent of all other Non-Building Facilities". This one contract accounted for 2.21% of FERCs service contract obligations, or \$975,956.74.
- 7) AD25, "R&D – Defense Other: Services (Operational Systems Development)". This PSC represented 1.77% of FERCS FY 2014 service contracts, totaling \$779,863.92.

Special Interest Function	Total # Contracts	Total \$	% of All Service Contracts
AD25 R&D – Defense Other: Services (Operational Systems Development)	1	\$779,863.92	1.77%
B510 Study/ Environmental Assessment	6	\$3,400,582.76	7.71%
D307 Automated Information Systems Services	1	\$245,159.00	<1%
D399 Other ADP & Telecom Services	5	\$2,2896,202.31	6.57%
R408 Program Management/ Support Services	1	\$213,856.00	<1%
R414 Systems Engineering Services	1	\$19,397,147.00	43.97%

R425 Engineering & Technical Services	5	\$953,343.66	2.16%
R706 Logistics Support Services	1	\$1,616,902.36	3.67%
R707 Contract/Procurement/Acquisition Support	2	\$933,277.00	2.12%
S206 Guard Services	3	\$2,427,816.78	5.50%
V229 Transportation/Travel/Relocation	1	\$1,262,000.00	2.81%
X299 Lease – Rent of all other Non-Building Facilities	1	\$954,367.00	2.13%

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

FERC utilized the guidance provided in Appendix D: “Agency Inventory Analysis” to the previously cited 5 November OFPP Memorandum for its methodology to support this analysis. Additionally, FERC used the guidance provided in Memorandum dated 12/11/2012 from Mathew Blum, OFPP. FERC’s Acquisition Services Division collaborated with the relevant program offices receiving the analyzed services and reviewed the appropriate contract files and determined that:

- 1) FERC has no personal services contracts;
- 2) FERC’s service contracts are not providing inherently governmental services;
- 3) FERC has implemented safeguards to ensure that Contracting Officers and their representatives receive continuing education and training to provide solid contract management oversight;
- 4) FERC is not using contractor employees to perform critical functions in such a way that could affect the ability of FERC to maintain control of its mission and operations and;
- 5) FERC has internal resources sufficient to manage and oversee contracts effectively.

3. 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., FERC is not using contractor employees to perform critical functions in such a way that could affect the ability of FERC to maintain control of its mission and operations).

FERC did not identify any services being provided under contract that are inherently governmental in nature. Additionally, FERC has concluded that it is not overly reliant upon contractor support to such an extent as to adversely impact our ability to maintain control of our mission. The overwhelming majority of service contract expenditures for FY 2013 were for IT support and services. As a small agency, it would be economically prohibitive for FERC to stand-up its own government-run IT support services function. FERC has sufficient government employees in its CIO division to provide oversight of its IT contractors.

4. Actions taken or planned by FERC to address any identified weaknesses or challenges.

As a result of this Analysis, FERC has determined that its reliance upon contractors for identified services is appropriate. None of the contracts considered is for personal services and none is deemed to be inherently governmental in nature. Notwithstanding this conclusion, FERC also recognizes the importance

of government oversight of its contractors' services to ensure that the government retains control of its mission and operations.

All contracts for services have an assigned program office Contracting Officer's Representative ("COR"), who provide subject matter expertise to and oversight of service contractors. The COR and Contracting Officer work as a team to ensure contractors perform according to contract terms and that services received are acceptable. The on-going challenge for FERC will be to ensure that it retains sufficient control of its critical functions and does not become overly reliant upon contractor support.

5. Accountable Officials

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 is Marc MacKeigan, Acting Director, Acquisition Services Division.

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 Marc MacKeigan, Acting Director, Acquisition Services Division.

The individual who can serve on the working group is Katharine Lindner, Contract Specialist.