



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

OFFICE OF FEDERAL
PROCUREMENT POLICY

December 19, 2011

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS
SENIOR PROCUREMENT EXECUTIVES

FROM: Daniel I. Gordon
Administrator for Federal Procurement Policy

SUBJECT: Service Contract Inventories

Section 743 of Division C of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies to prepare an annual inventory of their service contracts and to analyze the inventory to determine if the mix of Federal employees and contractors is effective or if rebalancing may be required. This memorandum provides guidance regarding: 1) the submission of analyses for the FY 2010 inventories, 2) the preparation of FY 2011 inventories, and 3) the development of analyses of the FY 2011 inventories. A summary checklist of submissions, formats, and deadlines may be found at Attachment 1. This memorandum applies to all agencies covered by the Federal Activities Inventory Reform (FAIR) Act, except the Department of Defense.

A. Analysis of FY 2010 inventories

Each agency shall submit a report suitable for public disclosure that discusses its analysis of the FY 2010 service contract inventory and the use of contractors for the special interest functions that the agency selected to study. At a minimum, each agency's report should identify:

- a) The special interest functions studied by the agency, the dollars obligated to those specific product and service codes (PSCs) in FY 2010, and the rationale for focusing on the identified functions;
- b) The methodology used by the agency to support its analysis (e.g., sampled contract files, conducted interviews of members of the acquisition workforce working on specific contracts of interest);
- c) Agency findings, including a brief discussion of the extent to which the desired outcomes described in section 743(e)(2) are being met (e.g., 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
- d) Actions taken or planned by the agency to address any identified weaknesses or challenges.

In order to meet the statutory deadline for publishing its analysis, the agency should submit its report to the Office of Federal Procurement Policy (OFPP) by no later than December 30, 2011. OFPP will share the draft with other offices within the Office of Management and Budget (OMB). The agency should await confirmation of completion of OMB review before publicly posting the report on the agency website and publishing a *Federal Register* notice of availability.

B. FY 2011 inventories

1. Inventory preparation. Agencies shall prepare FY 2011 inventories in the same manner as they prepared FY 2010 inventories under OFPP's November 5, 2010 guidance, provided at Attachment 2. Similar to the FY 2010 inventory, the FY 2011 inventory shall exclude data on the number of full-time equivalents and the amount invoiced. This information is not currently collected in the Federal Procurement Data System (FPDS). OFPP will continue to defer the collection of this information pending the outcome of further analysis on agency and public comments on a proposed rule to collect this information from contractors and discussion with the Department of Defense on the approaches it has used to comply with similar requirements in 10 U.S.C. § 2462 and 10 U.S.C. § 2330a(c). As explained in Section C, below, collection of information on the role contracted services play in achieving agency objectives will begin with the FY 2012 inventory.

Agencies shall submit their FY 2011 inventories to OFPP by December 30, 2011. By January 30, 2012, the information must be made publicly available on the agency website, and the agency will provide the website address (URL) to OFPP. The agency must also publish a notice in the *Federal Register* by January 30 that the inventory is available to the public along with the name, telephone number, and e-mail address of an agency point of contact.

2. Planned analysis of FY 2011 inventory. Each agency shall also submit to OFPP a planned analysis by December 30, identifying which special interest functions in its FY 2011 inventory will be evaluated for analysis. After OMB completes its review, this analysis should also be publicly posted by each agency before January 30, 2012. The submission should provide the list of PSCs, dollars obligated for those PSCs in FY 2011, and a brief description of the rationale for selection. (The top portion of the summary table (Appendix C of November 2010 guidance) should also identify the specific PSCs that agencies plan for further analysis.) When choosing these functions, each agency is encouraged to reflect insight gained and lessons learned from its multi-sector workforce pilots, analysis of the FY 2010 inventory, the initiative to reduce spending on management support service contracts, and agency analysis of its FAIR Act inventory. Agencies should identify functions that were not previously the subject of a focused analysis unless additional analysis of those functions is necessary.

C. Additional information collection for FY 2012 inventories

Beginning with the FY 2012 inventory, agencies will be required to report on the role contracted services play in achieving agency objectives. Because the information is not currently collected in FPDS, agencies shall immediately instruct their acquisition workforce to start collecting this information for new contracts awarded on or after March 1, 2012. Agencies shall review the OFPP Policy Letter 11-01, *Performance of Inherently Governmental and Critical Functions*, and when a contract is initially awarded, the first letters in the "description of

requirement" field in FPDS should indicate if the services provided under the contract are predominantly for functions closely associated to inherently governmental ones (enter the code "CL" in capital letters), critical functions (enter the code "CT" in capital letters), or other functions (enter the code "OT" in capital letters). Identifying closely associated and critical functions at the time of award should assist agencies (in the case of closely associated functions) in prioritizing which contracts may require increased management attention and oversight to ensure that mission creep does not result in contractors performing inherently governmental functions and (in the case of critical functions) ensure that the agency does not lose control of its mission and operations. Agencies should incorporate the use of these codes in the training programs required in Section 5-4 of Policy Letter 11-01.

Agencies shall submit all required documents to OFPP by December 30, 2011, through the MAX system at <https://max.omb.gov/community/x/z4OqHQ>. Instructions for registering with MAX can be found at <https://max.omb.gov/maxportal/>. Questions regarding this memorandum may be referred to Jennifer Swartz (202-395-6811; e-mail: jswartz@omb.eop.gov) or Mathew Blum (202-395-4953; e-mail: mblum@omb.eop.gov). Thank you for your careful attention to this matter.

Attachments

**Service Contract Inventory
Checklist of Submissions, Formats and Deadlines**

Submission	Format	Deadline
Analysis of FY 2010 Inventories	<ul style="list-style-type: none"> • Ensure that the report includes the following: <ul style="list-style-type: none"> ○ a list of special interest functions analyzed and dollars obligated in FY 2010; ○ a description of the methodology used to support analysis (e.g. sampling, interviews, review of contract files); ○ a summary of findings, including achievement of outcomes described in section 743(e)(2); and ○ an explanation of actions taken or planned to resolve identified weaknesses. 	<ul style="list-style-type: none"> • Submit draft report to OMB by December 30, 2011. • Await OMB confirmation of completion of review before publicly posting report of analysis on agency website by January 30, 2012.
FY 2011 Inventories	<ul style="list-style-type: none"> • Follow OFPP's November 5, 2010 guidance for inventory content and structure. <p><i>Note:</i> Number of FTEs, amount invoiced, and role services play in achieving agency mission will not be collected for FY 2011 inventory.</p>	<ul style="list-style-type: none"> • Submit draft report to OMB by December 30, 2011. • Await OMB confirmation of completion of review before publicly posting by January 30, 2012. • Send OFPP the hyperlink to agency website with the inventory and publish Federal Register Notice of Availability.
Analysis of FY 2011 Inventories	<ul style="list-style-type: none"> • Identify agency-specific special interest functions for analysis in FY 2012: <ul style="list-style-type: none"> ○ specify PSCs that will be analyzed and associated agency-funded obligations for those PSCs in FY 2011; and ○ provide brief explanation about why functions were chosen. 	<ul style="list-style-type: none"> • Send OFPP a brief document identifying the special interest functions by December 30, 2011.
	<ul style="list-style-type: none"> • Follow OFPP's November 5, 2010 guidance. 	<ul style="list-style-type: none"> • Draft Report of analysis submitted to OFPP by December 30, 2012. • Await OMB confirmation of completion of review before publicly posting by January 30, 2013.
Additional Information Collection for FY 2012 Inventories	<ul style="list-style-type: none"> • Report in FPDS whether each new service contract awarded in FY 2012 is predominantly performing closely associated or critical functions. 	<ul style="list-style-type: none"> • Instruct contracting offices to begin entering this information for all new service contracts awarded after March 1, 2012.