

# United States Department of Agriculture



## Service Contract Inventory Analysis Fiscal Year 2016

February 2018

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## **About USDA**

USDA is made up of 29 agencies and offices with nearly 100,000 employees who serve the American people at more than 4,500 locations across the country and abroad. Our offices provide support to Department officials and employees at all levels and they support our programs and services by working with our agencies, Congress, organizations, and tribal governments.

Our vision is to provide economic opportunity through innovation, helping rural America to thrive; to promote agriculture production that better nourishes Americans while also helping feed others throughout the world; and to preserve our Nation's natural resources through conservation, restored forests, improved watersheds, and healthy private working lands.

Our agencies help to keep America's farmers and ranchers in business and ensure that the nation's commercial supply of meat, poultry, and egg products is safe, wholesome, and properly labeled. The agencies also help to ensure the health of animals, plants and the land through sustainable management, and they work to improve the economy and quality of life in all of rural America.

## **Introduction**

The Consolidated Appropriations Act, (Pub. L. No. 111-117), Section 743 of Division C, Fiscal Year (FY) 2010 and the Federal Activities Inventory Reform Act (FAIR), (Pub. L. 105-270) of 1998 require executive agencies covered by the FAIR Act, except for the Department of Defense, to prepare an annual inventory of their service contracts and analyze that inventory to determine if the mix of Federal employees and contractors is effective, or if rebalancing mission responsibilities are required.

Service contract inventories can assist agencies in better understanding how contractors are used to support their mission and operations and whether contractors' skills are used in an appropriate manner. This insight is especially important for contracts with performance elements that may involve critical functions, or functions closely associated with inherently governmental functions.

This information can help an agency determine if its practices are creating an over-reliance that requires increased contract management, or if rebalancing is required to ensure the government is effectively managing risks and getting the best results for the taxpayer.

## **Background**

Each year USDA publishes a completed Fiscal Year Service Contract Inventory as required by Public Law and in accordance with the Office of Federal Procurement Policy, Service Contract Inventories, dated December 19, 2011. The annual Service Contract Inventories Report documents USDA practices of conducting a meaningful analysis of the agency usage of contract services.

Additionally, USDA is required by Public Law and Policy, to submit a report suitable for public disclosure that discusses its analysis and the use of contractors for special interest functions that the agency selected to study.

### **Scope of Special Interest Functions**

Special interest functions are functions that require increased management attention due to a heightened risk of workforce imbalance. In accordance with the Office of Federal Procurement Policy guidance, USDA submitted a planned analysis identifying which “special interest functions” in its FY 2016 inventory will be evaluated for analysis.

USDA selected 12 Product and Service Codes (PSCs) for special interest. The Product Codes selected by the agency are a combination of Product Codes identified by OMB for heightened management consideration, based on concerns of increased risk of losing control of mission and operations as identified through a review of reports and USDA largest PSC fiscal year obligations.

The table below shows the special interest functions studied by the agency and the dollars obligated to those specific Product Codes in FY 2016.

<b>PSC</b>	<b>Function</b>	<b>Total Dollars</b>
B505	Special Studies/Analysis-Cost Benefit	\$2,084.98
B599	Special Studies/Analysis-Cost Benefit	\$7,380,9957.81
D302	IT and Telecom-Systems Development	\$110,370,698.10
D307	IT and Telecom-IT Strategy and Architecture	\$53,132,663.53
D310	IT and Telecom-Cyber Security and Data Backup	\$11,193,756.33
D314	IT and Telecom-Systems Acquisition Support	\$6,670,539.88
D399	IT and Telecom-Other IT and Telecommunications	\$183,796,600.23
R406	Support-Professional: Policy Review/Development	\$231,668.24
R408	Support-Professional: Program Management/Support	\$85,227,269.06
R425	Support-Professional: Engineering/Technical	\$12,950,662.52
R497	Support-Professional: Personal Services Contracts	\$596,021.66
R499	Support-Professional: Other	\$93,275.709.45
<b>Total</b>		<b>\$631,257,631.79</b>

## Methodology

USDA analysis involves randomly selecting and reviewing significant contracts from the PSC list of functions awarded in FY 2016 by USDA contracting activities. Contracts were considered significant if they represented a large investment when compared to average contract size at USDA in each Product Code in FY 2016. USDA then conducted a comparative analysis, considering factors such as the use of high risk contracting types, the degree to which agencies are contracting independently for the same services and vendors, and the results of the most recent Federal Activities Inventory Reform (FAIR) Act Inventory.

In contrast to the Service Contract Inventory, wherein contracted services are examined, the FAIR Act Inventory examines services performed by federal employees. Contrasting the two allows agencies to study whether contractor performance remains an acceptable choice, but may require increased oversight to manage performance risk, or if there are indications that the work must, or should be performed by federal employees.

## Agency Findings

In general, there were no reported, or discovered instances at USDA in FY 2016 indicated agency practices were inconsistent with the desired outcomes described in section 743(e)(2) of the Fiscal Year (FY) 2010 Consolidated Appropriations Act. Furthermore, at the time of this report, USDA has no indication that contract labor was not used in an appropriate and effective manner, or the mix of federal employees and contractors in the agency was not effectively balanced during FY 2016. The specific outcomes described in section 743(e)(2) are:

- (i) each contract in the inventory that is a personal services contract has been entered into and is performed in accordance with applicable laws and regulations;
- (ii) the agency is giving special management attention, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions;
- (iii) the agency did not use contractor employees to perform inherently governmental functions;
- (iv) the agency has specific safeguards and monitoring systems in place to ensure that work performed by contractors has not changed, or expanded during performance to become an inherently governmental function;
- (v) 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
- (vi) there are sufficient internal agency resources to manage and oversee contracts effectively;

## **Summary**

Contrasting the completed Services Contract Inventory with the recent FAIR Act inventories revealed the balance of employees performing inherently governmental functions to the use of the special function service contracts continues to shift.

USDA's most recently published FAIR Act inventory shows about a third of USDA personnel perform functions that are inherently governmental in nature and the percentage of employees performing inherently governmental functions has declined. Simultaneous with this decrease, the use of service contracts has remained relatively stable.

The different balance of contract labor to federal employees did not result in reported instances of failure to achieve the outcomes described in Section 743(e)(2) of the FY 2010 Consolidated Appropriations Act described above. USDA will continue to monitor the mix of federal employees and contractors within the agency in order to maintain an effective balance.

## **Accountable Officials**

George M. Cabaniss Jr., Director, Office of Procurement and Property Management is the USDA 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. He is also the official who is responsible for ensuring appropriate internal management attention is given to the development and analysis of Service Contract Inventories.