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ANALYSIS OF SERVICE CONTRACT INVENTORY FOR FY 2016

Bureau for Management

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INTRODUCTION

As the world's premier international development agency and a catalytic actor that drives development results, the United States Agency for International Development (USAID) supports U.S. national security and economic prosperity, demonstrates American generosity, and promotes a path to self-reliance and resilience. USAID plays a critical role in our nation's efforts to ensure stability, prevent conflict, and build citizen-responsive local governance.

In accordance with Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, P.L. 111-117, civilian agencies are required to prepare an annual inventory of their service contract actions to determine whether the contractors' skills are being utilized in an appropriate manner.

As stated in the U.S. Office of Management and Budget (OMB) Memorandum of December 19, 2011 entitled, Service Contract Inventories, by December 30, 2016, USAID must submit a report for public disclosure on its analysis of the FY 2016 service contract inventory to determine if contract labor is being used in an appropriate and effective manner. Further, the report must state whether the mix of Federal employees and contractors in the Agency is effectively balanced.

The analysis provides a listing of the required service contracts with contract-related information as required in OMB's Office of Federal Procurement Policy's (OFPP) guidance. The report is divided into four main parts:

- 1) **Special Interest Functions Studied**
Summarizes the special interest functions studied, the dollars obligated to those specific Product Service Codes (PSCs) in FY 2016, and the rationale for focusing on the identified functions;
- 2) **Methodology**
Discusses the methodology used to select questionnaire participants and develop the questions included;
- 3) **Findings**
Reports the questionnaire results and draws conclusions based on these results. These findings explain the use of the various PSCs and the questionnaire-specific elements; and
- 4) **Related Agency Contract Initiatives**
Outlines related Agency contract initiatives that provide increased oversight and scrutiny for contract activities ranging from a re-examination of contract coding to Agency Acquisition and Assistance (A&A) planning.

Finally, after analyzing key factors included in the Service Contract Inventory Questionnaire, concrete conclusions are articulated to continue setting effective priorities that align with the Agency's strategic goals.

SPECIAL INTEREST FUNCTIONS STUDIED

During FY 2016, USAID had a total of 2,019 service contract actions in all PSCs with a total obligation value of \$3,600,456,109. The services play various roles in achieving Agency objectives; a detailed description of each service can be found in Appendix A.

In accordance with guidelines from the OFPP, this analysis focuses on contract actions over \$25,000 in “special interest function” PSCs. During FY 2016, USAID performed contract actions in 8 of the 15 special interest function PSCs. The seven special interest function PSCs with no contract actions included the following codes: B505 Cost Benefit Analyses, D310 ADP Backup and Security Services, R407 Program Evaluation, R409 Program Review/Development Services, R413 Specifications Development Service, R414 Systems Engineering Services, and R423 Intelligence Services.

In Fiscal Year 2016, USAID had a total of 773 contract actions with an individual obligation greater than \$25,000 in the aforementioned 8 special interest function categories. The total value of these contract actions was \$1,801,019,802. These totals include all actions for any active contract action in FY 2016 in these categories.

The Agency evaluated two codes of interest in addition to the required special interest function PSCs: R499 Other Professional Services and R410 Program Evaluation/Review/Development. These two additional codes are of interest because they each account for the largest percentages of obligation value during the reporting period. The cumulative value of service contract actions in these two PSCs was \$961,905,447. Like the special interest functions, each contract action had a minimum value above \$25,000.

In total, 10 Product Service Codes were assessed with a total of 1,305 contract actions. The combined award value total was \$2,762,925,249. This subset of contracts represents 64.6 percent of the Agency’s total service contract inventory and 76.7 percent of the obligation value. A summary of the full inventory can be found in Appendix B.

Corresponding to the figures described in the discussion above, Table I summarizes the inventory subset that was analyzed. Please note that the percentages reported in this table are the percentages of the Agency’s total service contract inventory, which includes *all* PSCs.

Table I: Summary of the 10 Product Service Codes (PSC)

Table 1: Summary of the 10 Product Service Codes (PSC)					
		Contract Spending	Percentage of All PSC Spending	Count	Percentage of All PSCs
Special Interest Functions					
D302	ADP SYSTEMS DEVELOPMENT SERVICES	\$28,027,158.38	0.78%	64	3.17%
D307	AUTOMATED INFORMATION SYSTEM SVCS	\$2,107,640.42	0.06%	10	0.50%
D314	ADP ACQUISITION SUP SVCS	\$25,555,337.72	0.71%	28	1.39%
R406	POLICY REVIEW/DEVELOPMENT SERVICES	\$8,158,680.00	0.23%	9	0.45%
R408	PROGRAM MANAGEMENT/SUPPORT SERVICES	\$470,401,828.28	13.07%	232	11.49%
R425	ENGINEERING AND TECHNICAL SERVICES	\$1,048,892,255.10	29.13%	267	13.22%
R497	PERSONAL SERVICES CONTRACTS	\$33,139,336.52	0.92%	118	5.84%
R707	MGT SVCS/CONTRACT & PROCUREMENT SUP	\$184,737,565.63	5.13%	45	2.23%
Subtotal		\$1,801,019,802	50.02%	773	38.29%
Largest Percentage of Obligations					
R499	SUPPORT- PROFESSIONAL: OTHER	\$938,648,604.72	26.07%	483	23.92%
R410	SUPPORT- PROFESSIONAL: PROGRAM EVALUATION/REVIEW/DEVELOPMENT	\$23,256,842.62	0.65%	49	2.43%
Subtotal		\$961,905,447	26.72%	532	26.35%
Total of 10 Product Service Codes		\$2,762,925,249	76.74%	1305	64.64%

Note 1: The total obligation value is \$3,600,456,109 and includes contract actions in all PSCs included and excluded from this table.

Note 2: Totals might not sum due to rounding.

METHODOLOGY

For this analysis, a combination of methods and tools were utilized to collect data, including information from the Federal Procurement Data System – Next Generation (FPDS NG) and a questionnaire distributed to Contracting Officer Representatives (COR) determining whether specific contract policies and procedures are in place.

Methodology for Survey Distribution and Collection

Developing the Contract Actions Sample

Beginning with the original population of contract actions in all PSC categories, the inventory was first filtered to include only those with a place of performance in the United States. USAID’s Management Support Service Contracts (MSSCs) are predominantly performed in the U.S. making this a representative sample. Second, the data was then filtered to include only one contract action per contract. This eliminates the possibility of one contract being analyzed multiple times. The survey was then sent to all CORs who oversaw at least one contract action within the 10 PSC categories. After the survey responses were collected, the results were further filtered to exclude any data pertaining to contract actions not in the 10 PSC categories.

In the 10 PSC categories, a total of 1,305 contract actions were recorded in the database. Of those, 999 were included in the survey sample. Survey responses regarding 198 contract actions in the 10 PSC categories were ultimately received.

In accordance with OMB guidelines, priority consideration was given to contracted professional and management services and information technology support services, ensuring they were adequately represented in the sample. Review of professional and management services included acquisition support and an appropriate sampling of policy and program management and development services.

Survey and Interview Questions

The survey was distributed to all USAID staff who were CORs for at least one contract in the 10 PSCs in FY 2016, were still at the Agency at the time the survey was administered and were available by email.

The questions included in the survey directly addressed the OMB mandate. The questions were as follows:

1. To your knowledge, were each of the services contracts in your purview entered into and performed in accordance with applicable laws and regulations?
2. To your knowledge, were any service contracts in your purview poorly performed because of excessive costs or inferior quality?
3. In your opinion, should any service contracts, including PSCs, in your purview have been considered for the conversion of performance by direct hire employees?
4. In your opinion, should any service contracts, including PSCs, in your purview have been considered for the conversion of an alternative acquisition approach that would better enable USAID to efficiently utilize its assets and achieve its public mission?
5. To your knowledge, do sufficient internal agency resources exist to manage and oversee service contracts effectively?
6. To your knowledge, were any of the contractors, excluding PSCs, providing inherently governmental services for any of the contracts in your purview?
7. Do you believe the Agency was giving special management attention to functions that are closely associated with inherently governmental functions?
8. In your opinion, does the Agency have specific safeguards and monitoring systems in place to ensure that work being performed by contractors, excluding PSCs, has not changed or expanded during performance to become an inherently governmental function?
9. To your knowledge, were any of the service contracts excluding PSCs, in your purview 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?
10. To your knowledge, were there any additional contracted functions in your purview where the Agency may be at risk of over reliance of service contractors?

FINDINGS

Included in the qualitative portion of the analysis, all 1,305 contract actions in the 10 PSC categories were analyzed. For the quantitative portion, which consisted of the survey, 205 contract actions, or 15.7 percent of the contract actions in the 10 PSC categories, were analyzed. 83 CORs of 593 who received the survey responded, giving the Agency a response rate of 14 percent. The following measurements were extrapolated from the survey results along with information reported in the contract database. A summary of the analysis is below.

- All service contract actions, including personal services contracts, were identified as having been entered into and/or performed in accordance with applicable Federal and Agency-level statutes and regulations.
- The Agency identified zero contract actions as having been poorly performed due to excessive costs or inferior quality, meaning that 100 percent of contract actions Agency wide were identified as *not* having been performed poorly.

- Two service contract actions were identified that should be considered for the conversion of performance by direct hire employees.
- Three service contract actions were identified as those that should be considered for the conversion of an alternative acquisition approach that would better enable USAID to efficiently utilize its assets and achieve its public mission.
- The Agency identified zero contract actions as using the 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.
- The Agency identified zero contract actions where the Agency may be at risk of over reliance of service contractors.
- Fifty-eight of the 73 survey respondents, or 79 percent, affirm that sufficient internal Agency resources exist to manage and oversee service contracts effectively.
- The Agency identified one contract action where inherently governmental functions were performed. Consistent with OFPP Policy Letter 93-1, personal service contractors (PSC category R497) were excluded from this response.
- Twenty-nine of the 39 respondents, or 74 percent, believe the Agency was giving special management attention to functions that are closely associated with inherently governmental functions.
- Fifty-one of the 60 respondents, or 85 percent, believe the Agency has specific safeguards and monitoring systems in place to ensure that work being performed by contractors has not changed or expanded during performance to become an inherently governmental function.

Agency Success

From the analysis undertaken, the Agency can be confident that contract labor is being used in an appropriate and effective manner and the mix of Federal employees and contractors in the Agency are effectively balanced. The Agency has determined that service contracts are highly compliant in most areas, with contracts generally entered into and performed according to applicable laws. The results further indicate that the quality and cost of the contracts are acceptable for performance standards.

Areas for Improvement

The areas identified as needing improvement are concerning sufficient internal Agency resources and oversight. The Agency should take measures to be sure that sufficient resources exist to manage and oversee the service contracts effectively, particularly for contracts with inherently governmental functions.

Responsible Officials

Lastly, in accordance with the GAO report “Civilian Service Contract Inventories – Opportunities Exist to Improve Agency Reporting and Review Efforts” (GAO-12-1007) and as directed by OMB to improve how compliance with statutory and OMB requirements are monitored, USAID has designated the Assistant Administrator, Bureau for Management, Angelique Crumbly, as the accountable official for ensuring appropriate internal management attention and responsiveness. The designated official’s role is to improve civilian agency compliance for compiling, reviewing, and reporting on inventories, ensuring appropriate internal management attention and responsiveness in the future.

RELATED AGENCY CONTRACT INITIATIVES

Given USAID’s commitment to improving the Agency’s use of contractors, there are several support actions and initiatives underway Agency-wide to ensure appropriate contracted functions. Key initiatives which provide increased oversight and scrutiny for contract activities were incorporated in the Agency Acquisition and Assistance Planning Policy. These initiatives ensure workforce recruitment, retention, and procurement processes provide sufficient oversight of contractor performance. A brief description of the objectives of these activities is provided below.

Senior Management Review of Planned A&A Awards

In order to carry out the Agency’s mission to provide international development and humanitarian assistance while advancing national security and economic prosperity and demonstrating American values and goodwill abroad, USAID partners with organizations from the non-profit and private sectors to implement programs aimed at achieving its development and humanitarian objectives.

Historically, USAID’s acquisition and assistance (A&A) mechanisms have represented over three fourths of the Agency’s annual spend plan. Given the central role of A&A in executing the mission of the Agency, the Bureau for Management (M) has committed to look for ways to continue to streamline the A&A process and increase efficiency and effectiveness.

In FY 2016 the Bureau for Management continued its use of the new Agency Acquisition and Assistance Plan System developed in FY 2014. The system better assists Agency planners to enter A&A planning data and track planned actions over time with features that allows users to run standard reports with the click of a button, build customized reports, and standardized fields that maximize use of drop down menus and calendar functions to increase the accuracy of plan data. The system also features a dashboard which provides overall totals and graphically represents Operating Unit-specific plan data.

In addition, FY 2016 was the third fiscal year that USAID implemented its A&A Senior Management Review Policy, which mandates reviews of large planned competitions to increase senior leadership engagement and accountability for acquisition and assistance. The policy – aimed at helping to ensure more rigorous project design and costing standards, establish greater linkages between Washington and field activities, and result in more effective implementing mechanisms – allowed for greatly increased visibility of planned complex awards by senior agency officials and also resulted in greater value for U.S. taxpayer money.

Past Performance Reporting

USAID has been working diligently in FY 2017 to meet contractor past performance reporting goals as set by OMB. Past performance reporting is critical and will remain an integral and expected part of the

Agency's contractual process. The Agency requires all Contracting Officers (CO) and CORs to complete substantive assessments on prior year contracts with detailed justification for the rankings.

In FY 2016, USAID intensified its focus on past performance reporting through extensive policy updates, more rigorous training requirements, and increased engagement with the COs, CORs, and Agency leadership who together have been key to the Agency's past successes in this area. By fully integrating past performance reporting into its regular business practices, the Agency will empower its COs with the information necessary to ensure the selection of the best possible partners to accomplish its mission.

Human Capital Planning

All human capital (HC) goals and objectives cascade from the Department of State and USAID Joint Strategic Plan, the performance planning process, and USAID's strategic budget. These HC goals are then integrated into USAID's workforce planning and updated continually. After implementing and evaluating the HC initiatives outlined in these plans, USAID analyzes results and feedback to inform the Agency's strategic hiring and budget planning processes for the following year. Some of the HC initiatives included in these plans are gap analysis, competency management, position planning and organizational support.

In FY 2017, USAID will continue to focus on the deployment of staff to critical priority locations overseas. In addition, USAID will use the results from HC pilot in accordance with the Office of Personnel Management to inform the new Human Resource Statistics (HRSTAT) System of HC planning and monitoring. This system is another tool that will enable USAID to increase efficiencies in workforce planning.

CONCLUSION

The Agency is highly compliant in its management of management service contracts. With the exception of a very small percentage of contract actions, Agency CORs report positively on compliance, performance and management standards. The contract labor is being used in an appropriate and effective manner and the mix of Federal employees and contractors in the Agency are effectively balanced. The Agency will continue its focus on internal controls to ensure adequate oversight of contracts with inherently governmental functions.

Appendix A

Table B - I: PSC Category Descriptions for Contract Actions Analyzed

PSC	Description	Detailed Description
D302	ADP Systems Development Services	Technical support such as web design, e-business, network, help desk, project management, infrastructure protection, internet technology, and software development.
D307	Automated Information System Services	Technical support required from delivery of product through installation and integration, equipment acquisition, software testing and evaluation.
D314	ADP System Acquisition Support Services	Information Technology (IT) and Telecom-System Acquisition Support.
R406	Policy Review / Development Services	Support services for policy analysis, policy guidance and assessments.
R408	Program Management / Support Services	Wide-ranging services and support from administrative and analytic support including support to evaluate internal controls, manage audit compliance and the tracking of audit recommendations to provide project management oversight to ensure grantee compliance in administering federally funded programs. A large portion of these projects were also for Information Technology (IT) related purchases and procurements.
R410	Support-Professional: Program Evaluation / Review / Development	Program management support; Contract, procurement, acquisition support
R425	Support-Professional: Engineering/Technical	Product or service that provides engineering and technical support. Technical advice and support, capacity building, monitoring and evaluation, training, construction, and commodities.
R497*	Personal Service Contracts	Personnel support to fulfill a range of requirements, including surge, and short term assignments.
R499	Support-Professional: Other	Expert advice, assistance, guidance or counseling in support of Agency management, organization, and business improvement effort studied analyses and reports documenting any proposed developmental consultation or implementation efforts.
R707	Management Services/ Contract & Procurement Support	Professional support services to the Agency in conducting federal acquisition management activities. Services covered were acquisition planning assistance, including market research and recommending procurement strategy; acquisition document development, including cost/price estimates, quality assurance surveillance plans, statements of work, synopses, solicitations, and price negotiations.

*Note: USAID has three primary authorities to hire Personal Services Contracts in Washington D.C. and overseas. These include various “notwithstanding” authorities provided in both authorizing and appropriations legislation; an authority contained in section 636(a) (3) of the Foreign Assistance Act of 1961 (22 U.S.C. 2396) which authorizes USAID to hire Personal Services Contracts overseas; and, an authority which allows USAID to hire a small number of Personal Services Contracts in Washington.

Appendix B

Figure A - I: USAID Service Contract Inventory Summary



USAID Service Contract Inventory Summary

Special Interest Functions	Contract Type Analysis (as % of PSC Obligations)						Competition Analysis (as % of PSC Obligations)					Time of Obligation Analysis (as % of PSC Obligations)			
	Obligations	% Total Obligations	Fixed Price	Cost	Time & Materials / Labor	Other	Competed	Not Competed	Not Available for Competition	Blank	Q1	Q2	Q3	Q4	
B505 COST BENEFIT ANALYSIS	\$0.00	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
D302 ADP SYSTEMS DEVELOPMENT SERVICES	\$28,027,158.38	0.78%	2.09%	83.17%	14.75%	0.00%	87.77%	0.00%	12.23%	0.00%	7.89%	29.17%	25.88%	37.06%	
D307 AUTOMATED INFORMATION SYSTEM SVCS	\$2,107,640.42	0.06%	0.00%	0.00%	100.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	76.74%	23.26%	
D310 ADP BACKUP AND SECURITY SERVICES	\$0.00	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
D314 ADP ACQUISITION SUP SVCS	\$25,555,337.72	0.71%	100.00%	0.00%	0.00%	0.00%	56.32%	16.73%	26.95%	0.00%	0.00%	17.30%	16.85%	65.86%	
R406 POLICY REVIEW/DEVELOPMENT SERVICES	\$8,158,680.00	0.23%	0.00%	100.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	46.52%	0.00%	35.09%	18.39%	
R407 PROGRAM EVALUATION SERVICES	\$0.00	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
R408 PROGRAM MANAGEMENT/SUPPORT SERVICES	\$470,401,828.28	13.07%	11.95%	85.56%	2.49%	0.00%	90.70%	8.41%	0.88%	0.00%	25.15%	16.67%	22.93%	35.20%	
R409 PROGRAM REVIEW/DEVELOPMENT SERVICES	\$0.00	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
R413 SPECIFICATIONS DEVELOPMENT SERVICES	\$0.00	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
R414 SYSTEMS ENGINEERING SERVICES	\$0.00	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
R423 INTELLIGENCE SERVICES	\$0.00	0.00%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
R425 ENGINEERING AND TECHNICAL SERVICES	\$1,048,892,255.10	29.13%	3.37%	92.33%	4.30%	0.00%	99.65%	0.35%	0.00%	0.00%	3.63%	20.83%	18.51%	57.03%	
R497 PERSONAL SERVICES CONTRACTS	\$33,139,336.52	0.92%	25.75%	27.72%	46.52%	0.00%	91.03%	0.77%	8.20%	0.00%	17.12%	30.88%	23.06%	28.95%	
R707 MGT SVCS/CONTRACT & PROCUREMENT SUP	\$184,737,565.63	5.13%	7.42%	89.86%	2.72%	0.00%	87.27%	11.92%	0.81%	0.00%	10.63%	1.78%	13.80%	73.79%	
Biggest Percentage of Obligations															
R425 SUPPORT- PROFESSIONAL: OTHER	\$961,208,369.18	27.25%	3.37%	92.33%	4.30%	0.00%	99.65%	0.35%	0.00%	0.00%	3.63%	20.83%	18.51%	57.03%	
R499 TECHNICAL ASSISTANCE	\$938,648,604.72	26.07%	5.49%	80.09%	14.42%	0.00%	80.61%	18.83%	0.56%	0.00%	29.85%	15.63%	18.56%	35.97%	
R408 SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	see above														
R425 SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	see above														
R410 SUPPORT- PROFESSIONAL: PROGRAM EVALUATION/REVIEW/DEVELOPMENT	\$23,256,842.62	0.65%	0.00%	3.85%	96.15%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	1.28%	1.09%	97.62%	
R497 SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS	see above														
R707 SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION	see above														
Y1LB CONSTRUCTION OF HIGHWAYS, ROADS, STREETS, BRIDGES, AND RAILROADS	\$52,477,971.54	1.46%	71.86%	28.14%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	28.07%	16.28%	55.65%	
AG96 R&D- ENERGY: OTHER (MANAGEMENT/SUPPORT)	\$51,626,122.06	1.43%	100.00%	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	51.37%	0.00%	48.63%	
V115 TRANSPORTATION/TRAVEL/RELOCATION- TRANSPORTATION: VESSELS	\$45,417,667.68	1.26%	0.00%	93.46%	6.54%	0.00%	100.00%	0.00%	0.00%	0.00%	42.71%	21.71%	3.63%	31.95%	

Total Service Contracts Obligation Amount \$3,600,456,109.15

* For Further information pertaining to Service Contract Inventory Product Service Codes please go to: https://www.acquisition.gov/service_product_codes.pdf

* For Service Contract Actions click here (EXCEL File)

