

Department of State
Service Contract Inventory
FY 2015 Meaningful Analysis



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

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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 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 2015 Meaningful Analysis.

This FY 2015 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 2015, 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 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.

As in previous years, A/EX/CSM tightened the scope of its Meaningful Analysis to target those contracts requiring the most management consideration due to their heightened risk of workforce imbalance. Accordingly, attention was directed towards contracts with special interest function codes representing the largest financial obligations for the Department of State. The primary functions reviewed included those related to Information Technology and Telecommunications, Special Studies, and Professional Support Services. Their selection represented a proactive step towards guarding against contractor duties transforming or expanding into inherently governmental functions, and ensuring sufficient oversight of contractors. Furthermore, of the contracts reviewed, 11% 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.”¹

This FY 2015 Meaningful Analysis focuses on 82 contracts that have a combined financial obligation of \$736.2 million. The contracts represent 12 different PSC that pose some of the greatest risks to the Department of State based on their work requirements, principle place of performance, and financial obligation. A/EX/CSM reviewed the 82 contracts to determine if an overreliance on contractor support existed and to investigate any issues associated with contractor performance. In addition to focusing on contractor performance, the analysis included an inquiry into any issues associated with the contracting officials responsible for managing and overseeing the contractors.

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. 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 2015 service contracts revealed the following:

- The total obligation for the 82 contracts selected for review was \$736.2 million, out of a total PSC obligation of \$5.05 billion. A combined total of 12 PSC were covered. The percentage of obligations the contracts covered for the PSC on which the entire review focused was 15%.
- 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 2015 Meaningful Analysis.
- The Department of State did not use contractor employees to perform inherently governmental functions on any of the contracts analyzed.
- Overall, 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. And, 98% of the contracting officials participating in the review indicated that there were

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

sufficient GFTE and control mechanisms in place to ensure that contractors did not perform inherently governmental functions. However, 2% of the respondents replied that there were not enough GFTE and control mechanisms in place.

- For 98% of the reviewed contracts, contracting officials indicated that the Department of State did not use contractors to perform critical functions in a way that could affect the agency's ability to maintain control of its mission and operations. Though, 2% of the respondents replied that contractor employees did perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations.
- For 87% of the reviewed contracts, contracting officials indicated that 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. Conversely, 13% of responding contracting officials asserted that internal agency resources were insufficient.
- The review did not identify any contracts that should be considered for conversion to performance by Federal employees or an alternative source.

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: 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 multi-sector workforce 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."²

Guidance provided by OMB's Office of Federal Procurement Policy (OFPP) describes the steps involved in conducting the Service Contract Inventory, including determination of the scope of coverage, development of the inventory, meaningful analysis of the data, agency reporting, and the creation of 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 2015 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 2015 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 2015, 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 should be considered for conversion to performance by Federal employees or an alternative source.

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

Background

Government overreliance on contractor support creates 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 three key initiatives: 1) Balanced Workforce Studies; 2) The FAIR Act Inventory; and 3) The 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. For example, A/EX/CSM conducted a study of the Bureau of International Information Programs (IIP) to determine the organization's appropriate mix of direct-hire and contract staff. A/EX/CSM's study results included recommendations designed to help IIP improve contractor oversight and prevent contractors from performing inherently governmental functions. A/EX/CSM conducted a similar study for the Bureau of International Security and Nonproliferation (ISN). The Balanced Workforce Studies are reinforced by a Cost Comparison Process that A/EX/CSM uses to uniformly weigh the costs of Federal employees against those of contractors to ensure the best use of agency resources and recommend savings. 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 at the request of the OIG, A/EX/CSM also conducts Balanced Workforce Studies for other Bureaus within the agency.

The Department of State also uses the FAIR Act Inventory 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 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 to 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 three 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 stakeholders within the agency who may find the data useful, A/EX/CSM produces and submits a Meaningful Analysis for the Department of State that is far more robust than most Federal agencies. The rationale for the study approach is described in detail in the methodology section of this report. For FY 2015, A/EX/CSM chose to identify and analyze some PSC that were not previously the primary focus of study. For example, in FY 2014, the review targeted: 1) Contracts in Africa; and 2) Contracts with PSC representing the largest financial obligations for the agency. In FY 2013, the review efforts were concentrated on: 1) Contracts whose functions were classified as Closely Associated to Inherently Governmental (CAIG); and 2) Contracts in Iraq, Afghanistan, and Pakistan. This year's review focuses on 12 PSC covering 82 contracts that represent the greatest risk to the Department of State based on their work requirements, principle place of performance, and financial obligation. These contracts were also selected because they require a greater degree of scrutiny of the roles and responsibilities of contractors, as well as the roles and responsibilities of contracting officials. The total obligation for the 82 contracts was \$736.2 million, out of a total PSC obligation of \$5.05 billion. The percentage of obligations the contracts covered for the PSC on which the review focused was 15%. A full listing of the selected PSC, and the obligations for each, can be found in Appendix C (See Appendix C: FY 2015 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 this reason, the 82 contracts included in this Meaningful Analysis were also selected for review based on their heightened risk of workforce imbalance. A/EX/CSM reviewed the contracts to determine if an overreliance on contractor support existed and to investigate any issues associated with contractor performance. The selection of the contracts represented a step towards guarding against contractor duties transforming or expanding into inherently governmental functions. Moreover, 11% 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."³

Similar to previous years, an intranet-based survey was used to solicit feedback from the agency's contracting officials. The intranet-based survey allowed for increased flexibility in the structure and flow of questions, and easier collection and appraisal of data. A/EX/CSM's intranet-based survey also provided an opportunity for contracting officials to make recommendations on how the agency could enhance the management and oversight of its contractors. Information regarding the recommendations made by responding contracting officials is located in the Planned Actions section of this report.

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

Methodology

In establishing its methodology for conducting the Department of State's annual inventory of service contracts, A/EX/CSM's primary objective was to embrace an approach that clearly articulated how data was collected, analyzed, and presented in order to meet the requirements of the review. Thus, this methodology was designed to address each outcome identified for analysis in Section 743(e)(2) of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117. The six outcomes specified in Section 743(e)(2) require the analysis to determine if:

- (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 developed to gain insight into the 82 contracts selected for review, are Plan, Survey, Analyze, and Report.



Figure 1: FY 2015 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 validated the need to revise and modernize the survey process used in the past to increase the participation of contracting officials. After deliberating 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 2015 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 distributed an intranet-based survey that solicited feedback from contracting officials, including Contracting Officers (CO), Contracting Officer's Representatives (COR), Government Technical Monitors (GTM), and Program/Project Managers (PM). The e-survey, which consisted of 41 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 the GFTE who maintained oversight responsibility for the corresponding contracts. The follow-up interviews provided additional insight into the services being provided by the contractor, the level of oversight the contracting official maintained over the course of the engagement, and feedback on how the contractor performed.



Step 3: Analyze

After the surveys were submitted and all interviews 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 outcomes 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 contracting officials, and other appropriate information-gathering techniques. The analysis of data included efforts to 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 first three 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 were identified, the findings report the estimated number of contract personnel and/or labor resources involved.

Findings

For the FY 2014 Meaningful Analysis, A/EX/CSM reviewed 92 contracts whose value exceeded the \$25,000 threshold established by OMB. Those contracts represented \$1.63 billion in acquisitions. For the FY 2015 Meaningful Analysis, 82 contracts over the \$25,000 threshold were reviewed representing \$736.2 million in acquisitions. While this dollar amount only reflects approximately forty-five percent of FY 2014's total, it in no way reduces the merit of the analysis. On the contrary, A/EX/CSM's principal objective was to scrutinize the contracts that required the most management consideration due to their heightened risk of workforce imbalance. The 82 contracts selected for this review fully meet that criterion.

Based on a thorough analysis of the data collected through FPDS, the intranet-based survey, and individual interviews with contracting officials, A/EX/CSM assembled its findings to meet the six desired outcomes described in Section 743(e)(2) of Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117. Each of the six outcomes is listed below, and A/EX/CSM's responses are labeled as findings.

The FY 2015 Service Contract Inventory findings are as follows:

Outcome #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 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. As a result, no personal services contracts were included in this FY 2015 Meaningful Analysis.

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

Findings: Special Management attention was given to CAIG functions in this year's inventory. Six contracts classified by contracting officials as having CAIG functions were included in the review, representing 22% (\$161.5 million) of the total obligation for the 82 contracts. The most common CAIG functions in this year's review include the construction of buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments, as well as program

management support activities. Contracting Officials for all six contracts indicated that there was sufficient government expertise to oversee contractor performance, and that there were sufficient Federal government employees and control mechanisms in place to ensure that the contractors were not performing inherently governmental functions.

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

Findings: An analysis of the data determined that the Department of State did not use contractors to perform inherently governmental functions for the 82 contracts selected for this review. The questions posed to contracting officials in A/EX/CSM's FY 2015 Service Contract Inventory Survey (See Appendix D) were designed to establish whether or not any contractors performed inherently governmental functions. For example, the e-survey asked if any contractors provided final approval of agency responses to Freedom of Information Act (FOIA) requests, and/or the final approval of agency responses to the administrative appeals of denials of FOIA requests. The contracting officials participating in the intranet-based survey indicated that contractors had not provided final approval for any FOIA actions. As with most of the questions included in the e-survey, contracting officials indicated that contractors were not performing inherently governmental functions.

Not all of the responses to the survey questions indicated that contractors were not performing inherently governmental functions. When asked if any contractors made final decisions regarding supplies or services that were acquired by the Government, 8% of the contracting officials indicated that their contractors were performing this inherently governmental task. However, during individual interview sessions held with A/EX/CSM, the contracting officials clarified that those contractors had the authority to acquire supplies as long as their purchases did not go over a specified amount. Subsequently, none of the contractors exceeded the scope of their Statement of Work (SOW) in the performance of these duties.

Outcome #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: To ensure contractor compliance with contract terms, and to protect the interests of the Department of State, numerous contracting officials performed oversight duties for the 82 contracts included in this review. A/EX/CSM broke down the data submitted in the e-survey to gain more insight into the roles that the contracting officials played. When asked to describe their role on the contract, **30%** of the respondents identified themselves as a CO. **59%** of the respondents said that they were a COR, and **11%** indicated that they were a Contract Specialist (CS), GTM, or PM (See Figure 2: Titles of Contracting Officials).

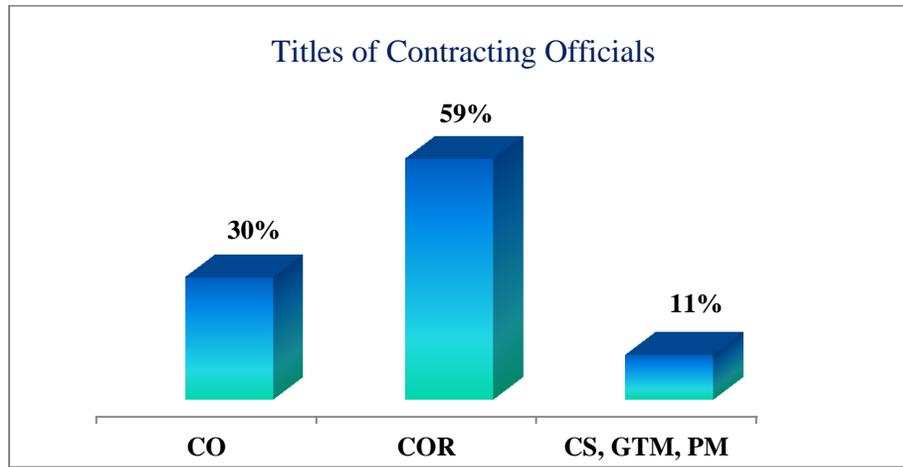


Figure 2: Titles of Contracting Officials

A/EX/CSM also asked, “How many contracting officials provided oversight on this contract?” **31%** of the respondents indicated that one contracting official provided oversight; **44%** answered that two to three contracting officials provided oversight; **16%** replied that four to nine contracting officials provided oversight; and **9%** indicated that ten or more contracting officials provided oversight (See Figure 3: Number of Contracting Officials Per Contract).

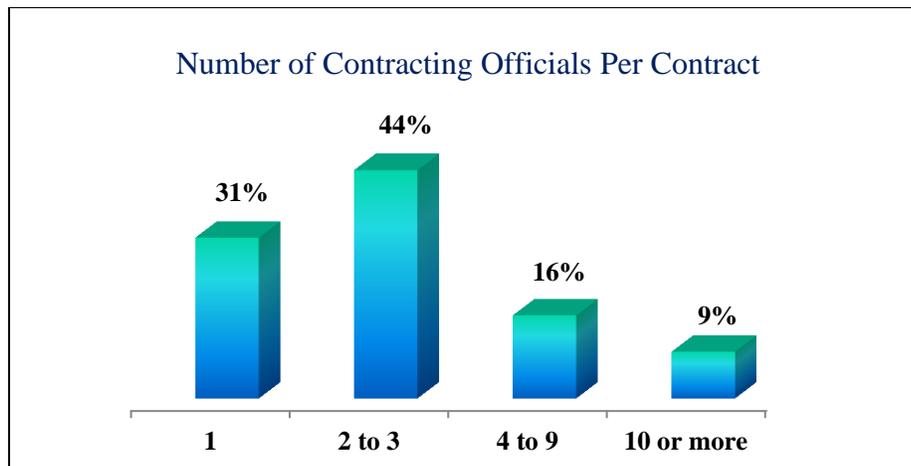


Figure 3: Number of Contracting Officials Per Contract

One of the primary responsibilities of the contracting officials was to make sure that the work performed by contractors did not change or expand during performance to include inherently governmental functions. Another question in the intranet-based survey (See Appendix D) asked, “Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?” In response, 98% of the contracting officials indicated that there were sufficient GFTE and control mechanisms in place. A sampling of their responses, describing the safeguards and monitoring systems in

place to ensure that work performed by contractors had not changed or expanded during performance to become inherently governmental, is provided below (See Figure 4: Sampling of Survey Responses):

“Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?”	
Answer	Contracting Official’s Explanation
Yes	“The contract is administered by a COR and two Assistant Contracting Officer’s Representatives (ACOR) on the ground providing regular oversight of contractor activities.”
Yes	“There are two CORs in Iraq. One, located at the Baghdad Embassy Compound and another at the Baghdad Diplomatic Support Center (BDSC). Furthermore, there is a ‘Contract Management Office’ (CMO) based out of Frankfurt, Germany that has been established by the Near Eastern Affairs and South and Central Asian Affairs Executive Office (NEA-SCA/EX) to provide support to Mission Iraq contracts.”
Yes	“United States Government (USG) onsite visits, COR team, logistics personnel, reporting, and close constant contact with the Government of Mexico personnel directly related to this project ensure this.”
Yes	“The oversight team includes a COR (direct hire USG) and 7 support staff/technical experts.”
Yes	“I exercise day-to-day supervision of contract staff and ensure through the assignment and review of tasks performed under the contract that they do not engage in inherently governmental functions. With only three contractors assigned to this contract, supervision by one on-site COR provides adequate oversight and control.”
Yes	“The customer service representatives are in the Embassy regularly and there are open lines of communication regarding their role, the USG role, and the role of the sub-contractor.”
Yes	“This contract has a full-time COR and about 30 GTMs. In addition, the GTMs support government project managers.”
Yes	“The contractor’s design submittals are reviewed by the Overseas Buildings Operations (OBO) Security and Design Engineering Branch and all construction activities are closely monitored by the COR, Post and OBO Technical Security Branch and OBO Security Engineering Branch.”
Yes	“They operate under the direct supervision of full-time government employees, further they have limited, specifically defined duties and objectives.”

“Are there sufficient Federal government employees and control mechanisms in place to ensure that contractors are not performing inherently governmental functions?”	
Answer	Contracting Official’s Explanation
Yes	“None of the services approach inherently governmental functions. The majority are the preparation of classrooms and furniture movement as well as design services and planning services for space utilization.”
Yes	“The work is approved and scheduled by a GFTE; the work is reviewed and accepted by a GFTE, the requirements are confirmed and set out by a GFTE.”
Yes	“The COR ensures that no contractor performs inherently governmental functions, for example they may not be allowed to be a voting member of technical evaluation panels.”

Figure 4: Sampling of Survey Responses

While 98% of the contracting officials indicated that there were sufficient GFTE and control mechanisms in place, 2% signaled that there were not. For example, one COR stated that their contract should have had more ACOR’s or GTM’s assigned to monitor contractor performance, and that the contract contained too many task orders for two, and at times one, COR to monitor. According to the COR, “the worse part of this assignment is the Federal employee was assigned to the Post for one year, which included three Rest and Recuperation (R&R) travel periods. Staffs assigned to a Post for one-year are allowed to leave the country for 10 or 14 working days. So, you spend about nine and a half months in the country. Once you come back from an R&R, you are planning your next one. They get three of them. Even the contractor had issues with that. R&R's aren't bad if it isn't a one year assignment.”

In another instance, a CO concerned about there being a sufficient number of Federal government employees and control mechanisms in place on their contract to ensure that contractors did not perform inherently governmental functions stated that contractors outnumbered GFTE. The CO added, “the problem in this program office is that Special Agents rotate out every two years and there is no continuity of Government Management Oversight when people are rotating out every two years, while the contracts are basically in place for Base plus four years (5 years). In this particular office, the government employees were about less than 50 employees overseeing close to 400 Contractor employees.”

These contracting officials pointed out that none of their contractors had performed inherently governmental functions. However, they soundly advised that improvements were needed as they were adversely impacted by circumstances that challenged their ability to ensure that contractors did not perform inherently governmental functions.

Outcome #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: E-survey results from the contracting officials showed that, in 98% of all instances, the Department of State did not use contractors to perform critical functions in a way that could affect its ability to maintain control of its mission and operations. Conversely, 2% answered that some contractors did perform critical functions in a way that adversely affected the ability of the agency to maintain control of its mission and operations.

A/EX/CSM learned that one COR managed a Local Guard Force consisting of 48 contractors that provided services at the United States Consulate General. The Local Guard Force was responsible for conducting security screenings of people, vehicles, and packages. Their workload included screening up to 500 people every day. According to the COR, “the mission relied on their performance to keep Post open and maintain Consular operations.” However, the contractor experienced continuous staffing issues and did not have a contingency force in place. Consequently, there were concerns about the contractor’s performance and its impact on the ability of the agency to maintain control of its mission and operations. The COR and other contracting officials responded appropriately to address the contractor’s performance issues. Moreover, a Cure Notice was put into place to prevent the contractor from performing in a way that adversely affected the ability of the agency to maintain control of its mission and operations.

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

Finding: A/EX/CSM analyzed both quantitative and qualitative data submitted by the contracting officials to determine if there were sufficient internal agency resources available to effectively manage and oversee the contracts selected for this year’s review. An analysis of the quantitative data provided

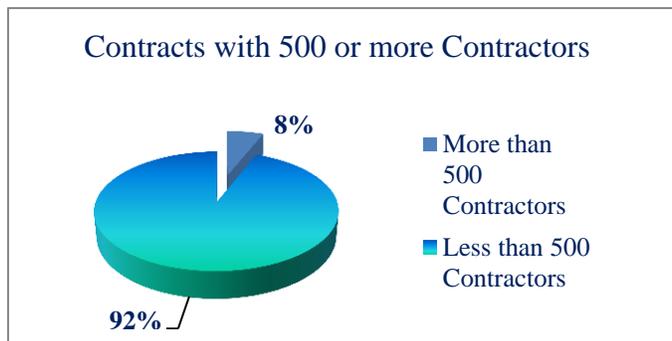


Figure 5: Contracts with 500 or More Contractors

information about the number of contractors performing work on each contract. For example, the data was examined to determine the number of contracts that had 500 or more contractors working on them. This information was useful to make correlations between the number of contractors working on a contract, and the number of contracting officials providing oversight for those contracts.

An analysis of the survey data showed that only 8% of the contracts reviewed in this year’s inventory had 500 or more contracted personnel working both on-site and off-site. (See Figure 5: Contracts with 500 or More Contractors). On one contract, 638

contractors provided operations and maintenance support services at a United States Embassy. The contracting officials overseeing the contract included a COR, nine ACOR's, and two GTM's. The ACOR that completed the e-survey for the contract indicated that there was sufficient government expertise to oversee contractor performance.

Conversely, **92%** of the contracts had less than 500 contractors performing the work. This figure is similar to the figure in the FY 2014 Meaningful Analysis in which **94%** of the reviewed contracts had less than 500 or more contractors. What's more, only **2%** of this year's reviewed contracts had 1,000 or more contractors performing work, whereas none (**0%**) of the contracts reviewed in FY 2014 had 1,000 or more contractors.

As discussed earlier, only **8%** of this year's reviewed contracts had 500 or more contracted employees. However, further analysis of the data revealed that merely **25%** of the reviewed contracts had 25 or more contractors performing the work (See Figure 6: Contracts with 25 or More Contractors). This figure is significant because it clearly indicates that the majority (**75%**) of this year's reviewed contracts had no more than 24 contractors working on them. The relevancy of these figures can be attributed to the importance of understanding the size of the contracted staff GFTE were responsible for managing and overseeing. And, when only accounting for those contracts with less than 25 contractors (75% of the contracts reviewed this year), the average number of contractors per contract was 6. What's more, on average, 2.4 contracting officials provided oversight for those contracts.

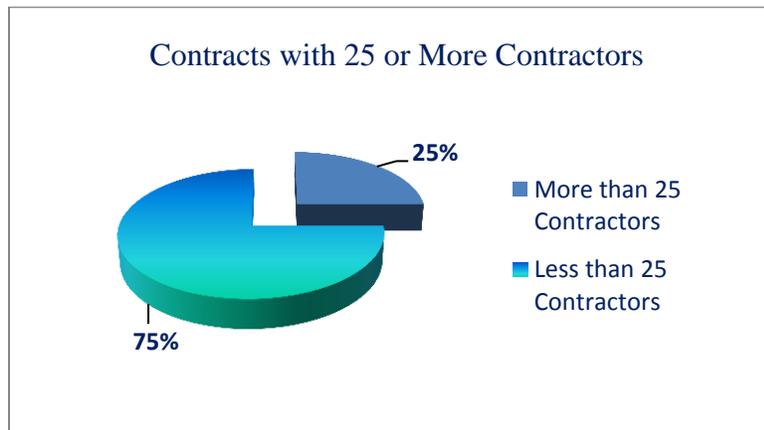


Figure 6: Contracts with 25 or More Contractors

While the quantitative data analyzed for this review offered valuable findings, that information alone did not paint a large enough picture to fully determine if there were sufficient internal agency resources available to manage and oversee the contracts effectively. Qualitative data captured from the respective contracting officials also offered beneficial material. When asked if there was sufficient government expertise

to oversee contractor performance of the contract, 13% of the contracting officials responded with a “no.”

The key to understanding the negative responses to this question was in gaining insight on how each contracting official defined the word “sufficient.” For example, one CO asserted that the contract for which they provided oversight required a wide-range of expertise and skills that needed to be comparable on both the side of the contractor and the contracting officials. According to the CO, when contractors perform tasks involving security standards, electronics standards, and other disciplines, the contracting officials should be just as familiar with those standards as the contractor. The CO added, “I am not an electrician. If I do not have someone there to catch things early in that area, we are going to get hammered. We need technical expertise.” According to the CO, enough coverage was not provided across the disciplines to oversee the contract, and the focus should not only have been on the quantity of the contracting officials present, but the quality of those contracting officials as well.

Another CO responsible for managing and overseeing a contract providing tax support and advice at a United States Embassy expressed similar concerns. According to the CO, the work performed was in “an area that required specific expertise.” The CO added that “it is difficult to have a Human Resource Office (HRO) or Foreign Management Officer (FMO) who can equal the knowledge of local accounting firms.”

Additional Findings:

- A combined total of 12 PSC were covered in this review. The total obligation for the 82 contracts selected for review was \$736.2 million, out of a total PSC obligation of \$5.05 billion. The percentage of obligations the contracts covered for the PSC on which the entire review focused was 15%.
- Contracting officials did not identify any contracts that should be considered for conversion to performance by Federal employees or an alternative source.
- Of the 12 PSC covered in this year’s review of service contracts, the three largest represent \$3.07 billion (60%) of the total action obligation (See Figure 7: Three Largest PSC for FY 2015 Contracts). PSC R408, Support – Professional: Program Management/Support, reflects the largest share with \$1.11 billion (22%). PSC S206, Housekeeping - Guard, is the second largest with \$1.03 billion (20%). PSC Y1AA, Construction of Office Buildings, represents the third largest with \$925 million (18%).

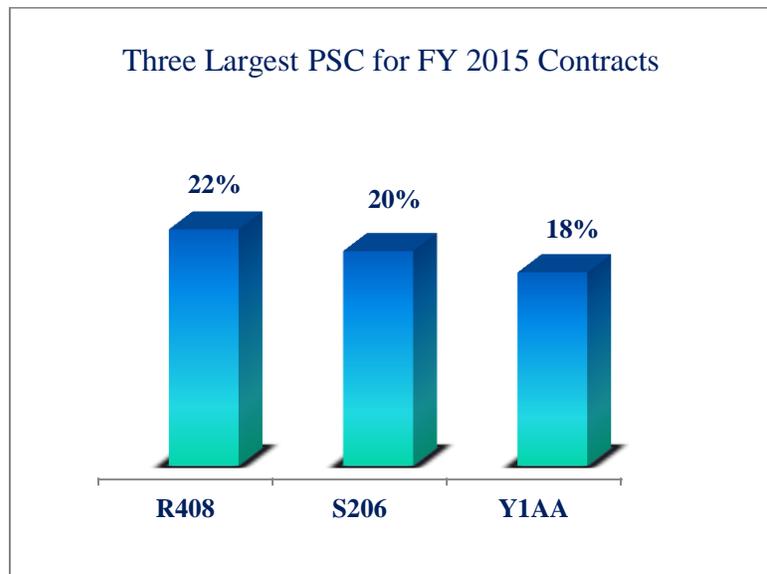


Figure 7: Three Largest PSC for FY 2015 Contracts

Planned Actions

Past Actions

In the Department of State's FY 2014 Meaningful Analysis, A/EX/CSM identified three 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 and improve upon A/LMs intranet-based survey to create, distribute, and collect its survey information.

Update: A/EX/CSM utilized A/LMs intranet-based survey to create, distribute, and collect its survey information for the FY 2015 Service Contract Inventory.

- 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.

Update: A/EX/CSM reached out to the Department of State's Office of the Procurement Executive (OPE) to solicit feedback concerning the type of contracts for which the agency's FY 2015 Service Contract Inventory should place its focus. OPE, in turn, provided a recommendation about what type of contracts A/EX/CSM should study in order for the Service Contract Inventory to be more valuable 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.

Update: A/EX/CSM reached out to select groups within the agency to discuss the Service Contract Inventory and how it could serve as a better resource for the Department of State. Some of those discussions were connected to Balanced Workforce Studies that A/EX/CSM performed for Bureaus within the agency, including IIP and ISN.

Future Actions

In addition to providing assistance for the on-going actions identified in its FY 2014 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 its “communities of practice” efforts to discuss the Service Contract Inventory and how it could serve as a better resource for the Department of State.
- A/EX/CSM should consider expanding its “communities of practice” initiative to include other Bureaus and disciplines (i.e., multiple contracting officers across the agency).

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 **Harry Mahar, Assistant Secretary (Acting) 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.**

Appendices

Appendix A: Acronyms

Acronym	Term
ACOR	Assistant Contracting Officer's Representative
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
BDSC	Baghdad Diplomatic Support Center
CAIG	Closely Associated to Inherently Governmental
CMO	Contract Management Office
CO	Contracting Officer
COR	Contracting Officer's Representative
CS	Contract Specialist
FAIR	Federal Activities Inventory Reform
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FMO	Foreign Management Officer
FOIA	Freedom of Information Act
FPDS	Federal Procurement Data System
FTE	Full-Time Equivalent
FY	Fiscal Year
GFTE	Government Full-Time Equivalent
GTM	Government Technical Monitor
HRO	Human Resource Office
IIP	Bureau of International Information Programs
ISN	Bureau of International Security and Nonproliferation
IT	Information Technology
NEA-SCA/EX	Near Eastern Affairs and South and Central Asian Affairs Executive Office
OBO	Overseas Buildings Operations
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
R&R	Rest and Recuperation
RSO	Regional Security Officer
SAM	System for Award Management
SOW	Statement of Work
T&M/LH	Time and Materials, Labor-Hour
USG	United States Government

Appendix B: Report Figures

Number	Title
Figure 1	FY 2015 Service Contract Inventory Methodology
Figure 2	Titles of Contracting Officials
Figure 3	Number of Contracting Officials Per Contract
Figure 4	Sampling of Survey Responses
Figure 5	Contracts with 500 or More Contractors
Figure 6	Contracts with 25 or More Contractors
Figure 7	Three Largest PSC for FY 2015 Contracts

Appendix C: FY 2015 Special Interest Function Codes Selected for Review

FY 2015 PRODUCT AND SERVICE CODES FOR REVIEW			
Contracts with PSC Representing the Largest Financial Obligations			
PSC	PSC Description	Action Obligation	Percentage
C1AA	Architect and Engineering – Construction: Office Buildings	\$197,436,338.84	4%
C211	Architect and Engineering – General: Landscaping, Interior Layout, and Designing	\$115,288,775.67	2%
D399	IT and Telecom – Other IT and Telecommunications	\$522,114,506.10	10%
Q201	Medical – General Health Care	\$71,224,950.30	2%
R408	Support – Professional: Program Management/Support	\$1,112,539,990.25	22%
R499	Support – Professional: Other	\$146,478,082.76	3%
R706	Support – Management: Logistics Support	\$356,805,224.29	7%
R799	Support – Management: Other	\$238,208,860.01	5%
S206	Housekeeping – Guard	\$1,032,926,178.64	20%
S216	Housekeeping – Facilities Operations Support	\$246,319,911.65	5%
Y111	Construction of Office Buildings	\$88,898,763.52	2%
Y1AA	Construction of Office Buildings	\$925,338,543.23	18%
	TOTAL	\$5,053,580,125.26	100%

Appendix D: FY 2015 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 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 provide additional information about your response.
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 provide additional information.

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? If "Yes," please explain.

37. How many CORs, GTMs, and/or other contracting officials are providing oversight on this contract? Please provide a breakdown of numbers for each position title.

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 2015, including modifications?

40. How would you rate the contractor's performance?

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