Department of Education

Service Contract Inventory (SCI)

FY2017 SCI Analysis Report

FY2018 SCI Analysis Plan

February 2019



**Background**

The Consolidated Appropriations Act, 2010, Public Law 111-117, requires civilian agencies to prepare an annual inventory of their service contracts and to analyze the inventory to determine if the mix of Federal employees and contractors is effective or if rebalancing is necessary. As required, we completed our fiscal year (FY) 2017 analysis and posted it on our website at <https://www2.ed.gov/fund/data/report/contracts/servicecontractinventoryappendix/servicecontractinventory.html>

1. **Scope**

The Department of Education (ED) conducted an analysis of its service contract inventory to determine if our agency is using service contracts in an appropriate and effective manner, and if the mix of Federal employees and contractors in the agency is effectively balanced.

In compliance with the Office of Management and Budget (OMB) guidance and after considering multiple contract functions, we selected the Product Service Codes (PSCs) listed in Table 1 for the FY2017 SCI analysis. A brief description of the rationale for including these PSCs in the analysis is provided in Table 2. Of note, PSC D318 was substituted for R419, a change from the plan for the analysis of the FY 2017 service contract inventory. This change was made because R419 only had two actions, both de-obligations, in FY 2017, and therefore didn’t rise to the level of needing review. D318 was top ten, in terms of obligations, and was a worthy substitute for analysis.

**Table 1 – PSCs Selected For FY 2017 Review**

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| |  |  |  |  | | --- | --- | --- | --- | | **PSC** | **Description** | **FY 2017 Obligations** | **% Total Obligations** | | R710 | SUPPORT- MANAGEMENT: FINANCIAL | $1,026,745,661 | 41% | | R705 | SUPPORT- MANAGEMENT: DEBT COLLECTION | $702,556,663 | 28% | | R499 | SUPPORT- PROFESSIONAL: OTHER | $127,199,651 | 5% | | B506 | SPECIAL STUDIES/ANALYSIS- DATA (OTHER THAN SCIENTIFIC) | $120,237,842 | 5% | | D301 | IT AND TELECOM- FACILITY OPERATION AND MAINTENANCE | $107,187,002 | 4% | | AF11 | R&D- EDUCATION: EDUCATIONAL (BASIC RESEARCH) | $69,738,830 | 3% | | D318 | IT AND TELECOM – INTEGRATED HARDWARE/SOFTWARE/SERVICES SOLUTIONS, PREDOMINATELY SERVICES | $60,248,033 | 2% | | B542 | SPECIAL STUDIES/ANALYSIS- EDUCATIONAL | $55,172,644 | 2% | | D313 | IT AND TELECOM- COMPUTER AIDED DESIGN/COMPUTER AIDED MANUFACTURING (CAD/CAM) | $30,314,957 | 1% | | R408 | SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT | $4,398,096 | 0% | |

**Table 2 – PSC Detail and Rationale**

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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. |
| B506 | Study/Data Other Than Scientific | * Many of the services under contract in this PSC are non-commercial; there is a higher risk for over-reliance on contractors for these types of contracts. |
| B542 | Educational Studies and Analyses | * Many of the services under contract in this PSC are non-commercial; there is a higher risk for over-reliance on contractors for these types of contracts. |
| D301 | IT & Telecom: Facility Operations & Maintenance | * A top 10 PSC in terms of obligations representing 4% of total obligations. |
| D313 | Computer Aided Design/Manufacturing  Services | * PSC includes contracts for IT Acquisition Support Services, which are high on OMB’s priority list. |
| D318 | IT and Telecom – Integrated Hardware/Software Services Solutions, Predominately Services | * A top 10 PSC in terms of obligations representing 2% of total obligations. |
| 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). |
| R499 | Support – Professional / Other | * Identified as a targeted PSC under the ongoing effort to reduce contract spending for professional and other services. |
| 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 $702M (28% of its total FY 2017 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. |
| R710 | Support: Management Financial | * The Department spent $1B (41% of its total FY2017 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. |

1. **Methodology**

The Department used reporting to determine the contracts closely associated with inherently governmental functions as well as contracts that are mission critical and within the 10 PSCs listed in Table 1. Specifically, the contracts analyzed represented 26 contracts and $1.109 million in obligations and fell under PSCs B506, R499, R705, and R710. While some of the PSCs were covered by the FY 2016 analysis of service contracts, the Department believes using the top nine codes by obligation and also using an additional special interest function code represents the best spectrum of services to be analyzed.

**C. Findings**

**Inherently Governmental Functions (IGF)**

Based on the careful evaluations the reviewers performed and careful reviews of the established criteria for classifying functions as inherently governmental, the review team determined that none of the contractors are performing IGFs.

**Functions Closely Associated with IGFs**

During the review the contracting activities completed evaluation checklists to detect the expansion of closely associated work that may have become IGF or referred to such checklist questions. The checklist included various subjects of responsibilities, including limiting or guiding the contractor’s discretion, assigning Federal employees to give special management attention to the contractor’s activities, and taking steps to avoid or mitigate conflicts of interest. Reviewers did not identify any closely associated with IGF contracts as expanding to IGF.

**Mission Critical Functions**

Contracts where contractors performed services that are considered to be critical functions closely associated with the Department’s mission and operations were reviewed. There were sufficient resources in place to manage and oversee these contracts. Examples of activities identified by reviewers as “mission critical” are assessments of educational progress, program management oversight, student aid loan servicing, and loan collections. The Department will continue to pay close attention to contracts where contractors perform these kinds of services in order to maintain sufficient internal control capabilities as it relates to inherently governmental activities.

**Personal Services**

The department does not award any personal services contracts.

**Contract Management and Oversight**

Reviewers found that the contracts reviewed as part of the SCI analysis had sufficiently trained and experienced employees available within the agency to manage and oversee contract administration functions.

**Summary**

The analysis of the contracts reviewed indicates:

* No evidence of contractors performing IGF services
* No evidence of contractors performing personal services
* No contracts recommended for further in-sourcing study

**D. Actions Taken or Planned**

There are no action items based on the FY 2017 service contract inventory review.

**E. Accountable Official**

The Department’s senior management official who is accountable for the development of agency policies, procedures, and training associated with Acquisition Management (including Service Contract Inventory Analysis) is the Senior Procurement Executive.

**FY 2018 Service Contract Inventory** **Plan for Analysis**

The Department of Education (ED) analysis will be performed in accordance with the criteria set out in Consolidated Appropriations Act, 2010, (Pub. L. No. 111-117, § 743 - 2009. ED will develop the basic inventory in accordance with OMB guidance using FPDS-NG data to address a number of the requirements; a list of special interest functions by PSC is below.

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| **PSC** | **Description** |
| R710 | SUPPORT- MANAGEMENT: FINANCIAL |
| R705 | SUPPORT- MANAGEMENT: DEBT COLLECTION |
| R499 | SUPPORT- PROFESSIONAL: OTHER |
| D301  B506 | IT AND TELECOM- FACILITY OPERATION AND MAINTENANCE  SPECIAL STUDIES/ANALYSIS- DATA (OTHER THAN SCIENTIFIC) |
| AF11 | R&D- EDUCATION: EDUCATIONAL (BASIC RESEARCH) |
| B542 | SPECIAL STUDIES/ANALYSIS- EDUCATIONAL |
| D399 | IT AND TELECOM Other IT and TELECOMMUNICATIONs |
| D313 | IT AND TELECOM- COMPUTER AIDED DESIGN/COMPUTER AIDED MANUFACTURING (CAD/CAM) |
| R410 | SUPPORT- PROFESSIONAL: PROGRAM EVALUATION/REVIEW/DEVELOPMENT |
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ED Analysis Plan:

**Step 1:** Identify pool of service contracts with special interest functions.

**Step 2:** Notify respective programs offices of their responsibilities related to this analysis.

**Step 3:** Identify contracts for in-depth review using established criteria.

**Step 4:** Programs evaluate contracts in accordance with guidance.

**Step 5:** Programs report results of evaluation to the Department.

**Step 6:** Contracting Officers review results.

**Step 7:** Draft report summarizing results of analysis.