## United States Department Of Education

#  OFFICE OF THE CHIEF FINANCIAL OFFICER

TO: Mathew C. Bloom

Associate Administrator for the Office of Federal Procurement Policy

FROM: Dr. Angela Billups

Senior Procurement Executive

DATE: February 18, 2017

SUBJECT: FY 2016 Service Contract Inventory Analysis Plan

This memorandum identifies the planned analysis for the Department of Education’s (Department’s) FY 2016 service contract inventory. Section 743 of Division C of the (FY) 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare an annual inventory of its service contracts. The inventory is a tool for assisting agencies in better understanding how contract services are being used to support mission and operations and whether the contractors’ skills are being utilized in an appropriate manner. Information about how contract resources are distributed can help an agency determine if its practices are creating an over-reliance on contractors. An over-reliance on contractors requires increased contract management or rebalancing to ensure the government is effectively managing risks and getting the best results for the taxpayer.

The Office of Management and Budget (OMB) Memorandum dated November 25, 2014, with the subject line “Service Contract Inventories,” requires agencies to analyze its annual inventory of service contracts “to determine if the mix of Federal employees and contractors is effectively balanced.” This plan provides a listing of the Special Interest Service Contracts with contractual related information. The guidance for the plan comes from the OMB Memorandum regarding Service Contract Inventories (SCI), dated November 5, 2010, OMB’s guidance dated December 19, 2011, and previously stated supplemental requirements contained in the November 25, 2014 memorandum.

The special interest functions that will be evaluated for analysis and to report on the role contracted services play in achieving the Department’s objectives. That includes the dollar amounts obligated to those specific Product Service Codes (PCSs) in FY16 and the rationale focusing on the identified functions as designated by OMB.

In compliance with the requirements of Section 743, the Department included data pulled the Service Contract Inventory (SCI) report for FY16 from data contained in Federal Procurement Data System – Next Generation (FPDS-NG). The Department analysis will include identification of any contracts that have been poorly performed because of excessive costs or inferior quality and contracts that should be considered for conversion to either performance by Federal employees (in accordance with insourcing guidelines) or to an alternative acquisition approach that would enable more efficient use of agency assets and mission achievement.

The Department plans to study a total of 10 product service codes with the highest percent of total obligations for FY 2016. Product service codes R408 and R419 are substituted for codes D399 and U009 because they are considered to be special interest functions consisting of professional program management support and educational services analysis under the FY 2016 inventory analysis. Special interest functions require increased management attention due to a heightened risk of workforce imbalance. Additional rationale for selecting product service codes for further analysis is also determined by whether or not the contract service is closely associated with inherently governmental functions and which contracts are receiving special management attention for reduction in contract spending. While some of the product service codes were covered by the analysis of FY 2015 service contracts, the Department believes using the top eight codes by obligation and also using additional special interest function codes represents the best spectrum of services to be analyzed. The Department’s analysis will reflect the insight gained and lessons learned from our previous analysis of the FY 2010 through FY 2015 service contract inventories.

Table 1 identifies product services codes selected for further review. Eight of the ten product service codes represent the highest percentage of total contract obligations in FY 2016. The remaining two product service codes, R408 and R419 are classified as special interest functions selected for further review. A brief description of the rationale and the amounts obligated to each function in FY 2016 is further discussed below in Table 2.

Table 1 – Product Service Codes Selected For FY 2016 Review

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| **PSC** | **Description** | **FY 2016 Obligations** | **% Total Obligations\*** |
| R710 | SUPPORT- MANAGEMENT: FINANCIAL | $1,074,131,594.48 | 44.42% |
| R705 | SUPPORT- MANAGEMENT: DEBT COLLECTION | $809,681,467.00 | 33.48% |
| D301 | IT AND TELECOM- FACILITY OPERATION AND MAINTENANCE | $123,132,728.30 | 5.09% |
| B506 | SPECIAL STUDIES/ANALYSIS- DATA (OTHER THAN SCIENTIFIC) | $88,606,893.33 | 3.66% |
| AF11 | R&D- EDUCATION: EDUCATIONAL (BASIC RESEARCH) | $79,242,374.33 | 3.28% |
| B542 | SPECIAL STUDIES/ANALYSIS- EDUCATIONAL | $70,007,793.75 | 2.89% |
| R499 | SUPPORT- PROFESSIONAL: OTHER | $39,927,681.31 | 1.65% |
| D313 | IT AND TELECOM- COMPUTER AIDED DESIGN/COMPUTER AIDED MANUFACTURING (CAD/CAM) | $21,139,492.34 | 0.87% |
| R408 | SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT | $2,923,819.98 | 0.12% |
| R419 | EDUCATIONAL SERVICES | $844,824 | 0.03% |

*\*In FY 2016 the Department of Education obligated a total of $2,660,857,619.79*

Table 2 – Product Service Code (PSC) Detail

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| AF11 | Research and Development – Education (Basic) | * PSC considered a mission critical function of the Department. Research and Special Studies are services that are identified as being commercial services and appropriately outsourced under prior FAIR Act Inventory reviews. The Department spent $79M (3.28% of its total FY2016 obligations) for these services.
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| B506 | Study/Data Other Than Scientific | * Many of the services on contracts reviewed in this PSC were non-commercial; there is a higher risk for over-reliance on contractors for these types of contracts. The Department spent $88M (3.66% of its total FY 2016 obligations) for these services.
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| B542 | Educational Studies and Analyses | * Many of the services on contracts reviewed in this PSC were non-commercial; there is a higher risk for over-reliance on contractors on these types of contracts. The Department spent $70M (2.89 % of its total FY 2016 obligations) for these services.
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| D301 | IT & Telecom: Facility Operations & Maintenance | * The Department spent $123M (5.09% of its total FY 2016 obligations) for these services.
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| D313 | Computer Aided Design/ManufacturingServices  | * PSC includes contracts for IT Acquisition Support Services, which are high on OMB’s priority list. The Department spent $21M (0.87% of its total FY 2016 obligations) for these services.
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| R408 | Support – Professional Program Management Support | * Identified as a targeted special interest function PSC under the ongoing effort to reduce contract spending for management support services (OMB initiative). The Department spent $2M (0.12% of its total FY 2016 obligations) for these services.
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| R419 |  Educational Services | * Identified as a targeted special interest function PSC under the ongoing effort to reduce contract spending for educational support services (OMB initiative). The Department spent $844,000 (0.03% of its total FY 2016 obligations) or these services.
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| R499 | Support – Professional / Other | * Identified as a targeted PSC under the ongoing effort to reduce contract spending for professional and other services. The Department spent $39M (1.65% of its total FY 2016 obligation) for these services.
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| R705 | Support: Management Data Collection | * Identified as a targeted PSC under the ongoing effort to reduce contract spending for management support services (OMB initiative). The Department spent $809M (33.48% of its total FY 2016 obligations) for these services. This PSC is included to guard against expansion of the contractor’s duties into inherently governmental functions and to ensure sufficient management and oversight remains in place.
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| R710 | Support: Management Financial | * The Department spent $1B (44.42% of its total FY2016 obligations) for these services. This PSC is included to guard against expansion of the contractor’s duties into inherently governmental functions and to ensure sufficient management and oversight remains in place.
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The Department’s senior management official who is accountable for the development of agency policies, procedures, and training associated with the Office of Federal Procurement Policy (OFPP) Letter 11-01 addressing the performance of inherently governmental and critical functions, is Angela Billups, Senior Procurement Executive (SPE). Dr. Billups serves as the senior management official accountable for generating the service contract inventory from the Federal Procurement Data System – Next Generation (FPDS-NG). Dr. Billups is also responsible for providing procurement related support to development and execution of the inventory analysis plan; for providing oversight of the service contract codes into FPDS and ensuring appropriate internal management attention is given to the development and analysis of service contract inventories.

OFPP intends to re-establish a working group to share best practices and lessons learned in the use of inventories as a management tool. The individuals who will serve on OFPP’s working group are identified as Marcela Almeida and Camille Manuel.