



Analysis of
Inventory of
Service
Contracts during
Fiscal Year (FY)
2017

Bureau for Management
December 2018

INTRODUCTION

The United States Agency for International Development (USAID) is the world's leading development and humanitarian assistance agency, and an important contributor to the objectives of the President's *National Security Strategy*. In support of America's foreign policy, USAID leads the U.S. Government's international development efforts and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance.

In accordance with Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, P.ublic Law 111-117, civilian Departments and Agencies must prepare an annual inventory of their service-contract actions to determine whether they are using the contractors' skills in an appropriate manner.

As stated in U.S. Office of Management and Budget (OMB) Memorandum of December 19, 2011, titled, "Service Contract Inventories," by December 30, 2018, USAID must submit a report for public disclosure on its analysis of its inventory of service contracts during Fiscal Year (FY) 2017 to determine if the Agency is using contract labor in an appropriate and effective manner. Further, the report must state whether the Agency is effectively balancing its mix of Federal employees and contractors.

The analysis provides a listing of the required service contracts with contract-related information as required in the guidance published by OMB's Office of Federal Procurement Policy (OFPP). The report has five 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 2017, and the rationale for focusing on the identified functions;
 - 2) Methodology:
- Discusses the methodology used to select participants in the questionnaire and develop the questions included;
 - 3) Findings:
- Reports the results of the questionnaire, and draws conclusions based on them. These findings explain the use of the various PSCs and the questionnaire-specific elements;
 - 4) Actions Taken or Planned:

Outlines the Agency's related contract initiatives that provide increased oversight and scrutiny for contract activities that range from a re-examination of contract coding to Agency-wide planning for acquisition and assistance (A&A); and

5) Accountable Official

SPECIAL-INTEREST FUNCTIONS (SIFs) STUDIED

During FY 2017, USAID had a total of 1,228 service-contract actions in all PSCs with a total obligation value of \$9,535,438,555. The services play various roles in achieving the Agency's objectives; a detailed description of each service appears in Table 1: PSC Category Descriptions for Contract Actions Analyzed.

In accordance with guidelines from the OFPP, this analysis focuses on contract actions over \$25,000 in "SIFs" PSCs. During FY 2017, USAID performed contract actions in nine of the 15 SIFs PSCs. The six SIFs PSCs with no contract actions included the following codes: B505, Cost-Benefit Analyses; R407, Program Evaluation; R409, Program Review/Development Services; R413, Specifications Development Service; R414, Systems Engineering Services; and, R423, Intelligence Services.

In FY 2017, USAID had a total of 374 contract actions with an individual obligation greater than \$25,000 in the aforementioned nine SIFs categories. The total value of these contract actions was \$2,137,005,826. These totals include all actions for any active contract in FY 2017 in these categories.

The Agency evaluated two codes of interest in addition to the required SIF PSCs: R499, Other Professional Services; and, R425, Engineering and Technical Services. 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 \$5,346,778,776. Like the SIFs, each contract action had a minimum value above \$25,000.

In total, the Agency assesses 11 PSCs with a total of 787 contract actions. The combined award value total was \$7,483,784,602. This subset of contracts represents 64 percent of the Agency's total service-contract inventory, and 78.5 percent of the obligation value. A summary of the full inventory appears in Appendix A.

Table 1: PSC Category Descriptions for Contract Actions Analyzed

PSC Category Descriptions for Contract Actions Analyzed						
PSC	Description	Detailed Description				
D302	Information Technology (IT) and Telecom-Systems Development	Technical support such as web design, e-business, network, help desk, project-management, infrastructure protection, Internet technology, and software development.				
D307	IT and Telecom - IT Strategy and Architecture	Technical support required from delivery of product through installation and integration, acquisition of equipment, and testing and evaluation of software.				
D310	IT and Telecom - Cyber Security and Data-Backup	IT and telecom-cyber security and data-ackup support.				
D314	IT and Support for Telecom - System- Acquisition	IT and support for telecom-system acquisition .				
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 grantees' compliance in administering Federally funded programs. A large portion of these projects were also for 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 to document any proposed developmental consultation or implementation efforts.				
R707	Management Services/ Contract and 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; the development of acquisition documents, 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 Contractors 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 (Section 2396 of Title 22 of the United States Code), which authorizes USAID to hire Personal Services Contractors overseas; and, an authority which allows USAID to hire a small number of Personal Services Contractors in Washington.

Corresponding to the figures described above, Table 2 summarizes the inventory subset the Agency 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 2: Summary of the 11 PSCs

PSC	Description	Contract Spending	Percentage of All PSC Spending	Count	Percentag e of All PSCs		
Special Interest Functions							
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT SERVICES (SVCS)	\$31,752,881	0.33%	5	0.41%		
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE SVCS	\$3,593,079	0.04%	3	0.24%		
D310	IT AND TELECOM- CYBER SECURITY AND DATA-BACKUP SVCS	\$1,913,691	0.02%	2	0.16%		
D314	IT AND TELECOM- SYSTEM-ACQUISITION SUPPORT SVCS	\$38,067,108	0.40%	5	0.41%		
R406	SUPPORT- PROFESSIONAL: POLICY REVIEW/DEVELOPMENT	\$31,001,262	0.33%	7	0.57%		
R408	PROGRAM-MANAGEMENT (MGMT)/SUPPORT SERVICES	\$1,515,547,209	15.89%	159	12.95%		
R410	SUPPORT- PROFESSIONAL: PROGRAM EVALUATION/REVIEW/DEVELOPMENT	\$104,431,631	1.10%	33	2.69%		
R497	PERSONAL SERVICES CONTRACTS	\$97,449,178	1.02%	144	11.73%		
R707	MGMT SVCS/CONTRACT AND PROCUREMENT SUPPORT	\$313,249,789	3.29%	16	1.30%		
Subtotal		\$2,137,005,826	22.41%	374	30.46%		
Largest Percentage of Obligations							
R499	SUPPORT- PROFESSIONAL: OTHER	\$2,522,206,092	26.45%	274	22.31%		
R425	ENGINEERING AND TECHNICAL SERVICES	\$2,824,572,684	29.62%	139	11.32%		
Subtotal		\$5,346,778,776	56.07%	413	33.63%		
Total of 11 PSCs		\$7,483,784,602	78.48%	787	64.09%		

Note 1: The total obligation value is \$9,535,438,555.00, and includes contract actions in all PSCs included and excluded from this table.

Note 2: Totals might not sum because of rounding.

METHODOLOGY

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

Methodology for Distributing and Collecting the Survey

Developing the Sample of Contract Actions

Beginning with the original population of contract actions in all PSC categories, the Agency first filtered the inventory 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 United States, which makes this a representative sample. Second, the Agency then filtered the data to include only one contract action per contract, which eliminates the possibility of analyzing one contract multiple times. The Agency then sent the survey to all CORs who oversaw at least one contract action within

the 11 PSC categories. After collecting the survey responses, the Agency then filtered the results further to exclude any data that pertained to contract actions not in the 11 PSC categories.

In the 11 PSC categories, the USAID database recorded a total of 787 contract actions. Of those, the Agency included 590 in the survey sample. The Agency ultimately received survey responses regarding 164 contract actions in the 11 PSC categories.

In accordance with OMB guidelines, contracted professional and management services and information technology support services received priority consideration, to ensure 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 Agency distributed the survey to all USAID staff who were CORs for at least one contract in the 11 PSCs in FY 2017 and were still at the Agency when the survey was administered and available by email.

The questions included in the survey directly addressed OMB's 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 Personal Services Contracts, in your purview have been considered for the conversion of performance by Direct-Hire employees?
- 4. In your opinion, should any service contracts, including Personal Services Contracts, in your purview have been considered for the conversion of an alternative acquisition approach that would better enable USAID to use its assets efficiently 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 Personal Services Contracts, 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 Personal Services Contracts, has not changed or expanded during performance to become an inherently governmental function?
- 9. To your knowledge, were any of the service contracts excluding Personal Services Contracts, 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

The Agency examined 590 contract actions in the qualitative portion of the analysis. With an aim to reduce the burden and encourage a higher response rate, the Agency issued one survey that represented two Fiscal Years. In the quantitative portion of the survey, the Agency analyzed 164 contract actions (28 percent) in the 11 PSC categories for FY 2017. A total of 145 CORs responded, which gave the Agency a response rate of 24 percent. The Agency extrapolated the following measurements from the survey's results, along with information reported in the contract database. Please note some respondents did not respond to every question in the survey. A summary of the analysis appears below:

- The Agency identified all service-contract actions, including Personal Services Contracts, as entered into, and/or performed in accordance with, applicable Federal and Agency-level statues and regulations.
- The Agency identified one contract action as having been poorly performed because of
 excessive costs or inferior quality, which means that USAID identified 99 percent of contract
 actions Agency-wide as not having been performed poorly.
- The Agency identified two service-contract actions that that Direct-Hire employees probably should perform.
- The Agency identified three service-contract actions for consideration for the conversion of an alternative acquisition approach that would better enable USAID to use its assets efficiently and achieve its public mission.
- The Agency identified zero contract actions that used 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 one contract action that could leave the Agency at risk of over-relying on service contractors.
- One-hundred-two of the 126 survey respondents, or 81 percent, felt that sufficient internal Agency resources exist to manage and oversee service contracts effectively.
- The Agency identified zero contract actions that performed inherently governmental functions.
 Consistent with OFPP Policy Letter 93-1, Personal Service Contractors (PSC category R497) were excluded from this response.
- Fifty-six of the 73 respondents, or 77 percent, believed the Agency was giving special management attention to functions that are closely associated with inherently governmental functions.

• Eighty-seven of the 99 respondents, or 88 percent, believed 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.

The Agency's Success

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

Areas for Improvement

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

ACTIONS TAKEN OR PLANNED

Given the Administrator's commitment to improve the Agency's use of contractors, management has undertaken several support actions and initiatives Agency-wide to ensure contracted functions are appropriate. Key initiatives that provide increased oversight and scrutiny for contract activities are part of the Agency's A&A Planning Policy. These initiatives ensure workforce-recruitment, retention, and procurement processes provide sufficient oversight of contractors' performance. A brief description of the objectives of these activities appears below.

Senior Management Review of Planned A&A Awards

To carry out the Agency's mission to end the need for foreign assistance by strengthening self-reliance in partner countries while advancing U.S. national security and prosperity, USAID invests in organizations from the non-profit and private sectors to implement programs aimed at achieving the Agency's development and humanitarian objectives.

Historically, USAID's A&A mechanisms have represented more than three-fourths of the Agency's annual spending plan. Given A&A's central role in executing the Agency's mission, the Bureau for Management (M) is committed to look for ways to continue to streamline USAID's A&A process and increase its efficiency and effectiveness.

In FY 2017, the M Bureau continued its use of the Agency A&A 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 standardize fields that maximize the use of drop-down menus and calendar functions to increase the accuracy of plan data, and allow users to run standard reports with the click

of a button and build customized reports. The system also features a dashboard that provides overall totals and graphically represents plan data specific to each Operating Unit.

In addition, FY 2017 was the fourth Fiscal Year in which USAID implemented its A&A Senior Management Review Policy, now known as the Senior Obligation Alignment Review, which mandates that the Administrator and/or Assistant Administrators examine large planned competitions to increase accountability for grants, cooperative agreements, and contracts. The policy—aimed at helping to ensure more-rigorous standards for designing and costing projects, establish greater linkages between Washington and field activities, and increase the use of co-creation and innovative procurement methods—allowed for greatly increased visibility of planned complex awards by senior Agency officials, and also resulted in greater value for U.S. taxpayer money.

Reporting on Past Performance

USAID worked diligently in FY 2017 to meet the goals set by OMB for the reporting on past performance by contractors. Reporting on past performance 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 2017, USAID intensified its focus on reporting on past performance through extensive policy updates, more-rigorous training requirements, and increased engagement with COs, CORs, and the Agency's leadership. 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.

Planning for Human Capital

All of the Agency's goals and objectives for human capital (HC) cascade from the USAID and Department of State *Joint Strategic Plan*, the performance-Planning process, and USAID's Strategic Budget. The Agency then integrates these HC goals into its workforce-planning, and updates them continually. In FY 2018, USAID will continue to cultivate and effectively support a more agile and mobile workforce with the ability to work anywhere, anytime, under any conditions. USAID will modernize its performance-management system to allow for greater accountability, continuous engagement, and career development. USAID will optimize the talent of our Foreign Service National employees by advancing and leveraging their unique and valued skills, and will implement a Knowledge-Management Framework to enable employees across the Agency to find, share, and use relevant knowledge more easily.

ACCOUNTABLE OFFICIAL

In accordance with the report published by the Government Accountability Office titled, "Civilian Service Contract Inventories – Opportunities Exist to Improve Agency Reporting and Review Efforts" (GAO-12-1007), and as directed by OMB to improve how Federal Departments and Agencies monitor their compliance with statutory and OMB requirements, USAID has designated the Assistant Administrator for Management as the accountable official for ensuring appropriate internal attention

and responsiveness to this agenda and improving the Agency's performance in compiling, reviewing, and reporting on inventories.

CONCLUSION

USAID is highly compliant in overseeing 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 Agency is using contract labor in an appropriate and effective manner, and is balancing its mix of Federal employees and contractors effectively. The Agency will continue its focus on improving its internal controls to ensure adequate oversight of contracts with inherently governmental functions.

Appendix A - Summary of the Inventory of Service Contracts at the U.S. Agency for International Development (USAID)

USAID Service Contract Inventory Summary Contract Type Analysis **Competition Analysis** (as % of PSC Obligations) (as % of PSC Obligations) Time & Not Available % Total Special Interest Functions Obligations Fixed Price Cost Materials / Other Competed **Not Competed** Blank Obligations abor Hours Competition COST BENEFIT ANALYSIS \$0.00 0.00% N/A N/A N/A N/A N/A N/A N/A N/A IT AND TELECOM- SYSTEMS DEVELOPMENT 31,752,880.91 0.33% 14.75% 72.07% 0.00% 88.00% 0.00% 13.18% 0.00% 12.00% IT AND TELECOM- IT STRATEGY AND ARCHITECTURE 3,593,079.12 0.04% 9.76% 90.24% 0.00% 100.00% 0.00% 0.00% 0.00% D310 0.02% N/A IT AND TELECOM- CYBER SECURITY AND DATA BACKUP 1,913,690.80 91.72% 0.00% 8.28% N/A N/A N/A N/A 0.40% D314 IT AND TELECOM- SYSTEM ACQUISITION SUPPORT 38,067,107.62 100.00% 0.00% 0.00% 42.00% 21.00% 0.00% 0.00% 37.00% SUPPORT- PROFESSIONAL: POLICY REVIEW/DEVELOPMENT 31,001,261.89 0.33% 0.49% 99.51% 0.00% 100.00% 0.00% 0.00% 0.00% 0.00% 0.00% PROGRAM EVALUATION SERVICES \$0.00 N/A N/A N/A N/A N/A N/A N/A N/A PROGRAM MANAGEMENT/SUPPORT SERVICES \$ 1,515,547,208,53 15.89% 87.71% 92.00% 0.00% 10.46% 1.83% 0.00% 7.00% 1.00% R409 PROGRAM REVIEW/DEVELOPMENT SERVICES \$0.00 0.00% N/A N/A N/A N/A N/A N/A N/A R410 SUPPORT- PROFESSIONAL: PROGRAM EVALUATION/REVIEW/D \$ 104.431.630.92 1.10% 72.94% 0.00% 15.90% 11.17% 0.00% 100.00% 0.00% 0.00% 0.00% R413 SPECIFICATIONS DEVELOPMENT SERVICES \$0.00 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 1.02% 51.65% PERSONAL SERVICES CONTRACTS 97,474,178.02 0.00% 90.00% 0.00% 22.52% 25.83% 2.00% 9.00% MGT SVCS/CONTRACT/PROCUREMENT/ACQUISITION SUPPOR \$ 313,249,788.56 3.29% 6.89% 0.00% 91.07% 2.04% 0.00% 81.00% 19.00% 0.00% Biggest Percentage of Obligations 26.45% 0.00% SUPPORT- PROFESSIONAL: OTHER 0.00% \$ 2,522,206,092.07 5.21% 78.10% 16.69% 84.00% 15.00% 1.00% SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL \$ 2,824,597,683.84 29.62% 3.33% 93.20% 0.00% 99.00% 0.00% 3.47% 1.00% 0.00% CONSTRUCTION OF HIGHWAYS, ROADS, STREETS, BRIDGES, AN 124,290,950,14 1.30% 0.00% 100.00% 0.00% 86.13% 13.87% 0.00% 0.00% 0.00% TRANSPORTATION/TRAVEL/RELOCATION- TRANSPORTATION: S 83,964,234.03 100.00% 0.00% 0.00% 0.00% 100.00% 0.00% 0.00% 0.00%

\$ 9,535,438,555.00

Total Service Contracts Obligation Amount

^{*} 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)