

U.S. Department of Labor
Fiscal Year 2011 Service
Contract Inventory Analysis

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I. Background

The Department of Labor (DOL) fully understands administration's needs and drives to cut waste and Governmentwide spending. The Department has made substantial progress in the ongoing initiative and is prepared to continue efforts to cut waste and reduce spending while delivering efficient and effective service.

Pursuant to Division C, Section 743 of the Fiscal Year (FY) 2010 Consolidated Appropriations Act P.L. 111-117, and further guidance from the Office of Management and Budget (OMB) Office of Federal Procurement Policy (OFPP) Memorandum to Chief Acquisition Officers (CAO) and Senior Procurement Executive (SPE), entitled "Service Contract Inventories," dated November 5, 2010, DOL's FY 2011 service contract inventory was submitted to OMB in April 2012 and posted on DOL's website in April 2012 (<http://www.dol.gov/dol/aboutdol/>). DOL's Senior Officials and the Office of Acquisition Services (OAMS) workgroup assessed the Department's service contract inventory, coordinated their internal analysis and collaborated on various department-wide initiatives. The results are summarized in this report.

II. Purpose

The Department of Labor procures approximately \$2.1B in goods and services in a fiscal year. The Department's various procurement activities procure good and services for varied program areas, i.e. Bureau of Labor Statistics (BLS), Mine Safety and Health Administration (MSHA), Employment and Training Administration (ETA), Office of Job Corps (JC), Occupational Safety and Health Administration (OSHA), Office of Workers' Compensation Programs (OWCP) and Office of Federal Contract Compliance Programs (OFCCP), to name a few. In compliance with the FY2010 Consolidated Appropriations Act, DOL completed a thorough analysis of its FY2011 inventory to:

- Better understand how contracted services are being used to support mission and operations;
- Determine whether the contractors skills are being utilized in an appropriate manner; and
- Identify areas for improvement.

III. Analysis of FY2011 Service Contract Inventories

The Department understands the administration's initiative to reduce spending and to promote efficiencies across the Government. DOL Senior Officials continue to play a major role in the initiative through frequent, open communication and guidance that promote the initiative. In 2011, DOL Office of Acquisition Management Services (OAMS) workgroup made a deliberate effort to work with various program areas to identify inefficiencies and promote best practices to achieve savings while providing efficient and effective service.

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 FY2011.

The Product Service Codes (PSCs) selected focused on Special Interest Functions in two categories:

1. OMB Special Interest Functions – based on DOL’s top four spending of the PSCs designated by OMB/OFPP as being of high risk; and
2. DOL Special Interest Categories – DOL identified specific PSCs with high dollar/ high risk awards.

OMB Special Interest Functions

PSC	Product or Service Description	FY11 Spend
R408	PROGRAM MANAGEMENT/SUPPORT SERVICES	\$13,721,854.87
D302	ADP SYSTEMS DEVELOPMENT SVCS	\$2,834,308.06
D310	ADP BACKUP & SECURITY SERVICES	\$1,979,961.93
D307	AUTOMATED INFO SYSTEM SVCS	\$826,927.62

DOL’s Special Interest Categories

PSC	Product or Service Description	FY11 Spend
D399	OTHER ADP & TELECOMMUNICATIONS	\$34,810,664.00
M139	OPERATION OF GOVERNMENT & OTHER EDUCATIONAL BLDG	\$923,209,806.00
R499	OTHER PROFESSIONAL SERVICES	\$180,541,334.62

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 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 233 awarded actions in the amount of \$315,944,498.00 and interviews with Contracting Officers Representatives (CORs), Contracting Officers (COs) and 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), Procurement Council and heads of program activities were conducted. Data mining, random sampling and interviews 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 to maximize efficiencies.

Findings

As a result of the analysis conducted, it was determined that DOL had adequate oversight capacity and expertise to monitor its service contracts. Additionally, there were some opportunities to eliminate redundancies in its requirements and where possible, move some requirements to a firm fixed price environment. The analysis found that there were no actions coded as personal services contracts in the FPDS-NG system in FY 2011. Reviews and discussions with the Procurement Council and heads of contracting activities identified the need for continued emphasis on monitoring and providing adequate service contract oversight.

DOL is not using contractor employees to perform inherently governmental functions and is giving special management attention to functions that are closely associated with it. Heads of contracting activities accounted for clear and consistent separation between inherently governmental functions and functions that are closely associated with inherently governmental functions.

Of the 233 awarded actions 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 revealed the need for further training in FPDS-NG coding and timely submissions;
- 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;
- Reliance on high risk type contracts in some procurement activities ; and
- An opportunity exists to make greater use of Strategic Sourcing.

Actions Taken/Planned to Address Weaknesses/Challenges

DOL's Office of Acquisition Management Services (OAMS) is currently preparing to deliver FPDS-NG training and the proper coding of contract actions. OAMS has also engaged the General Services Administration (GSA) to provide onsite FPDS-NG training to the Department's procurement staff. Greater emphasis is also being placed on the use of acquisition planning, firm fixed price awards and Performance-Based Service Acquisition to help reduce high risk contracts to the maximum extent practicable.

As a result of the continued use of the MSWF pilot, DOL is in the process of converting an additional 54 contractor positions to federal full-time equivalent positions. These conversions

will result in an expected additional savings of \$2,867,057.00. Thus far, has saved \$3,360,561.00 under this initiative.

The Department has mandated the use of the FSSI Office Supply vehicle when applicable via memorandum from the CAO on May 6, 2011, provided FSSI supplemental guidance and engaged GSA to provide training to the DOL acquisition community.