

U.S. Department of Labor
Fiscal Year 2016
Service Contract Inventory
Analysis

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I. Background

The Department of Labor (DOL) understands the need to cut waste and use taxpayer dollars effectively and efficiently. As such, DOL will continue its commitment to drive ongoing initiatives and efforts to cut waste and reduce unnecessary spending while delivering efficient and effective service to its customers.

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) in a Memorandum to Chief Acquisition Officers (CAO) and Senior Procurement Executives (SPE), entitled “Service Contract Inventories,” dated November 5, 2010, DOL’s FY 2016 service contract inventory was submitted to OMB in March 2017 and posted on DOL’s website in March 2017 (<http://www.dol.gov/dol/aboutdol/>). DOL’s Office of the Chief Procurement Officer (OCPO) assessed the Department’s service contract inventory, coordinated its internal analysis, collaborated on various department-wide initiatives, and promoted government-wide best practices. The results are summarized in this report.

II. Purpose

DOL procured approximately \$1.8 billion in goods and services in FY 2016. The Department’s various procurement activities procure goods and services for a variety of program areas, i.e. Bureau of Labor Statistics (BLS), Mine Safety and Health Administration (MSHA), Employment and Training Administration (ETA), 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 FY 2010 Consolidated Appropriations Act, DOL completed a thorough analysis of its FY 2016 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 FY 2016 Service Contract Inventories

The Department understands and supports the Administration’s initiative to reduce unnecessary spending and to promote efficiencies across Government. DOL Senior Officials continue to play an important role through frequent open communication and guidance. In FY 2016, the OCPO made a concerted effort to work with the acquisition workforce to:

- identify inefficiencies through the consolidation of contracts for commonly used goods and services;
- promote best practices to achieve significant savings; and
- promote and provide more efficient and effective procurement services.

Scope

The table below shows the required OMB Special Interest Functions studied by DOL and the dollars obligated to those specific Product and Service Codes (PSCs) in FY 2016.

The PSCs selected focused on Special Interest Functions in two categories:

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

Based on the categories cited above, the OCPO selected a random sampling of 145 awards, which represented 58 percent of DOL’s awards made under the affiliated PSCs.

The rationale for focusing on these special interest functions includes the requirement from OFPP for certain mandated PSCs, along with DOL’s decision to focus on high dollar value awards, its agencies’ use of “other” service codes, and other mission-related specialty areas.

See chart titled “DOL’s Contracts Reviewed” with a summary of DOL’s FY 2016 dollars obligated by the PSCs referenced above.

OMB Special Interest Functions

PSC	Product or Service Description	FY 2016 Spend	# of Contracts
D302	ADP SYSTEMS DEVELOPMENT SVCS	\$15,849,086	3
D307	AUTOMATED INFO SYSTEM SVCS	\$2,660,115	2
D310	ADP BACKUP & SECURITY SERVICES	\$6,383,673	3
D314	ADP ACQUISITION SUP SVCS	\$425,326	2
R408	PROGRAM MANAGEMENT/SUPPORT	\$35,763,725	19
R423	INTELLIGENCE SERVICES	0	0

PSC	Product or Service Description	FY 2016 Spend	# of Contracts
R425	ENGINEERING AND TECHNICAL SER	0	0
R497	PERSONAL SERVICES CONTRACTS	\$7,453,919	12
R707	MGT SVCS/CONTRACT & PROCUREMENT	\$1,867,621	4

DOL's Special Interest Categories

PSC	Product or Service Description	FY 2016 Spend	# of Contracts
M1CZ	OPER OF GOVT OTHER EDUCATIONAL BLDG	\$1,244,652,423	97
R499	SUPPORT-PROFESSIONAL: OTHER	\$254,580,162	184
U006	EDUCATION/TRAINING- VOCATIONAL/TECHNICAL	\$159,698,361	90
D399	IT AND TELECOM-OTHER IT AND TELECOMMUNICATIONS	\$99,112,804	44

DOL's Contracts Review

PSC	Product or Service Description	Obligation Amount of Contracts Reviewed	% of Total FY 2016 Spend Reviewed
R707	MGT SVCS/CONTRACT & PROCUREMENT	\$1,867,621	100%
R497	PERSONAL SERVICES CONTRACTS	\$7,453,919	100%
R499	SUPPORT-PROFESSIONAL: OTHER	\$124,849,600	49%
D399	IT AND TELECOM-OTHER IT AND TELECOMMUNICATIONS	\$78,705,373	79%

Methodology

DOL supported its analysis using the methodology of reviewing previous government sourcing initiatives and several documents including applicable OMB memoranda, OFPP Policy Letter 11-01 (Performance of Inherently Governmental and Critical Functions), and applicable provisions of the Federal Acquisition Regulation (FAR). The OCPO based its evaluation upon an examination of awarded actions and information received from DOL Contracting Officers Representatives (CORs), Contracting Officers (COs) and Program Managers (PMs). Additionally, interviews were conducted to ensure that contractors were not performing inherently governmental functions and progress was communicated during meetings with the Senior Procurement Executive, DOL's Procurement Council and the heads of program activities. Data mining, random sampling, and interviews were used to:

- validate that inherently governmental functions are not being performed by contractors;
- assess needs driven by mission;
- look for opportunities to reduce duplication; and
- identify challenges and opportunities to maximize efficiencies.

DOL is confident that the results produced will benefit the Government and help support the analysis.

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 twelve (12) actions improperly coded as personal services contracts in the Federal Procurement Data System Next Generation (FPDS-NG) system in FY 2016. After further analysis of these actions, reviews and discussions with the Procurement Council and heads and directors of contracting activities, a determination was made that it would be beneficial to provide further policy, guidance and training, and to place a greater emphasis on monitoring and providing adequate service contract oversight.

DOL heads of contracting activities have adequate management controls in place to ensure contract employees do not perform inherently governmental functions or services closely related to such functions without sufficient oversight by Federal managers. As of March 2012, all new contract actions are identified in FPDS-NG in reference to contractors performing inherently governmental functions.

Of the awarded actions reviewed we found:

- 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, although some contracts reviewed revealed the need for further training in FPDS-NG coding and timely submissions.
- The twelve (12) actions coded as personal services were analyzed and found that they had been miscoded. The actions were corrected in FPDS-NG.
- Heavy reliance upon high risk type contracts in some procurement activities.
- Some opportunities exist to make greater use of strategic sourcing.

Actions Taken/Planned to Address Weaknesses/Challenges

The OCPO has issued policy and guidance to increase accountability of COs, PMs, and CORs to reinforce integrity in contract administration. The OCPO continues to make mandatory the Federal Acquisition Institute’s Federal Acquisition Certification in Contracting Class 045, titled Federal Procurement Data System-NG, which provides guidance on how to properly code contract actions. In addition, mandatory internal classes were conducted by OCPO to instruct DOL contracting professionals on how to properly code actions in FPDS-NG. Greater emphasis is being placed on acquisition planning and preparation, administering less high risk contract types and utilizing Performance-Based Service Acquisition to help reduce high risk contracts to the maximum extent practicable. Lastly, the Department has mandated the use of DOL enterprise-wide procurement vehicles for express-mail services, print management, laptops and desktops, and wireless services.

Accountable Officials

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