



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

January 17, 2017

The Honorable Jason Chaffetz
Chairman
Committee on Oversight
and Government Reform
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare and analyze inventories of the functions performed by their service contractors and further requires the Office of Management and Budget (OMB) to provide Congress with a summary of the agency analyses. This letter addresses OMB's reporting requirement and provides a summary of agency activities for the FY 2015 reporting period, based on information provided by covered agencies.¹

In accordance with the requirements of section 743, agencies annually develop inventories and analyze the data so that their managers can better understand by function how contracted services are being used and if the mix of federal employees and contractors for a given program is effectively balanced. Agencies prepare their inventories using a standard format and data sequence set forth in OMB guidance² that has been updated periodically through "Alerts" to the acquisition workforce that highlight best practices, including recommendations made by the Government Accountability Office (GAO),³ to improve the quality of reporting.

During the reporting period, all covered Chief Financial Officer (CFO) Act agencies prepared inventories and analyses.⁴ The inventories and the associated analyses are available to the public on agency websites. A consolidated list of links to agency websites is available on OMB's public website.⁵

¹ Section 743 covers Chief Financial Officer (CFO) Act agencies, other than the Department of Defense, and non-CFO Act agencies that are required to submit an inventory in accordance with the Federal Activities Inventory Reform Act (Public Law 105-270, 31 U.S.C. 501 note).

² OMB's agency guidance is available at <http://www.whitehouse.gov/omb/procurement-service-contract-inventories>.

³ The GAO recommended that agencies (i) identify accountable officials responsible for the development and review of inventories, (ii) describe the scope of the inventory reviews, and (iii) identify follow-up steps and open actions.

⁴ In addition, 18 non-CFO Act agencies also provided information on their contracted services.

⁵ The link to the list of agency inventories is <https://www.whitehouse.gov/omb/procurement-service-contract-inventories>.

The majority of agencies reviewed at least some work related to information technology in furtherance of the Administration's efforts to promote smarter IT delivery. Program management, professional support services, and engineering and technical services were also popular subjects of analysis. In addition, a number of agencies reviewed functions that are significant to their mission activities. For example, the Department of Education studied debt collection services performed by its contractors, while the Environmental Protection Agency reviewed the agency's use of contractors in performing the removal of hazardous materials, and the Small Business Administration looked at credit reporting. A list of primary functions reviewed by each covered CFO Act agency is enclosed.

According to the reports, covered CFO Act agencies did not find a significant overreliance on contractors in connection with their analyses. A variety of methodologies were used in analyzing service contract activities and reaching this conclusion, including surveys and interviews of project managers, contracting officers, and contracting officer representatives. Covered CFO Act agencies have also appointed accountable officials as recommended by the Government Accountability Office (GAO) to help ensure the inventories receive appropriate management attention.⁶

Previous OMB reports have discussed how agencies have integrated the inventory process into human capital planning and acquisition activities. These efforts continued in FY 2015. For example:

- **The Department of State** conducted Balanced Workforce Studies to effectively manage its multi-sector workforce. The process of evaluating contracted services has been more closely aligned with requirements to inventory the work of Federal employees pursuant to the Federal Activities Inventory Reform (FAIR) Act to provide a more holistic understanding of how the Department is expending resources for a given function and whether skills are being used efficiently and effectively. The Balanced Workforce Studies are reinforced by a Cost Comparison Process which uniformly weighs the costs of Federal employees against those of contractors to ensure the best use of agency resources and recommend savings. FAIR Act data is also used to help manage the multi-sector workforce.
- **The Environmental Protection Agency** developed a Performance Measurement and Management Program (PMMP) to assess the agency's acquisition-related business functions, including how contract and in-house resources are used. The PMMP is intended to facilitate an EPA-wide collaborative approach to ensure that business systems effectively support EPA's mission, vision, and strategy statements; follow best business management practices; and comply with applicable statutes, regulations, and contract terms and conditions. Through the utilization of the PMMP, the agency is better positioned to strengthen its acquisition systems and its workforce.
- **The Department of Veterans Affairs** is taking several steps to assist the acquisition community including –

⁶ GAO-12-1007, September 2012, Civilian Service Contract Inventories: Opportunities Exist to Improve Agency Reporting and Review Efforts.


1. Establishing procurement coordinators to serve as liaisons between customers and the procurement offices and to assist in the preparation of requirements packages, which includes a review of the intended use of contracted services to ensure the activities are appropriately performed by contractors.
2. Launching a website to provide the Department's acquisition community a single-source location of relevant information and guidance.
3. Implementing a procurement policy outreach program that spans the full-spectrum of procurement and acquisition professionals within the Department.

In FY 2014, agencies began requiring their contractors to report the total amount invoiced and the direct labor hours expended on covered contracts, which is supported by a contract clause promulgated in the Federal Acquisition Regulation and a contractor reporting portal in the System for Award Management. In FY 2015, as in FY 2014, the information was displayed as a supplement to the inventory.

OMB also continues to work with agencies on ways in which the data can be used in conjunction with other information about contracted services on the Acquisition Gateway⁷ to evaluate options for allocating contract resources. While service contract inventory data is likely to have value only as a general indicator, because contract reporting is based on the predominant service performed, it still may be useful in helping managers determine where attention may be required. For example, if a sampling of contracts shows a significant variance in rates being paid under different contracts for the same routine services, and management is not otherwise aware of the reason for the variance, a follow-up review of contract files might be appropriate to determine if services were acquired under different terms and conditions, represent different quality levels, and/or are used under different circumstances.

OMB looks forward to working with you and other members of Congress in our efforts to achieve the best mix of federal employees and contractors in Federal agencies.

Sincerely,


Lesley A. Field
Acting Administrator

Enclosure

Identical Letter Sent to:
The Honorable Elijah Cummings
The Honorable Ron Johnson
The Honorable Claire McCaskill

⁷ The Acquisition Gateway is an online portal where government employees can find contract information, pricing tools, best practices, and other data that support agency program and acquisition planning. To access the gateway, go to <https://hallways.cap.gsa.gov>.

Service Contract Inventory
Primary Functions Reviewed During the FY 2015 Reporting Period¹

Agency	Primary Functions Reviewed
Department of Agriculture	<ul style="list-style-type: none"> • IT & Telecommunications • Professional Support • Special Studies
Department of Commerce	<ul style="list-style-type: none"> • Engineering & Technical Services • IT & Telecommunications Systems Development • Program Management Support
Department of Education	<ul style="list-style-type: none"> • IT & Telecommunications • Debt Collection • Financial Management Support
Department of Energy	<ul style="list-style-type: none"> • IT & Telecommunications • Professional Support • Building Construction
Department of Health and Human Services	<ul style="list-style-type: none"> • IT & Telecommunications • Program Management • Advertising
Department of Homeland Security	<ul style="list-style-type: none"> • Program Management Support • IT & Telecommunications • Professional Support Services • Engineering & Technical Services • Research & Development
Department of Housing and Urban Development	<ul style="list-style-type: none"> • Automated Information System Services • Program Management Support • Engineering & Technical Services
Department of the Interior	<ul style="list-style-type: none"> • IT & Telecommunications • Program Management Support
Department of Justice	<ul style="list-style-type: none"> • IT & Telecommunications Systems Development • Management Support • Professional Support

¹ The FY 2015 reporting period required agencies to analyze their FY 2014 data. Section 743 allows agencies one year to report to OMB.

Agency	Primary Functions Reviewed
Department of Labor	<ul style="list-style-type: none"> • Operation of Government Buildings • Program Management Support • Automated Data Processing Systems Development
Department of State	<ul style="list-style-type: none"> • Guard Services • Architecture & Engineering • Construction of Facilities
Department of Transportation	<ul style="list-style-type: none"> • Engineering & Technical Services • Automated Information Systems Services
Department of the Treasury	<ul style="list-style-type: none"> • Cybersecurity
Department of Veterans Affairs	<ul style="list-style-type: none"> • Program Evaluation • Policy Review • Engineering & Technical Services
Environmental Protection Agency	<ul style="list-style-type: none"> • Removal of Hazardous Materials • Architecture & Engineering Services • Professional Services
General Services Administration	<ul style="list-style-type: none"> • IT & Telecommunications • Professional Support Services
National Aeronautics and Space Administration	<ul style="list-style-type: none"> • IT & Telecommunications • Engineering & Technical Support
National Science Foundation	<ul style="list-style-type: none"> • IT & Telecommunications • Management Support
Nuclear Regulatory Commission	<ul style="list-style-type: none"> • Special Studies in Regulatory Analysis
Office of Personnel Management	<ul style="list-style-type: none"> • Automated Data Systems Development Services
Small Business Administration	<ul style="list-style-type: none"> • IT & Telecommunications • Credit Reporting • Professional Services
Social Security Administration	<ul style="list-style-type: none"> • Program Management Support
US Agency for International Development	<ul style="list-style-type: none"> • Management Services • IT Support