ANALYSIS OF SERVICE CONTRACT INVENTORY FOR FISCAL YEAR (FY) 2019

INTRODUCTION
In support of U.S. foreign policy, the U.S. Agency for International Development's (USAID) mission and vision is to end the need for foreign assistance by partnering with countries along their Journeys to Self-Reliance. Our assistance emphasizes programs, initiatives, and investments that support human dignity and build on the innate desire of every community and country to shape their own bright future. Pursuant to Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, P.L. 111-117, civilian agencies are required to prepare an annual inventory of service contract actions.
As required by the U.S. Office of Management and Budget (OMB), USAID submits this report for public disclosure on its analysis of the FY 2019 service contract inventory to determine if contract labor is being used in an appropriate and effective manner. Further, the report includes analysis of whether the mix of Federal employees and contractors in the Agency is effectively balanced.

The analysis provides a listing of the required service contracts with contract-related information as required in OMB's Office of Federal Procurement Policy's (OFPP) guidance. The report is divided into six main parts:
- *Special Interest Functions Studied-* Summarizes the special interest functions studied, the dollars obligated to those specific Product Service Codes (PSCs) in FY 2019, and the rationale for focusing on the identified functions;
- *Methodology-* Discusses the methodology used to select questionnaire participants and develop the questions included;
- *Findings-* Reports the questionnaire results and draws conclusions based on these results. These findings explain the use of the various PSCs and the questionnaire-specific elements;
- *Actions Taken or Planned-* Outlines related Agency contract initiatives that provide increased oversight and scrutiny for contract activities ranging from a re-examination of contract coding to Agency Acquisition and Assistance (A&A) planning;
- *Accountable Official-* Identifies the Agency's accountable official and provides a brief description of the role; and,
- *Selected Product Service Codes for Planned Analysis of the FY 2020 Inventory-* Identifies the special interest functions to be analyzed for its FY 2020 Service Contract Inventory Analysis.

SPECIAL INTEREST FUNCTIONS STUDIED
During FY 2019, USAID had a total of 1,733 service contract actions in all Product Service Codes (PSCs) with a total obligation value of $17,637,466,658. A detailed description of each service can be found in Table 1: PSC Category Descriptions for Contract Actions Analyzed.

In accordance with guidelines from the OFPP, this analysis focuses on contract actions over $150,000 in "special interest function (SIFs)" PSCs. As required by OMB's Memorandum regarding Service Contract Inventories, dated December 19, 2011, USAID selected PSCs that have the largest percentage of obligations for services and a large cadre of contract actions for evaluation. Additionally, the selected PSCs cover critical technical functions in USAID.

Table 2 summarizes the inventory subset that was analyzed. The percentages reported in this table are the percentages of the Agency's total service contract inventory, which includes all PSCs. In FY 2019, USAID had a total of 1,152 contract actions with an individual obligation greater than $150,000 in the six

SIFs categories. The total value of these contract actions was $14,206,947,230, including all actions for any active contract in FY 2019 in these categories. This subset of contracts represents 66.47 percent of the Agency's total service-contract inventory, and 80.55 percent of the obligation value. For FY 2019, the PSCs with the largest contract actions include:

- R408-Support-Professional: Program Management/Support Services;
- R410-Support-Professional: Program Evaluation/Review/Development;
- R425-Support-Professional: Engineering/Technical;
- R497-Support-Professional: Personal Service Contracts;
- R499-Support-Professional: Other; and,
- R707-Support-Management: Contract/Procurement/Acquisition Support.

The PSCs with the lowest contract actions include AA36-R&D-Agriculture: Production (Management, Support); AA93-R&D- Agriculture: Other (Advanced Development); AA96-R&D- Agriculture: Other (Management/Support); and AB92-R&D- Community Service/Development: Other (Applied Research/Exploratory Development).

Personal Service Codes R425-Engineering and Technical Services and R499-Other Professional Services account for the largest percentages of obligation-value during the reporting period. The cumulative value of service contract actions in these two PSCs was $10,380,050,264. Like the special interest functions, each contract action had a minimum value above $150,000.

METHODOLOGY
For this analysis, the Agency used a combination of methods and tools to collect data and a questionnaire distributed to USAID's Contracting Officer's Representatives (COR) to determine whether specific contract policies and procedures are in place.

Methodology for Survey Distribution and Collection

Developing the Contract Actions Sample
Beginning with the original population of contract actions in all PSC categories, the Agency first filtered the inventory to include only those with a place of performance in the United States. USAID's Management-Support Service Contracts (MSSCs) are predominantly performed in the United States, which makes this a representative sample. Second, the Agency then filtered the data to include only one contract action per contract, which eliminates the possibility of analyzing one contract multiple times. The Agency then sent the survey to all CORs who oversaw at least one contract action within the six PSC categories. After collecting the survey responses, the Agency then filtered the results further to exclude any data that pertained to contract actions not in the six PSC categories.

Table 1: PSC Category Descriptions for Contract Actions Analyzed

PSC Category Descriptions		
Product Service Code	**Special Interest Functions**	**Detailed Description**
R408	Support-Professional: Program Management / Support Services	Wide-ranging services and support from administrative and analytic support including support to evaluate internal controls, manage audit compliance, and track audit recommendations to provide project management oversight to ensure grantee compliance in administering federally-funded programs. A large portion of these services are also for Information Technology (IT) related purchases and procurements.
R410	Support-Professional: Program Evaluation / Review / Development	Program management support; contract, procurement, acquisition support.
R425	Support-Professional: Engineering/Technical	Product or service that provides engineering and technical support, including technical support, capacity building, monitoring and evaluation, training, construction, and commodities.
R497	Support-Professional: Personal Service Contracts	Personnel support to fulfill a range of requirements, including surge and short term assignments.
R499	Support-Professional: Other	Expert advice, assistance, guidance or counseling in support of Agency management, organization, and business improvement effort.
R707	Support-Management: Contract / Procurement / Acquisition Support	Professional support services to the Agency in conducting federal acquisition management activities. Services covered are acquisition planning assistance, including market research and recommending procurement strategy; acquisition document development, including cost/price estimates, quality assurance surveillance plans, statements of work, synopses, solicitations, and price negotiations.

In the six PSC categories, the USAID database recorded a total of 1,152 contract actions. Of those, the Agency included 1,145 in the survey sample. The Agency ultimately received survey responses regarding 112 contract actions in the six PSC categories.

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

Table 2: Summary of the Six PSCs

PSC	Description	Contract Spending	Percentage of All PSC Spending	Count	Percentage of All PSCs
Special Interest Functions					
R408	Support-Professional: Program Management / Support Services	$3,027,831,503	17.17%	240	13.85%
R410	Support-Professional: Program Evaluation / Review / Development	$155,760,841	0.88%	40	2.31%
R425	Support-Professional: Engineering/Technical	$5,878,540,121	33.33%	171	9.87%
R497	Support-Professional: Personal Service Contracts	$282,041,256	1.60%	326	18.81%
R499	Support-Professional: Other	$4,501,510,143	25.52%	342	19.73%
R707	Support-Management: Contract/Procurement/Acquisition Support	$361,263,366	2.05%	33	1.90%
Total of Six Product Service Codes		**$14,206,947,230**	**80.55%**	**1,152**	**66.47%**

Note 1: The total obligation value is $17,637,466,658, and includes contract actions in all PSCs included and excluded from this table.

Survey and Interview Questions

The survey was distributed to all USAID staff who were CORs for at least one contract in the six PSCs in FY 2019, and were still at the Agency at the time the survey was administered and available by email. The questions included in the survey directly addressed the OMB mandate. The questions were as follows:

1. Were each of the service contracts in your purview entered into and performed in accordance with applicable laws and regulations?
2. Were any service contracts in your purview poorly performed because of excessive costs or inferior quality?
3. Should any service contracts in your purview have been considered for the conversion of performance by direct hire employees?
4. Should any service contracts in your purview have been considered for the conversion of an alternative acquisition approach that would better enable USAID to efficiently utilize its assets and achieve its public mission?
5. Do sufficient internal Agency resources exist to manage and oversee service contracts effectively?
6. Excluding Personal Service Contractors, were any of the contractors providing inherently governmental services for any of the contracts in your purview?
7. Do you believe the Agency was giving special management attention to functions that are closely associated with inherently governmental functions?
8. Excluding Personal Service Contractors, does the Agency have 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?
9. Excluding Personal Service Contractors, were any of the service contracts in your purview using contractor employees to perform critical functions in such a way that could affect the ability of the Agency to maintain control of its mission and operations?
10. Were there any additional contracted functions in your purview where the Agency may be at risk of over reliance of service contractors?

FINDINGS

Included in the qualitative portion of the analysis, all 1,145 contract actions in the six PSC categories were analyzed. For the quantitative portion, which consisted of the survey, 112 contract actions, or 9.8 percent of the contract actions in the six PSC categories were analyzed. Out of the 709 CORs surveyed, a total of 90 CORs responded, which gave the Agency a response rate of 12.69 percent. The Agency extrapolated the following measurements from the survey's results, along with information reported in the contract database. Please note some respondents did not respond to every question in the survey.

A summary of the analysis appears below:

● The Agency identified 100 percent of service contract actions, including personal services contracts, as having been entered into and/or performed in accordance with applicable Federal and Agency-level statutes and regulations.
● The Agency identified zero contract actions as having been poorly performed due to excessive costs or inferior quality, meaning that 100 percent of contract actions Agency wide were identified as not having been performed poorly.
● The Agency identified zero service contract actions that should be considered for the conversion of performance by direct hire employees.

- The Agency identified zero service contract actions for consideration for the conversion of an alternative acquisition approach that would better enable USAID to efficiently utilize its assets and achieve its public mission.
- The Agency identified zero contract actions as using contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations.
- The Agency identified zero contract actions where the Agency may be at risk of over-reliance of service contractors.
- Sixty five of the 76 CORs who responded to these questions, or 86 percent, feel that sufficient internal Agency resources exist to manage and oversee service contracts effectively. Subsequently, 14 CORs responded with a not applicable or did not respond.
- The Agency identified one contract action where inherently governmental functions were performed. Consistent with OFPP Policy Letter 93-1, personal service contractors (PSC category R497) were excluded from this response. Further examination will be conducted to determine course correction.
- Thirty-eight of the 57 CORs who responded to this question, or 67 percent, believe the Agency was giving special management attention to functions that are closely associated with inherently governmental functions. Subsequently, 33 CORs responded with a not applicable or did not respond.
- Fifty-eight of the 66 CORs who responded to this question, or 88 percent, believe the Agency has specific safeguards and monitoring systems in place to ensure that work performed by contractors has not changed or expanded during performance to become an inherently governmental function. Subsequently, 24 CORs responded with a not applicable or did not respond.

Agency Success

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

Areas for Improvement

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

ACTIONS TAKEN OR PLANNED

USAID has continued to take actions to ensure contracted functions are appropriate. Through its Acquisition and Assistance (A&A) Strategy, USAID has focused on workforce recruitment, training, and retention, as well as the strengthening of procurement processes to provide sufficient oversight of contractors' performance. Key initiatives that provide increased oversight and scrutiny for contract activities are part of the Agency's A&A Policy.

To carry out the Agency's mission, USAID invests in organizations from the non-profit and private sectors to implement programs. USAID's A&A mechanisms represent the majority of the Agency's annual spend

plan. In FY 2019, USAID obligated $17.2 billion through 21,925 A&A actions. Given the central role A&A has in terms of executing the mission of the Agency, the Bureau for Management (M) is committed to looking for ways to continue to streamline the A&A process and increase efficiency and effectiveness.

Senior Management Review of Planned A&A Awards
The Senior Obligation Alignment Review (SOAR) process began in 2018 to ensure senior leaders examine high dollar value A&A proposals prior to solicitation and to encourage creativity and innovation. This process has led to a greater shift toward co-creation and innovative approaches generated in project design, and accelerated the adoption of the A&A Strategy, the Private-Sector Engagement Policy, and the Strategy for Effective Partnering and Procurement Reform.

Effective Partnering and Procurement Reform
Through the Effective Partnering and Procurement Reform initiative, launched in 2017, USAID has been strengthening its approach to designing, procuring, and implementing its programs with the intent to improve how the Agency manages its core A&A business functions and maximize the full potential of our partnerships.

Past Performance Reporting
Past performance reporting is critical and will remain an integral and expected part of the Agency's contractual process. The Agency requires all Contracting Officers (CO) and CORs to complete substantive assessments on prior-year contracts with a detailed justification for the rankings.

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

Planning for Human Capital
The Agency's goals and objectives for human capital (HC) cascade from the USAID and Department of State *Joint Strategic Plan*, the performance-planning process, and USAID's Strategic Budget. The Agency then integrates these HC goals into its strategic workforce planning, which informs all aspects of the talent cycle, such as recruitment, hiring, training and education. In FY 2020, USAID will continue to cultivate and effectively support a more agile and mobile workforce with the ability to work anywhere, anytime, under any conditions. USAID will continue to develop and improve upon its new performance management system, bidding and assignment tool, data warehouse, and employee portals to enable employees across the Agency to find, share, and use relevant knowledge more easily.

ACCOUNTABLE OFFICIAL
In accordance with GAO report "Civilian Service Contract Inventories – Opportunities Exist to Improve Agency Reporting and Review Efforts" (GAO-12-1007) and as directed by OMB to improve how compliance with statutory and OMB requirements are monitored, USAID has designated the Acting Assistant Administrator, Bureau for Management, Colleen Allen, as the accountable official for ensuring appropriate internal management attention and responsiveness. The designated official's role is to

improve civilian agency compliance for compiling, reviewing, and reporting on inventories, ensuring appropriate internal management attention and responsiveness in the future.

SELECTED PRODUCT SERVICE CODES FOR PLANNED ANALYSIS OF THE FY 2020 INVENTORY
USAID has selected the following special interest functions for its FY 2020 Service Contract Inventory Analysis. The Product Service Codes (PSCs) selected have the largest percentage of obligations for services and a large cadre of contract actions for evaluation. Additionally, the selected PSCs cover critical technical functions in USAID. This analysis will strengthen our operations management platform to support country partners on their journey to self-reliance.

Table 3: PSC Codes for Planned Analysis of the FY2020 Inventory

PSC Category Descriptions		
Product Service Code	**Special Interest Functions**	**Detailed Description**
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CONCLUSION
USAID is highly compliant in overseeing management-service contracts. Agency CORs report positively on compliance, performance, and management standards. The Agency is using contract labor in an appropriate and effective manner and is balancing its mix of Federal employees and contractors effectively. The Agency will continue its focus on improving its internal controls to ensure adequate oversight of contracts with inherently governmental functions.