



## ANALYSIS OF SERVICE CONTRACT INVENTORY FOR FY 2020

### INTRODUCTION

In support of America's foreign policy, the U.S. Agency for International Development (USAID) leads the U.S. Government's international development and disaster assistance through partnerships and investments that save lives, reduce poverty, strengthen democratic governance, and help people emerge from humanitarian crises and progress beyond assistance. We make progress toward this by reducing the reach of conflict, preventing the spread of pandemic disease, and counteracting the drivers of violence, instability, transnational crime and other security threats.

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 2020 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 2020, 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 respective role; and,
- *Selected Product Service Codes for Planned Analysis of the FY 2021 Inventory*- identifies the special interest functions to be analyzed for its FY 2021 Service Contract Inventory Analysis.

### SPECIAL INTEREST FUNCTIONS STUDIED

During FY 2020, USAID reported a total of 2,043 service contract actions in all product service codes (PSC) with a total obligation value of \$21,050,189,617. A detailed description of each service can be found in Table I: 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 Product Service Codes 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.

In FY 2020, USAID had a total of 1,240 contract actions with an individual obligation greater than \$150,000 in the six SIFs categories. The total value of these contract actions was \$17,286,626,753,

including all actions for any active contract in FY 2020 in these categories. For FY 2020, 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; and,
- R499-Support-Professional: Other;
- R707-Support-Management: Contract/Procurement/Acquisition Support.

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.

Personal service codes R408-Support-Professional: Program Management/Support Services; R425-Support-Professional: Engineering/Technical; and, R499-Support-Professional account for the largest percentages of obligation-value during the reporting period. The cumulative value of service contract actions in these three PSCs was \$16,325,559,378 representing 94 percent of the six SIFs categories. Like the special interest functions, each contract action had a minimum value above \$150,000.

The Agency assessed the largest contract actions, a total of six SIFs, with a total of 1,240 contract actions. The combined award value total was \$17,286,626,753. This subset of contracts represents 62 percent of the Agency’s total service-contract inventory, and 82 percent of the obligation value.

**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.

## 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.

In the six PSC categories, the USAID database recorded a total of 1,240 contract actions. Of those, the Agency included 983 in the survey sample. The Agency ultimately received survey responses regarding 98 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
<b>Special Interest Functions</b>					
R408	Support-Professional: Program Management / Support Services	\$3,341,619,030	16%	239	12%
R410	Support-Professional: Program Evaluation / Review / Development	\$173,255,705	1%	38	2%
R425	Support-Professional: Engineering/Technical	\$7,886,178,029	37%	186	9%
R497	Support-Professional: Personal Service Contracts	\$363,147,774	2%	381	19%
R499	Support-Professional: Other	\$5,097,762,319	24%	362	18%
R707	Support-Management: Contract/Procurement/Acquisition Support	\$424,663,896	2%	34	2%
<b>Total of Six Product Service Codes</b>		<b>\$17,286,626,753</b>	<b>82%</b>	<b>1,240</b>	<b>62%</b>

Note: The total obligation value is \$21,050,189,617, 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 2020, 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 PSCs, 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 PSCs, 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 PSCs, 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**

The Agency examined 1,240 contract actions in the qualitative portion of the analysis. In the quantitative portion of the survey, the Agency analyzed 98 contract actions in the six PSC categories for FY 2020. Out of the 729 CORs surveyed, a total of 75 CORs responded, which gave the Agency a response rate of 10.29 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 99 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 one contract action as having been poorly performed due to excessive costs or inferior quality, meaning that 99 percent of contract actions Agency-wide were identified as not having been performed poorly.
- The Agency identified three service contract actions that should be considered for the conversion of performance by direct hire employees.
- The Agency identified five 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 two 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 on service contractors.

- Forty-eight of the 61 survey respondents, or 79 percent, feel that sufficient internal Agency resources exist to manage and oversee service contracts effectively.
- The Agency identified two contract actions where inherently governmental functions were performed. Consistent with OFPP Policy Letter 93-1, personal service contractors (PSC category R497) were excluded from this response.
- Thirty-one of the 44 respondents, or 70 percent, believe the Agency was giving special management attention to functions that are closely associated with inherently governmental functions.
- Forty-five of the 52 respondents, or 87 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.

### *Agency Success*

From the analysis undertaken, the Agency is using contract labor in an appropriate and effective manner, and that it 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 concern 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**

Given the Administrator's commitment to improve the Agency's use of contractors, USAID has undertaken several actions to ensure contracted functions are appropriate. Key initiatives that provide increased oversight and scrutiny for contract activities are part of the Agency's Acquisition and Assistance (A&A) Planning Policy. These initiatives ensure workforce recruitment, retention, and procurement processes provide sufficient oversight of contractors' performance. A description of these actions is detailed below.

### *Overview of A&A at USAID*

To carry out the Agency's mission to promote and demonstrate democratic values abroad, and advance a free, peaceful, and prosperous world; USAID invests in organizations from the non-profit and private sectors to implement programs aimed at achieving the Agency's development and humanitarian objectives.

USAID's A&A mechanisms are a significant portion of USAID's programs. During FY 2020, USAID obligated \$21.4 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 continually looking for ways to improve how we deliver our assistance worldwide.

The Agency has seen great progress with the implementation of the A&A Strategy, strengthening how we design, solicit, and execute our programs around the world. Similarly, the New Partnerships Initiative (NPI) has continued to make inroads within the Agency as a successful model for engaging new, underutilized, and local partners.

### *Past Performance Reporting*

Past performance reporting is critical and is an important part of the feedback process of working with USAID. The Agency requires all Contracting Officers (CO) and CORs to complete substantive assessments on prior year contracts with detailed justification for the rankings. In FY 2020, USAID conducted evaluations on 89.6 percent of all contracts. These past performance reports are critical as they are then used in future procurements to evaluate a contractor's performance history as part of the proposal evaluation process.

### *Monitoring*

The Agency continues to highlight the importance of monitoring during and after award performance. Agency policy emphasizes the importance of site visits as an effective tool for Agency staff to monitor contract performance and CORs are required to develop a brief report highlighting the findings of a site visit and include it in the official award file.

### *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 cultivated and effectively supported a more agile and mobile workforce with the ability to work anywhere, anytime, under any conditions. USAID continues to build new features and functionality into LaunchPad, the Agency's centralized, online employee portal for HR services. USAID continues to develop and improve upon its new Foreign Service performance management system, bidding and assignment tools, and employee portals to enable employees across the Agency to find, share, and use relevant knowledge more easily. The Interim FY 2020–FY 2022 USAID Strategic Workforce Plan provides the Agency's vision for strategic workforce planning and analytics and the recruitment, hiring, and onboarding of the talent required to achieve USAID's mission. The Strategic Workforce Plan articulates the plans for the Agency's overseas footprint and will guide future workforce planning efforts. USAID is deploying Talent Analytics, a workforce planning module with direct access to the Agency's personnel data that features interactive dashboards, automated reporting, and ad-hoc reports. USAID is using analysis and forecasting to understand anticipated promotions, attrition, and hiring trends. Talent Analytics will continue to evolve, which will improve USAID's data-driven, targeted workforce planning incrementally with each iteration.

### **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 Bureau for Management's Assistant Administrator (AA/M), Colleen Allen, as the accountable official for ensuring the integrity of administrative, financial, and information resources management operations; administering a program of centralized support for Agency operations worldwide that include procurement and management policy and operations, control, and audit coordination; and, representing the Agency before the OMB, other Federal agencies, Congress, and the public on matters pertaining to Agency program and management operations. 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 2021 INVENTORY

USAID has selected special interest functions for its FY 2021 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 (see Table 3: PSC Codes for Planned Analysis of the FY2021 Inventory). Additionally, the selected PSCs cover critical technical functions in USAID. This analysis would strengthen our operations management platform and transformation to support country partners on their journey to self-reliance.

**Table 3: PSC Codes for Planned Analysis of the FY2021 Inventory**

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 projects are also for Information Technology (IT) related purchases and procurements.
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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.

## 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.