

**The U.S. Small Business Administration:  
FY 2012 Service Contract Inventory Analysis**

**DATE: February 10, 2014**

**Background**

Section 743, Division C of the FY 2010 Consolidated Appropriations Act, P.L. 111-117, requires civilian agencies subject to the Federal Activities Inventory Reform Act of 1998 (Public Law 105-270; 31 U.S.C. 501) to prepare an annual Service Contract Inventory (SCI). The Office of Management and Budget (OMB), Office of Federal Procurement Policy (OFPP), issued a memorandum on November 5, 2010 and December 19, 2011, to provide guidance to federal agencies on preparing their inventories of service contracting for fiscal year (FY) 2011.

Since posting the FY 2012 SCI Appendices B & C, the Small Business Administration has conducted a meaningful analysis of the contracting actions that were included in the inventory, as per OFPP guidance. The following is a final summary of that analysis, prepared in accordance with OMB requirements.

**Scope of Review - Selecting Contracts to Analyze**

In its initial guidance, OMB directed agencies to conduct a meaningful analysis of their SCIs for the purpose of determining if contract labor is being used in an appropriate and effective manner and if the mix of federal employees and contractors in the agency is effectively balanced. OMB advised that agencies should give priority consideration to special interest functions, which are those that require increased management attention due to heightened risk of workforce imbalance. OMB identified 15 product service codes (PSCs) that possibly would merit heightened management consideration, based on concerns of increased risk of losing control of mission and operations. Eleven of these functions were in the fields of Professional and Management Services and four functions were within Information Technology Support Services.

For conducting their individual analyses, OMB has directed agencies to identify special interest functions to study. To conduct its SCI Analysis, SBA chose five product service codes to analyze. The product service codes SBA analyzed were primarily in the Professional and Management Services area and were selected based on either overall dollar percentage within the PSC or for a PSC where SBA had a high density of high-risk contract action. These codes also were chosen because they are of the type of services identified as special interest functions in OMB's guidance. Table 1 is a list of product service code description and codes used to filter SBA's SCI for the purpose of analyzing the agency's special interest functions.

**Table 1: Product Service Descriptions and Codes**

<b>Product Service Description</b>	<b>Product Service Code</b>
Auditing Services	R704
Credit Reporting Services	R611
Other Professional Services	R499
Program Management /Support Services	R408
IT and Telecommunications	D399

After filtering the total/combined Service Contract Inventory to these five product service codes, 107 contracting actions with total obligations of \$59,765,684. This is 45% of the total \$133 million in contracting action obligations made by SBA in FY 2012. FY 2012 SCI Appendices B&C provides summary information about the contracts in the selected product service codes.

### **Analysis Methodology**

Analysis of the selected service contracts was conducted using information retrieved from Federal Procurement Data System-Next Generation (FPDS-NG). A preponderance of the type of work performed, based on a percentage of dollars expended, and a combination of information technology, professional support and administrative support, account for a significant percentage of contracted dollars when compared to the agency total spend value of \$133,157,070. OMB guidance also directs agencies to determine whether the SCI includes any contracts that are:

- Personal service contracts;
- Closely associated with inherently governmental functions;
- Using contractor employees to perform inherently governmental functions; and/or
- Subject to safeguards to ensure that contract performance had not changed to become an inherently governmental function.

A mission critical task is a function that is necessary to the agency being able to effectively perform and maintain control of its mission and operations. The OMB memoranda also directed agencies to analyze whether the agency was using contractor employees to perform mission critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations.

### **Agency Findings**

Of the five types of actions in SBA's sample, one area (D399) is for information technology (IT) and telecommunications. The maintenance and supervision of large IT type projects is not within SBA's core mission and is not an inherently governmental function. One Product Service Code (PSC) in the FY 12 SCI sample population is to provide Credit Report information to the agency. The vendor provides credit report information on businesses and borrowers which is used to assess

loan risk and also to monitor the lending portfolio. Another PSC is for Auditing Services, related to the Lender Loan Monitoring System for Credit Risk Management Reviews. While this vendor collects information during the performance of their function, the contractor employees are not authorized to make final determinations of creditworthiness for the Agency. Similar to the contract Credit Report information, SBA reviews the provided information and agency employees make decisions based on that information. Two other PSCs for Program Management and Other Professional Support services, not inherently governmental or personal service, are to support functions within the Agency. It is the Agency's determination that the services performed by these contractors are managed appropriately to protect the Agency mission and operations. SBA also determined that its Acquisition Division is adequately staffed and has sufficient internal agency resources to manage and oversee these contracts effectively.

Analysis, using FPDS-NG reporting, conducted in accordance with Appendix D of the November 5, 2010 OMB guidance indicates that SBA:

1. Has no personal service contracts or contracts which require personal services;
2. Does not have contractors performing inherently Governmental functions;
3. Has no contractors performing in a manner which could affect the Agency's ability to maintain control of its mission and operations; and
4. Has determined that its acquisition staff has sufficient resources to oversee contracts and is continuing to provide training to other Agency resources regarding management and oversight of existing service contracts.

### **Actions Taken**

SBA implemented the OFPP policies on inherently governmental with a Procedural Notice from the CFO's office, issued on April 1, 2013. The memo outlines processes related to Inherently Governmental Functions at the SBA.