

U.S. Department of Labor
Fiscal Year 2012 Service
Contract Inventory Analysis

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I. Background

Because the Department of Labor (DOL) understands the administration's needs and drives to cut waste and Governmentwide spending, its commitment and drive is making substantial progress with the ongoing initiative and is prepared to continue these efforts to cut waste and reduce spending while delivering efficient and effective service to its customers and clients.

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 2012 service contract inventory was submitted to OMB in February 2013 and posted on DOL's website in February 2013 (<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, as well as promoting best practices. The results are summarized in this report.

II. Purpose

The Department of Labor procures approximately \$1.96B 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 the Assistant Secretary for Administration and Management (OASAM), to name a few. In compliance with the FY2010 Consolidated Appropriations Act, DOL completed a thorough analysis of its FY2012 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 FY2012 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 2012, DOL Office of Acquisition Management Services (OAMS) workgroup made a deliberate effort to work with various program areas to:

- Identify inefficiencies;
- Promote best practices to achieve savings; and
- Provide 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 FY2012.

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	FY12 Spend
R408	PROGRAM MANAGEMENT/SUPPORT SERVICES	\$11,938,110.00
D302	ADP SYSTEMS DEVELOPMENT SVCS	\$2,106,201.00
D310	ADP BACKUP & SECURITY SERVICES	\$1,216,285.00
D307	AUTOMATED INFO SYSTEM SVCS	\$7,392.00

DOL’s Special Interest Categories

PSC	Product or Service Description	FY12 Spend
U006	VOCATIONAL/TECHNICAL	\$144,517,964.00
M139	OPERATION OF GOVERNMENT & OTHER EDUCATIONAL BLDG	\$997,826,688.00
R499	OTHER PROFESSIONAL SERVICES	\$358,270,453.00

Methodology

DOL supported its analysis using the methodology of reviewing previous Government Sourcing Initiatives and several documents including vital OMB memos, OFPP Policy Letter 11-01, and applicable sections of the Federal Acquisition Regulation (FAR). The Office of Acquisition Management Services (OAMS) workgroup based its evaluation upon an examination of 300 awarded actions in the amount of \$295,132,746.14 and reaching out to Contracting Officers Representatives (CORs), Contracting Officers (COs) and Project Managers (PMs). Additionally, interviews were conducted to ensure that contractors were not performing inherently governmental functions and progress was communicated during weekly meetings with the Senior Procurement Executive (SPE), Procurement Executive (PE), Procurement Council and heads of program activities. Since 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,

DOL was confident that the results produced would benefit the Government and help support the analysis. The findings are below.

Findings

As a result of the analysis conducted, it was determined that DOL had adequate oversight capacity and expertise to monitor its service contracts, as well as decrease redundancies where possible and convert some requirements to less risk contract types. 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 and directors of contracting activities identified the need for DOL to provide further policy, guidance and training and place a greater emphasis upon monitoring and providing adequate service contract oversight.

Even though DOL heads and directors of contracting activities accounted for clear and consistent separation between inherently governmental functions, closely associated and critical functions and DOL is not using contractor employees to perform inherently governmental functions, DOL continues to give special management attention to functions that are closely associated with it. As of March 2012, all new contract actions are now being identified in FPDS-NG in reference to contractors performing inherently governmental functions.

Of the 300 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) have been identified and are considered "closely associated" with inherently governmental functions and/or "mission critical." Even so, this is not problematic because the Department has sufficient internal resources to manage and oversee these contracts effectively;
- No major performance issues were found, some contracts reviewed revealed the need for further training in FPDS-NG coding and timely submissions;
- Heavy reliance upon high risk type contracts in some procurement activities ; and
- Many opportunities exist to make greater use of Strategic Sourcing.

Actions Taken/Planned to Address Weaknesses/Challenges

DOL has issued policy and guidance to increase accountability of Contracting Officers/Program/Project Managers, and Contracting Officer's Representatives to reinforce integrity in contract administration:

- Completed strategic procurement management reviews focused on "At Risk" contracts and invoicing;
- Issued guidance in DLMS 888 FAC-C & 889 FAC-COR;

- Developed and issued a Conflict of Interest Statement and Scope of Work certification clause;
- Issued memo to Agency Heads for post award contract oversight and surveillance guidance;
- Issued memo to Agency heads to add performance elements and performance description for contracting officer requiring the reporting of ethical or procurement integrity misconduct;
- Issued memo to add clause in contract award for contractors obligation to notify contracting officers of any request to change scope;
- Issued electronic invoicing procedures DOL-wide;
- Issued memo for contracting officers to provide contract management feedback to CORs' rating officials;
- Preparing FPDS-NG training on how to properly code contract actions;
- Greater emphasis is being placed on acquisition planning and preparation, administering less risk contract types and utilizing Performance-Based Service Acquisition to help reduce high risk contracts to the maximum extent practicable.

Also, the Department has mandated the use of the FSSI Office Supply and Express Mail vehicles when applicable via memorandum from the CAO, and highly encourages using the FSSI Print Management and Wireless vehicles. DOL awarded a Reverse Auction task order; provided guidance and training and has realized over \$500K in savings.