

Department of State  
Service Contract Inventory  
FY 2014 Meaningful Analysis



*Prepared by:*

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Collaborative Strategy and Management Division (A/EX/CSM)

*For Submission to:*

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## Executive Summary

The United States Department of State is committed to cultivating and advancing the efficiency and effectiveness of its multi-sector workforce, thereby ensuring its ability to exert global leadership in the advancement of our national interests. One tool used to improve the multi-sector workforce is the Service Contract Inventory, a Congressionally-mandated annual review of agency service contracts governed by the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP).

The Bureau of Administration, Office of the Executive Director, Collaborative Strategy and Management Division (A/EX/CSM) maintains responsibility for assembling and examining the Department of State's annual inventory of service contracts. Acting in accordance with the provisions set forth in Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, Public Law (P.L.) 111-117, A/EX/CSM examined the agency's inventory to determine if contract labor was being used appropriately and if the mix of Federal employees and contractors was effective or required rebalancing. The results of that examination are described in this FY 2014 Meaningful Analysis.

This FY 2014 Meaningful Analysis presents the desired study outcomes expected by OFPP, as defined in Section 743(e)(2) and explained in the methodology section of this analysis. It describes the special interest functions studied, the dollars obligated to the selected Product and Service Codes (PSC) in FY 2014, and the rationale for focusing on the identified functions. It also reveals how many contracts were reviewed, explains how the contracts were selected for review, and provides the percentage of obligations the contracts covered for the PSC reviewed. Finally, it identifies any contracts that have been performed poorly and any contracts that should be considered for conversion to performance by Federal employees or an alternative source.

A/EX/CSM's approach to preparing and analyzing the data reported in this document was based on the technical requirements specified by OFPP, as well as a desire to broaden the appeal and importance of the Service Contract Inventory to a wider audience at the Department of State. The methodology, which includes steps for planning, surveying, analyzing, and reporting on the agency's contracts, was designed to provide a greater degree of scrutiny of contractor roles and responsibilities.

Last year, A/EX/CSM tightened the scope of its FY 2013 Meaningful Analysis to target those contracts requiring the most management consideration due to their heightened risk of workforce imbalance. Accordingly, attention was exclusively directed towards overseas contracts in Iraq, Afghanistan, and Pakistan, as well as those contracts identified as having Closely Associated to Inherently Governmental (CAIG) functions. For FY 2014, A/EX/CSM once again chose to tighten the scope of its analysis by targeting contracts in Africa. Its selection of African contracts represents a proactive step towards guarding against contractor duties transforming or expanding into inherently governmental functions, and ensuring sufficient oversight of each contract. Additionally, A/EX/CSM placed special emphasis on examining special interest function codes representing the largest financial obligations for the Department of State.

For this FY 2014 Meaningful Analysis, A/EX/CSM reviewed 92 contracts for the purpose of determining if an overreliance on contractor support existed, to examine contracts considered “high-risk,” and to investigate any issues associated with contractor performance. Of the 92 contracts reviewed, 71 were in Africa and the remaining 21 had special interest function codes representing some of the largest financial obligations for the Department of State. The 92 contracts represented 11 different PSC, with a combined obligation of \$1.63 billion. Moreover, 29% of all of the contracts reviewed were Time and Materials, Labor-Hour (T&M/LH) contracts. T&M/LH contracts, as specified by OMB M-09-25, are considered “high-risk.” The Department of State’s Foreign Affairs Manual (FAM) also classifies T&M/LH contracts as “high-risk.”<sup>1</sup>

Federal agencies risk losing control of their mission and operations when inherently governmental functions, which are required to be performed by Government Full-Time Equivalent (GFTE), are executed by contractors. To avoid this dilemma, the Department of State employs a number of management initiatives to determine if it has an overreliance on contractors. Included in these initiatives is the agency’s *Policy on Balanced Workforce Guidelines and Procedures*, found in 3 FAM 2160, which provides guidance on the implementation of Section 736 of the Omnibus Appropriations Act of 2009 (P.L 111-8; Division D). The *Policy on Balanced Workforce Guidelines and Procedures* adheres to OMB guidance on managing the multi-sector workforce, and establishes a Balanced Workforce Steering Group to lead and oversee implementation. Additionally, the Federal Activities Inventory Reform (FAIR) Act provides a process for identifying the functions of the agency that are commercial in nature and not inherently governmental. These initiatives, along with the Service Contract Inventory, assist the agency in maintaining its multi-sector workforce in an appropriate manner.

A/EX/CSM’s analysis of the Department of State’s FY 2014 service contracts revealed the following:

- The Department of State did not have any personal services contracts in the inventory reviewed by A/EX/CSM. Consequently, no personal services contracts were included in this FY 2014 Meaningful Analysis.
- The Department of State did not use contractor employees to perform inherently governmental functions on any of the contracts analyzed. Every contracting official participating in this year’s analysis indicated that there were sufficient GFTE and control mechanisms in place to ensure that contractors did not perform inherently governmental functions.
- The Department of State had specific safeguards and monitoring systems in place to ensure that work being performed by contractors had not changed or expanded during performance to become inherently governmental.

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<sup>1</sup> 3FAM 2165.5 Special Consideration of High-Risk Contracts classifies T&M/LH contracts as “high-risk.”

- The Department of State did not use 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.
- There were sufficient internal agency resources at the Department of State, including Contracting Officer's Representatives (COR) and Government Technical Monitors (GTM), to manage and oversee contracts effectively.
- No contracts were identified as being performed poorly, nor were any contracts identified that should be considered for conversion to performance by Federal employees or an alternative source.
- A combined total of 11 PSC were covered in the review of the African contracts and contracts with PSC representing the largest financial obligations for the agency. The percentage of obligations the contracts covered for the PSC on which the entire review focused was 26%. The total obligation for the contracts reviewed by A/EX/CSM was \$1.63 billion, out of a total PSC obligation of \$6.2 billion.

## Introduction

The Bureau of Administration, Office of the Executive Director, Collaborative Strategy and Management Division (A/EX/CSM) provides management analysis, policy guidance, and advisory services for the Assistant Secretary of State for Administration. This work is accomplished through numerous multi-sector workforce initiatives and Congressionally-mandated assignments including, but not limited to: Strategic Planning; Balanced Workforce Studies; Program Evaluations; the Federal Activities Inventory Reform (FAIR) Act; and the Service Contract Inventory.

Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, Public Law (P.L.) 111-117, requires civilian agencies to prepare and analyze an annual inventory of their service contracts to determine if the mix of Federal employees and contractors is effective or requires rebalancing. This process, known as the Service Contract Inventory, was designed to increase agency awareness of how contracted services are being utilized and helps agencies establish whether or not their dollars allocated on an annual basis for contracted services strike the right balance to efficiently and effectively serve the interests of the American taxpayer.

A/EX/CSM conducts the Service Contract Inventory as a strategic human capital planning effort to acquire greater awareness as to how and where the Department of State's contractors are being utilized in the performance of commercial activities. The Office of Management and Budget (OMB) advises that the Service Contract Inventory provides "insight into where, and the extent to which, contractors are being used to perform activities by analyzing how contracted resources are distributed by function and location across an agency and within its components."<sup>2</sup>

Guidance provided by OMB's Office of Federal Procurement Policy (OFPP) describes the steps involved in conducting the Service Contract Inventory, including the scope of coverage, development of the inventory, meaningful analysis of the data, agency reporting, and future inventory requirements. Operating in accordance with OFPP's guidance, primarily through OMB Memorandums issued in November 2010, December 2011, and November 2014, A/EX/CSM completed this FY 2014 Meaningful Analysis to determine if the Department of State's contract labor is being used in an appropriate manner, and if the mix of Federal employees is suitable.

This FY 2014 Meaningful Analysis presents the desired study outcomes expected by OFPP, as defined in Section 743(e)(2) and explained in the methodology section of this analysis. It describes the special interest functions studied, the dollars obligated to the selected Product and Service Codes (PSC) in FY 2014, and the rationale for focusing on the identified functions. It also reveals how many contracts were reviewed, explains how the contracts were selected for review, and provides the percentage of obligations the contracts covered for the PSC reviewed. Finally, it identifies any contracts that have been performed poorly or that should be considered for conversion to performance by Federal employees or an alternative source.

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<sup>2</sup> Office of Management and Budget. (2010). Service Contract Inventories (Memorandum for Chief Procurement Executives). Washington, DC.

## Background

Government overreliance on contractor support generates vulnerabilities and signals a potential control risk, especially as it concerns the performance of inherently governmental functions. Inherently governmental functions are decision-making duties, or tasks that require making a value judgment, and must be performed by Government Full-Time Equivalent (GFTE). For that reason, the Department of State's Foreign Affairs Manual (3 FAM) 2164 clearly states that each Bureau within the agency is responsible for managing its Federal employee resources appropriately and for ensuring that inherently governmental functions are only being performed by GFTE.

The FAM also provides rules and procedures for the implementation of Section 736 of Division D of the Omnibus Appropriations Act of 2009, and supports OMB's guidance regarding the management of the multi-sector workforce. A/EX/CSM supports the Department of State's effort to manage the multi-sector workforce primarily through four key initiatives: 1) Balanced Workforce Studies; 2) The Balanced Workforce Cost Comparison Tool; 3) FAIR Act Inventory; and 4) Service Contract Inventory.

Balanced Workforce Studies establish the appropriate amount of Federal employees and contractors within the agency. The Department of State's Office of Inspector General (OIG) frequently charges A/EX/CSM with leading Balanced Workforce Studies for Bureaus undergoing independent reviews, audits, inspections, and investigations. A/EX/CSM's contributions support the OIG's mission of ensuring the efficient use of agency resources, and compliance with applicable laws, policies, and procedures. In addition to providing this service to the OIG, A/EX/CSM also conducts these studies for other organizations in the agency.

The Balanced Workforce Cost Comparison Tool, developed by A/EX/CSM, simplifies the costing segment for Balanced Workforce Studies. The tool is user-friendly, and generates succinct and clear results that compare the costs of services between Federal employees and contractors. The tool was developed in response to OMB's directive that all Federal agencies implement a procedure for conducting cost comparisons.

The Department of State also uses the FAIR Act to help manage its multi-sector workforce. The FAIR Act of 1998 provides a process for Federal agencies to identify functions that are inherently governmental and commercial in nature. Commercial functions can be performed by both GFTE and contractors because they do not involve decision-making tasks, and they are not intimately related to the public interest. The FAIR Act's complementary relationship with the Service Contract Inventory is irrefutable, as both of these Congressionally-mandated activities establish the importance of maintaining an efficient and effective multi-sector workforce.

Finally, the Service Contract Inventory helps the agency better understand how contracted services are being used to support its mission and operations. It also helps determine whether contractors' skills are being used in an appropriate manner. All four of these initiatives work hand-in-hand to promote accountability, scrutinize costs, and ensure comprehensive monitoring and regulation of the multi-sector workforce at the Department of State.



## Scope

To broaden the appeal of the Service Contract Inventory and boost its significance to more stakeholders within the agency who may find the data useful, A/EX/CSM enhanced its approach to conducting the FY 2014 analysis. The particular enhancements made, and the rationale for the shift in this year's study approach, are disclosed in detail in this FY 2014 Meaningful Analysis. Ultimately, the approach taken to conduct this year's analysis will serve as a medium for determining which special interest functions the Department of State analyzes in the future.

A/EX/CSM chose to identify and analyze some PSC that were not previously the primary focus of study. For example, in FY 2013, review efforts were concentrated on: 1) Contracts whose functions were classified as CAIG; and 2) Contracts in Iraq, Afghanistan, and Pakistan. For FY 2014, the review targets two distinct contract types: 1) Contracts in Africa; and 2) Contracts with PSC representing the largest financial obligations for the agency. The percentage of obligations the contracts covered for the PSC on which the review focused was 26%. A full listing of the selected PSC, and the obligations for each PSC, can be found in Appendix C (See Appendix C: FY 2014 Special Interest Function Codes Selected for Review).

In its first Quadrennial Diplomacy and Development Review (QDDR) that was released in 2010, the Department of State recognized the need to rebuild core capabilities in critical areas, increase competition in contracting, and strengthen contract oversight and accountability. For that reason, this FY 2014 Meaningful Analysis includes 92 contracts selected for review based on their heightened risk of workforce imbalance. A/EX/CSM reviewed 71 contracts in Africa, whose combined value was \$369.9 million, to determine if an overreliance on contractor support existed and to investigate any issues associated with contractor performance. The selection of the African contracts represented a step towards guarding against contractor duties transforming or expanding into inherently governmental functions. In regards to African contracts, another step taken by the Department of State to guard against contractor duties transforming or expanding into inherently governmental functions was the release of a 2014 OIG report entitled *Audit of the Administration and Oversight of Contracts and Grants within the Bureau of African Affairs*. An additional 21 contracts with special interest function codes representing the largest financial obligations for the Department of State had a combined value of \$528.6 million. Moreover, 29% of all of the contracts reviewed were Time and Materials, Labor-Hour (T&M/LH) contracts. T&M/LH contracts, as specified by OMB M-09-25, are considered "high-risk." The FAM also classifies T&M/LH contracts as "high-risk."<sup>3</sup>

Similar to last year, an intranet-based survey was used to solicit feedback from acquisition officials. The intranet-based survey allowed for increased flexibility in the structure and flow of questions, and the seamless collection and appraisal of data. This year, A/EX/CSM's intranet-based survey provided an opportunity for acquisition officials to make recommendations on how the Service Contract Inventory could be of more value to the

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<sup>3</sup> 3FAM 2165.5 Special Consideration of High-Risk Contracts classifies T&M/LH contracts as "high-risk."



Department of State. Information regarding the recommendations made by responding acquisition officials is located in the Planned Actions section of this report.

## Methodology

In establishing the methodology for assembling and examining the Department of State's annual inventory of service contracts, A/EX/CSM considered it essential to deliberate on the underlying notions for which the study itself was required. Thus, the methodology was designed to address each element identified for analysis in Section 743(e)(2) of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117. The six elements specified in Section 743(e)(2) require the analysis to ascertain that:

- (i) Each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations;
- (ii) The agency is giving special management attention, as set forth in Federal Acquisition Regulation (FAR) 37.114, to CAIG functions;
- (iii) The agency is not using contractor employees to perform inherently governmental functions;
- (iv) 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;
- (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.

The four key phases of this methodology, which were designed to gain insight into the Department of State's contracts in Africa, as well as those contracts with special interest function codes representing the largest financial obligations for the Department of State, are Plan, Survey, Analyze, and Report.

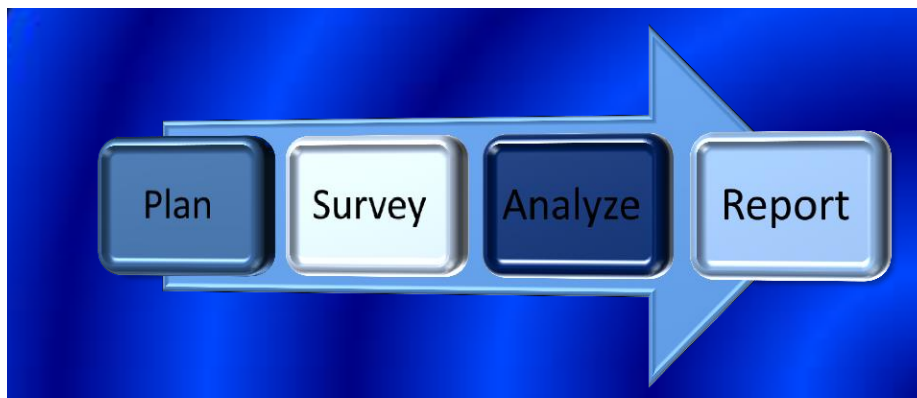


Figure 1: FY 2014 Service Contract Inventory Methodology



### Step 1: Plan

A/EX/CSM reviewed figures retrieved from the Federal Procurement Data System (FPDS), as well as historical documents and study trends, to make a determination on how best to proceed with the data collection and analysis process. This review corroborated the need to revise and modernize the survey process to ensure active participation of acquisition officials, while doing so in an efficient and inexpensive manner. After exploring survey design considerations, including user-friendliness and potential transmission errors, A/EX/CSM created an e-survey using the Bureau of Administration, Office of Logistics Management's (A/LM) intranet-based survey tool (See Appendix D: FY 2014 Service Contract Inventory Survey). The web-based e-survey was selected for its capacity to use multiple question formats, ensure confidentiality, provide a quicker turnaround time, and deposit collected data directly into a database.



### Step 2: Survey

A/EX/CSM created and distributed an intranet-based survey that solicited feedback from approximately 184 acquisition and program staff, including Contracting Officers (CO), Contracting Officer's Representatives (COR), Government Technical Monitors (GTM), and Program/Project Managers (PM). The e-survey, which consisted of 42 questions, solicited responses on issues ranging from whether contractors perform tasks that involve the final determination of agency policy, or provide special non-law enforcement security activities that do not directly involve criminal investigations, to the number of Federal employees providing oversight of contractors and the quality of the contractor's performance. A/EX/CSM conducted an extensive review of the e-survey responses and determined which surveys required a follow-up interview with members of the acquisition workforce who maintained oversight responsibility for the specified contracts. The follow-up interviews provided additional insight into the services being provided by the contractor, the level of oversight the acquisition workforce maintained over the course of the engagement, and feedback on how the multi-sector workforce performed.



### Step 3: Analyze

After the surveys were completed, A/EX/CSM conducted a random spot-check of the data to search for any discrepancies. The data was then analyzed for the purposes of ensuring that all six of the required elements covered in Section 743(e)(2) were met. As recommended by OFPP, A/EX/CSM's comprehensive analysis was based on reviews informed through the sampling of contract files, interviews of acquisition officials, and other appropriate information-gathering techniques. The analysis of data included efforts to identify contracts that were poorly performed (as determined by the responsible contracting official) because of excessive costs or inferior quality. Additionally, the analysis helped identify which, if any, contracts would be considered for conversion to performance by Federal employees or an alternative acquisition approach. Because the primary focus of the analysis was placed on reviewing contracts requiring the most management consideration due to their heightened risk of workforce imbalance, A/EX/CSM solicited recommendations from the acquisition workforce on how to strengthen agency oversight of contractor performance.



#### Step 4: Report

After the plan, survey, and analyze phases of the methodology were completed, A/EX/CSM contextualized its findings for the purpose of reporting on the management and use of service contracts at the Department of State. The report findings answer the questions posed in Section 743(e) (2), and provide additional information on the quality of contractor operations and performance. Where workforce issues are identified, the findings also report the estimated number of contractor personnel and/or labor resources involved.

## **Findings**

A/EX/CSM conducted its analysis of FY 2014 service contract data in order to respond to the six items specified in Section 743(e)(2), among other issues. This year's analysis represented a departure from past years. One of the most significant differences of this year's analysis is the monetary value of the contracts studied. Last year, A/EX/CSM reviewed 125 contracts whose value exceeded the \$25,000 threshold established by OMB. Those contracts represented approximately \$528.6 million in acquisitions. This year, 92 contracts over the \$25,000 threshold were reviewed representing \$1.63 billion in acquisitions. While this figure reflects more than three times the total amount previously studied, it in no way diminishes the merit of last year's analysis. On the contrary, one of A/EX/CSM's principal objectives was to scrutinize the contracts that required the most management consideration due to their heightened risk of workforce imbalance. The contracts falling into that category for FY 2014 included the African contracts, as well as those with special interest function codes representing the largest financial obligations for the Department of State.

Based on a thorough analysis of the data collected through FPDS, completed e-surveys, and interviews with acquisition officials, A/EX/CSM assembled its findings to meet the desired outcomes described in Section 743(e)(2). Each of the six desired outcomes is listed below as an item, and A/EX/CSM's responses are labeled as findings. The FY 2014 Service Contract Inventory findings are as follows:

Item #1: Each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations.

**Findings**: Personal services contracts at the Department of State are employer-employee relationship contracts created between the Department of State and the contractor. The Department of State did not have any personal services contracts in the inventory reviewed by A/EX/CSM. Consequently, no personal services contracts were included in this FY 2014 Meaningful Analysis.

Item #2: The agency is giving special management attention, as set forth in FAR 37.114, to functions that are CAIG functions.

**Findings:** A/EX/CSM reviewed the 92 contracts in its FY 2014 inventory to determine if any included CAIG functions. Of the 92 contracts analyzed, only one was classified by acquisition officials as having CAIG functions.

**Item #3:** The agency is not using contractor employees to perform inherently governmental functions.

**Findings:** One of the questions in A/EX/CSM’s FY 2014 Service Contract Inventory Survey (See Appendix D) for acquisition officials asked, “*Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?*” Every respondent indicated that there were sufficient GFTE and control mechanisms in place to ensure that contractors were not performing inherently governmental functions. A sampling of the responses to this survey question is included below:

“Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?”	
Answer	Acquisition Official’s Explanation
Yes	“The contractor is providing access control to the Embassy compound and residences. The Regional Security Office and its Marine Security Guard Detachment can override all access controls.”
Yes	“The contractor performs design/build construction services, neither of which are inherently governmental activities. Government personnel develop/implement the policy, contract development, contract award, and the project inspections and the final acceptance.”
Yes	“Contracting Officer, and Contracting Officer's Representative, among others, satisfy requirement.”
Yes	“There is adequate government oversight of this contract.”
Yes	“The task order receives oversight from United States Government employees serving as CORs, ACORs and GTMs. In addition, the Contracting Officer is fully engaged in the oversight of the contract to ensure that inherently governmental functions are not performed by the contractor.”
Yes	“Government has an onsite Contracting Officer's Representative to ensure this.”
Yes	“The contractor is performing construction duties. The inherently governmental functions are being performed by the Contracting Officer's Representative.”
Yes	“The risk of construction contractors performing inherently governmental functions is almost non-existent. A FAC-COR Level III certified COR providing oversight is sufficient to prevent this occurrence.”
Yes	“AQM has increased the number of Contract Specialists assigned to the program.”

“Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?”	
Answer	Acquisition Official’s Explanation
Yes	“The contract clearly defines the roles and responsibilities of the contractor.”
Yes	“Technically qualified COR with support from the Operations Coordinator is available.”

Figure 2: Sampling of Survey Responses

When asked to describe their role on the contracts included in this year’s inventory, **34%** of the responding officials identified themselves as a CO. **61%** of the respondents said that they were CORs, and **5%** indicated that they were Contract Specialists (CS) (See Figure 3: Acquisition Official’s Title). Each played a role in ensuring that contractors were not performing inherently governmental functions.

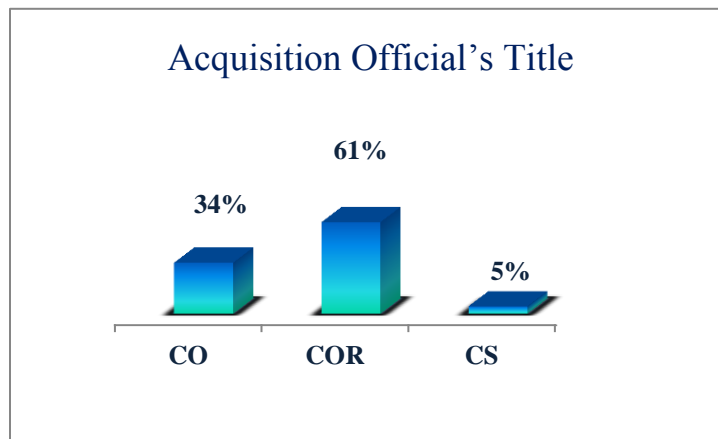


Figure 3: Acquisition Official’s Title

**Item #4:** 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.

**Findings:** Measures used to make sure that work being performed by contractors has not changed or expanded include maintaining a cadre of CORs and GTMs who are responsible for providing oversight of contractor performance. Because the number of contractors and type of functions performed on each contract varies according to specified needs, the number of CORs and GTMs providing oversight also varies.

A/EX/CSM asked the acquisition officials, “How many CORs and/or GTMs are providing oversight on this contract?” **53%** of the respondents indicated that one COR/GTM provided oversight; **32%** answered that two to three CORs/GTMs provided oversight; **10%** replied that four to nine CORs/GTMs provided oversight; and **5%** indicated that ten or more CORs/GTMs provided oversight (See Figure 4: CORs and GTMs Providing Oversight).

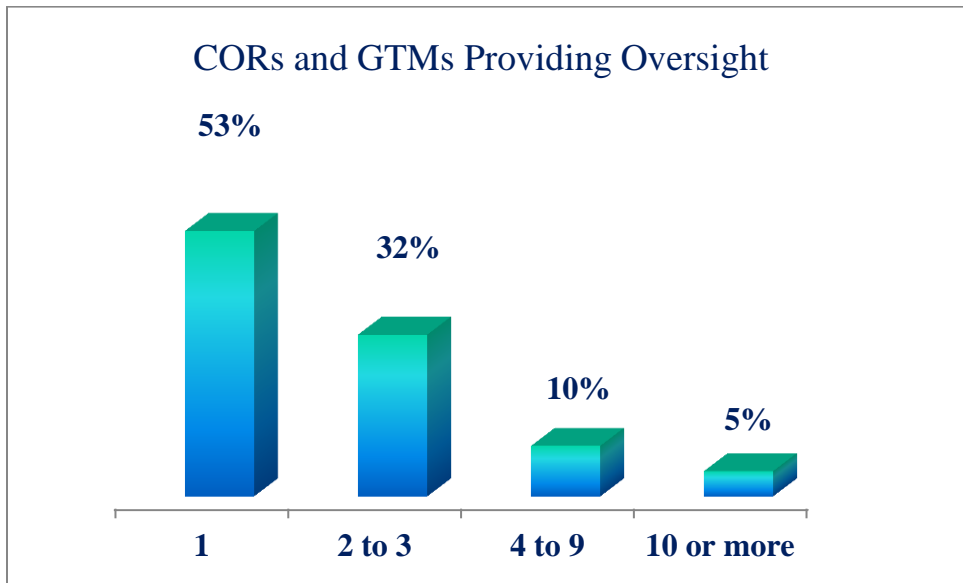


Figure 4: CORs and GTMs Providing Oversight

**Item #5:** 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.

**Finding:** The results of the surveys collected from acquisition officials showed that the Department of State is not using contractors to perform critical functions in a way that could affect the ability of the agency to effectively maintain control of its mission and operations. This was affirmed by 100% of the survey respondents. Additionally, follow-up interviews conducted with acquisition officials confirmed that contractors were not being used to perform critical functions in a way that could affect the ability of the agency to effectively maintain control of its mission and operations.

**Item #6:** There are sufficient internal agency resources to manage and oversee contracts effectively.

**Finding:** A/EX/CSM’s analysis of survey data, as well as interview responses, shows that the Department of State has sufficient resources to manage and oversee its contracts effectively. One of the most effective ways that the agency manages and oversees contracts is through the work of CORs and GTMs. The agency’s acquisition officials oversee engagements with a wide range of contract employees.

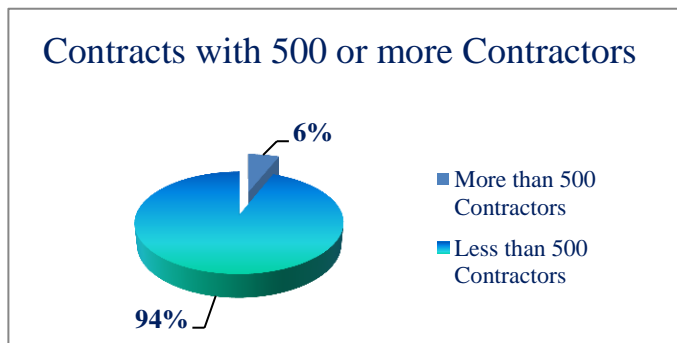


Figure 5: Contracts with 500 or More Contractors

For example, **6%** of the contracts reviewed by A/EX/CSM in this year’s inventory had 500 or more contractors performing work both on-site and off-site (See Figure 5: Contracts with 500 or More Contractors). Conversely, **94%** of the contracts had less than 500 private-sector employees performing work. These figures reflect a significant difference from the FY 2013 inventory in which 17% of the contracts reviewed had 500 or more contractors performing work, and 10% of the contracts reviewed had 1,000 or more contractors performing work. None of the contracts reviewed in the FY 2014 inventory had 1,000 or more contractors performing work.

While **6%** of this year’s reviewed contracts had 500 or more contract employees providing support to the agency, **16%** had 250 or more contractors (See Figure 6: Contracts with 250 or More Contractors). For example, one contract had 210 contractors serving 172 consular sections, in 116 countries, providing services for more than 98% of non-immigrant and immigrant visa applicants. The contractors utilized a highly complex program initiated to replace the user-pay service to provide better accountability, transparency, and customer service in the support activities supplied by commercial entities to consular sections around the globe. Another contract had 323 contractors providing protective security support to a United States Embassy. The GFTE providing oversight on this contract included a total of seven CORs, ACORs, and GTMs who continuously monitored all work tasks to make certain that the contractors were not performing inherently governmental functions.

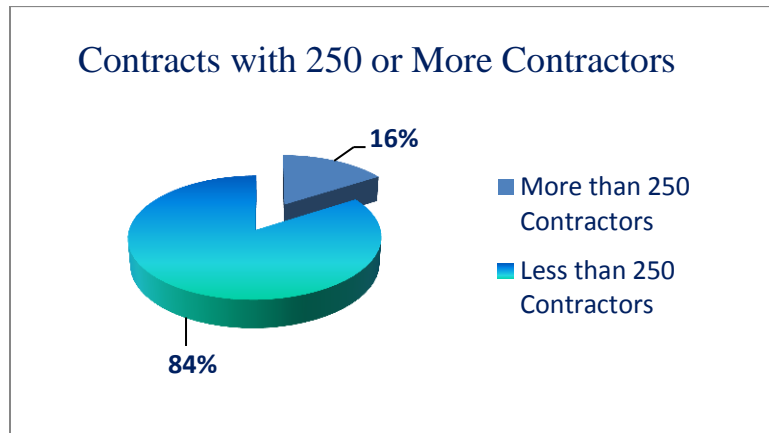


Figure 6: Contracts with 250 or More Contractors

The majority of the contracts (**84%**) had less than 250 contractors performing work for the agency. For example, one contract was staffed with one private-sector employee who provided engineering expertise and services at various construction sites worldwide. Two GFTE provided oversight on the contract to ensure that the work performed by the contractor did not affect the ability of the agency to maintain control of its mission and operations, and to ensure that the contractor was not performing inherently governmental functions.



**Additional Findings:**

- A combined total of 11 PSC were covered in the review of the African contracts and contracts with PSC representing the largest financial obligations for the agency. The percentage of obligations the contracts covered for the PSC on which the entire review focused was 26%. The total obligation for the contracts reviewed by A/EX/CSM was \$1.63 billion, out of a total PSC obligation of \$6.2 billion.
- No contracts were identified as being performed poorly, nor were any contracts identified that should be considered for conversion to performance by Federal employees or an alternative source.
- Overall, acquisition officials indicated that the contractors were performing well. When asked how they would rate the contractor’s performance, **39%** of the acquisition officials selected “exceptional” and **49%** selected “good.” The remaining respondents, **12%**, rated contractor performance as “fair.” None of the acquisition officials indicated that contractor performance was “unsatisfactory” (See Figure 7: Contractor Performance Ratings).

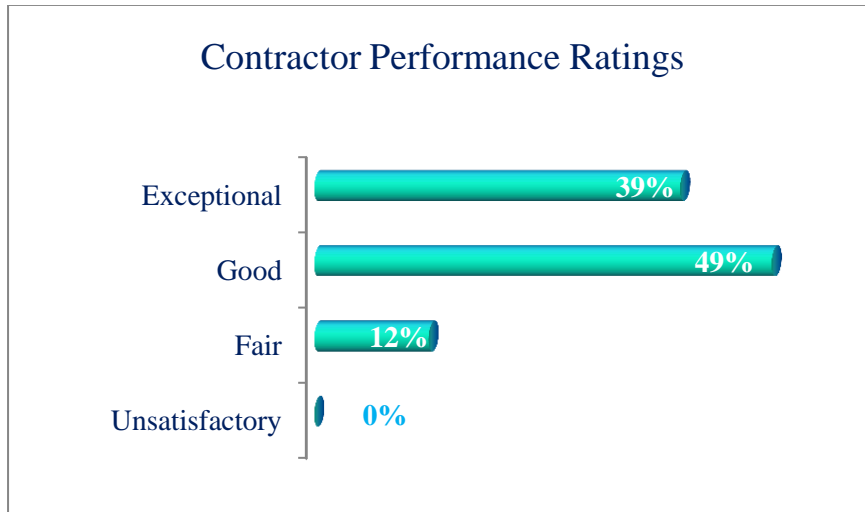


Figure 7: Contractor Performance Ratings

- Of the 11 PSC covered in this year’s review of service contracts, the three largest PSC represent \$1.1 billion (67%) of the total action obligation (See Figure 8: Three Largest PSC for FY 2014 Contracts). PSC S206, Housekeeping - Guard, reflects the largest share with \$454 million (**28%**). PSC Y1AZ, Construction of other Administrative Facilities and Service Buildings, is the second largest with \$445 million (**27%**). PSC C1AA, Architect and Engineering – Construction Office Buildings, represents the third largest with \$200 million (**12%**).

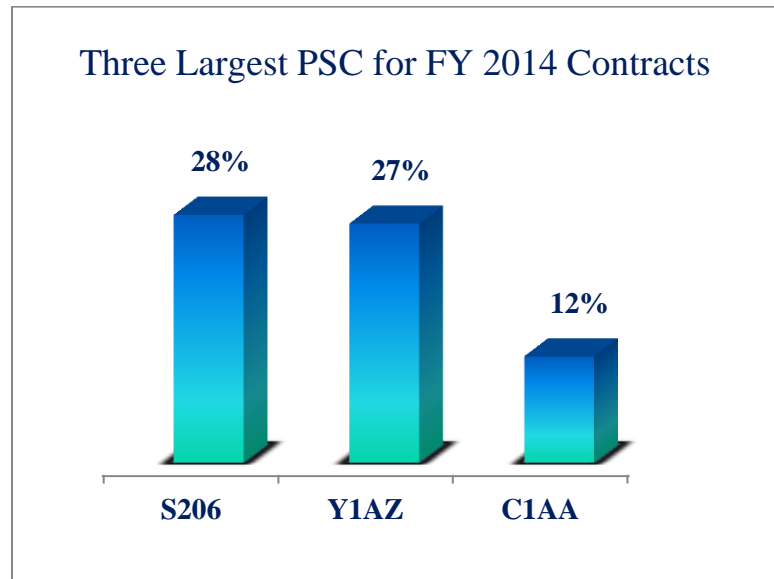


Figure 8: Three Largest PSC for FY 2014 Contracts

## Planned Actions

### Past Actions

In the Department of State's FY 2013 Meaningful Analysis, A/EX/CSM identified five potential actions that might improve its efforts in the future. Those actions, and any steps taken to implement them, are listed below:

- A/EX/CSM should continue to utilize A/LMs intranet-based survey to create, distribute, and collect its survey information.

*Update: A/EX/CSM once again utilized A/LMs intranet-based survey to create, distribute, and collect its survey information for the FY 2014 Service Contract Inventory.*

- A/EX/CSM should modify the design of its intranet-based survey to capture feedback on if, and what, acquisition officials would recommend in order for the Service Contract Inventory to be of more value to the Department of State.

*Update: A/EX/CSM modified its intranet-based survey to allow acquisition officials to provide feedback about how the Service Contract Inventory could be of more value to the Department of State. A/EX/CSM also conducted phone interviews with acquisition officials to ascertain this information. Most respondents indicated that A/EX/CSM should continue to conduct regional inventories of service contracts (i.e., Iraq, Afghanistan, and Pakistan in FY 2013; Africa in FY 2014).*

- A/EX/CSM should develop a “community of practice” with three or more other organizations within the agency to discuss the Service Contract Inventory and how it could serve as a better resource for the Department of State.

*Update: A/EX/CSM reached out to three other organizations within the agency to discuss the Service Contract Inventory. The most significant of these efforts was a relationship established with an organizational division within the agency to deliberate on and implement methods to improve the delivery and review of contract data from FPDS.*

- A/EX/CSM should convey to the Department of State’s Office of the Procurement Executive (OPE) the importance of contractors adding pertinent data into the System for Award Management (SAM).

*Update: A/EX/CSM conveyed to OPE the importance of adding pertinent data into SAM, such as contractor billing and labor hours, and notified OPE of OMB communications concerning SAM. OPE, in turn, worked with the primary acquisition office, A/LM/AQM, to improve contractor reporting of billing and labor hours.*

- A/EX/CSM is finalizing a revision of the 3 FAM 2160 policy on Balanced Workforce Guidelines and Procedures for an expected January 2015 issuance.

*Update: A/EX/CSM completed its revision of 3 FAM 2160.*

### **Future Actions**

In addition to providing assistance for the on-going actions identified in its FY 2013 Meaningful Analysis, A/EX/CSM proposes taking the following actions in the future:

- A/EX/CSM should continue to utilize and improve upon A/LMs intranet-based survey to create, distribute, and collect its survey information.
- A/EX/CSM should continue to capture feedback on if, and what, acquisition officials would recommend in order for the Service Contract Inventory to be of more value to the Department of State.
- A/EX/CSM should continue to develop “communities of practice” to discuss the Service Contract Inventory and how it could serve as a better resource for the Department of State.

## **Accountable Officials**

The 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 is **Joyce Barr, Assistant Secretary of State for Administration.**

The official who is responsible for ensuring appropriate internal management attention is given to the development and analysis of service contract inventories is **Marlon Henry, Management and Program Analyst, A/EX/CSM.**

## Appendix

### Appendix A: Acronyms

Acronym	Term
A/EX/CSM	Bureau of Administration, Office of the Executive Director, Collaborative Strategy and Management Division
A/LM	Bureau of Administration, Office of Logistics Management
A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
CAIG	Closely Associated to Inherently Governmental
CO	Contracting Officer
COR	Contracting Officer's Representative
CS	Contract Specialist
FAIR	Federal Activities Inventory Reform
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System
FTE	Full-Time Equivalent
FY	Fiscal Year
GFTE	Government Full-Time Equivalent
GTM	Government Technical Monitor
IT	Information Technology
OFPP	Office of Federal Procurement Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPE	Office of the Procurement Executive
PIID	Procurement Instrument Identifier
PL	Public Law
PM	Program Manager/Project Manager
PSC	Product and Service Codes
QDDR	Quadrennial Diplomacy and Development Review
RSO	Regional Security Officer
SAM	System for Award Management
T&M/LH	Time and Materials, Labor-Hour

**Appendix B: Report Figures (Graphics)**

<b>Number</b>	<b>Title</b>
Figure 1	FY 2014 Service Contract Inventory Methodology
Figure 2	Sampling of Survey Responses
Figure 3	Acquisition Official's Title
Figure 4	CORs and GTMs Providing Oversight
Figure 5	Contracts with 500 or More Contractors
Figure 6	Contracts with 250 or More Contractors
Figure 7	Contractor Performance Ratings
Figure 8	Three Largest PSC for FY 2014 Contracts

### Appendix C: FY 2014 Special Interest Function Codes Selected for Review

<b>FY 2014 PRODUCT AND SERVICE CODES FOR REVIEW</b>			
<b>African Contracts &amp; Contracts with PSC Representing the Largest Financial Obligations</b>			
<b>PSC</b>	<b>PSC Description</b>	<b>Action Obligation</b>	<b>Percentage</b>
C1AA	Architect and Engineering – Construction: Office Buildings	\$200,572,655	12.33%
C211	Architect and Engineering – General: Landscaping, Interior Layout, and Designing	\$40,207,384	2.47%
D399	IT and Telecom – Other IT and Telecommunications	\$176,951	0.01%
R408	Support – Professional: Program Management/Support	\$107,199,176	6.59%
R499	Support – Professional: Other	\$35,051,066	2.15%
R706	Support – Management: Logistics Support	\$134,789,620	8.29%
R799	Support – Management: Other	\$33,263,000	2.04%
S206	Housekeeping - Guard	\$454,132,369	27.92%
U008	Education/Training – Training/Curriculum Development	\$1,250,000	0.08%
Y1AA	Construction of Office Buildings	\$174,652,280	10.74%
Y1AZ	Construction of Other Administrative Facilities and Service Buildings	\$445,273,418	27.38%
	<b>TOTAL</b>	<b>\$1,626,567,919</b>	<b>100%</b>



## Appendix D: FY 2014 Service Contract Inventory Survey

1 \*Please provide the PIID for this contract in the text box below. Note: It is important that you provide the full PIID (not Referenced ID PIID) to ensure accurate data collection.

2 \*Please provide a brief description of the work being performed on the contract.

3 \*Do any contractors provide legal advice and/or final interpretations of regulations and statutes to Government officials? If “Yes,” please give an example.

4 \*Do any contractors perform tasks that involve the direct conduct of criminal investigations? If “Yes,” please give an example.

5 \*Do any contractors perform tasks involving the direct control of prosecutions and/or the performance of adjudicatory functions other than those relating to arbitration or other methods of alternative dispute resolution? If “Yes,” please give an example.

6 \*Do any contractors perform tasks involving the conduct of foreign relations and the final determination of foreign policy, budget policy, budget requests, guidance, and/or strategy? If “Yes,” please give an example.

7 \*Do any contractors perform tasks that involve the final determination of agency policy, such as determining the content and application of regulations? If “Yes,” please give an example.

8 \*Do contract tasks involve the final direction and control of Federal employees? If “Yes,” please give an example.

9 \*Do contract tasks involve the final selection or non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment? If “Yes,” please give an example.

10 \*Do contract tasks involve the final approval of position descriptions and performance standards for Federal employees? If “Yes,” please give an example.

11 \*Do any contractors make the final determination of what Government property is to be disposed of, and on what terms? If “Yes,” please give an example. Please keep in mind that an agency may give contractors authority to dispose of property at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency.

12 \*Do any contractors make final decisions regarding supplies or services that are acquired by the Government? If “Yes,” please give an example. Please keep in mind that an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency.

13 \*Do any contractors provide final approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and/or the final approval of agency responses to the administrative appeals of denials of Freedom of Information Act requests? If “Yes,” please give an example.

14 \*Do any contractors conduct administrative hearings to determine the final eligibility of any person for a security clearance, or take actions that affect matters of personal reputation or eligibility to participate in Government programs? If “Yes,” please give an example.

15 \*Do any contractors draft Congressional testimony, respond to Congressional correspondence, or provide agency responses to audit reports from the Inspector General, Government Accountability Office, or other Federal audit entities? If “Yes,” please give an example.

16 \*Do any contractors make the final judgment regarding monetary transactions and entitlements? If “Yes,” please give an example.

17 \*Do contract tasks involve the final interpretation and execution of the laws of the United States so as to bind the United States to take, or not take, action by contract, policy, regulation, authorization, order, etc.? If “Yes,” please give an example.

18 \*Do any contractors make value judgments/final decisions for the Federal Government? If “Yes,” please give an example.

19 \*Do contract tasks involve the interpretation and execution of the laws of the United States to determine, protect, and/or advance United States economic, political, territorial, property or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management or otherwise? If “Yes,” please give an example.

20 \*Do contract tasks involve final approval of any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria? If “Yes,” please give an example.

21 \*Do any contractors make the final determination for awarding or terminating contracts? If “Yes,” please give an example.

22 \*Do contract tasks involve the final determination of whether contract costs are reasonable, and allowable? If “Yes,” please give an example.

23 \*Do contract tasks involve administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and making the final acceptance or rejection of contractor products or services)? If “Yes,” please give an example.

- 24 \*Do contractors perform tasks that involve or relate to reorganization and planning activities? If “Yes,” please give an example.
- 25 \*Do any contractors perform tasks that involve or relate to the development of regulations? If “Yes,” please give an example.
- 26 \*Do any contractors perform tasks associated with acquisition and program management staff (i.e., acquisition planning or contract management activities where the contractor might influence official evaluation of other contractors)? Other examples may include evaluating the technical aspects of contract proposals; providing assistance in developing Statements of Work; providing information regarding agency policies or regulations such as attending conferences on behalf of an agency; conducting community relations campaigns; or conducting evaluations of another contractor’s performance? If “Yes,” please give an example.
- 27 \*Do contract tasks involve contractors constructing buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments? If “Yes,” please give an example.
- 28 \*Do any contractors provide special non-law enforcement security activities that do not directly involve criminal investigations (i.e., prisoner detention or transport; non-military national security details; and/or overseas private security operations)? If “Yes,” please give an example.
- 29 \*Do any contractors provide inspection services? If “Yes,” please give an example.
- 30 \*Do contract tasks involve contract interrogators, combat security training, or logistics support required for weapons systems that deploy with operational units? If “Yes,” please give an example.
- 31 \*Do any contractors serve as technical advisors to a source selection board, or participate as voting or nonvoting members of a source evaluation board? If “Yes,” please give an example.
- 32 \*Is there sufficient government expertise to oversee contractor performance of the contract? Please explain.
- 33 \*Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions? If “Yes,” please give an example. If “No,” please explain.
- 34 \*Are there enough CORs appointed to this contract to ensure the proper oversight of contractor performance? If “No,” please explain.
- 35 \*How many contractors are performing work on this contract, where contractors equal the number of Full Time Equivalent (FTE), and not the number of vendors?

36 \*Are any contractors performing critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations? Please explain.

37 \*How many CORs and/or GTMs are providing oversight on this contract?

38 \*Please indicate your role on the contract (CO, CS, COR, PM, GTM).

39 \*What was the total amount of funding allocated to this work for FY 2014, including modifications?

40 \* How would you rate the contractor's performance?

Exceptional -- Good -- Fair -- Unsatisfactory

41 \*In your opinion, who should perform the work on this contract?

Please select a choice Contractors Federal Government Employees (Direct Hires) Mix of Contractors and Federal Government Employees

42 \*What is your name and email address?