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FY 2011 Service Contract Inventory Analysis

Office of Procurement, Consumer Financial Protection Bureau (CFPB)
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cfpb Consumer Financial Protection Bureau

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1. Introduction

The Consumer Financial Protection Bureau's (CFPB) Office of Procurement is committed to enhancing transparency and ensuring proper financial stewardship throughout the acquisition lifecycle. To achieve this, the Bureau's Office of Procurement prepared this report as instructed by Section 743 of Division C of the FY 2010 Consolidated Appropriations Act, Public Law (P.L.) 111-117. The goal of the report is to provide a meaningful analysis of contracts identified by the Product Service Codes (PSCs) in the Bureau's FY 2011 Service Contract Inventory.

1.1 Background

According to the Office of Management and Budget (OMB), agencies shall conduct a meaningful analysis of the data in their inventory 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 Bureau is effectively balanced. Analysis shall cover the elements called for in the Consolidated Appropriations Act, 2010, Division C, Title VII § 743(e)(2) and be based on reviews informed through sampling of contract files, interviews of program managers (PM) and contracting officer representatives (COR), and other appropriate information-gathering activities. In carrying out these actions, agencies should review OMB Memorandum M-09-26, and Public Law 111-8, and Office of Federal Procurement Policy (OFPP) Policy Letter 11-01. Once completed, the analysis will be posted in the OMB MAX system.

1.2 Scope of Analysis

The Office of Procurement staff analyzed the Bureau's service contract inventory from FY 2011 to validate program requirements (to include appropriate contract use and effectiveness) and determine if the mix of federal employees and service contractors is balanced. The table below identifies PSCs chosen by the Office of Procurement from a selection recommended by OMB,

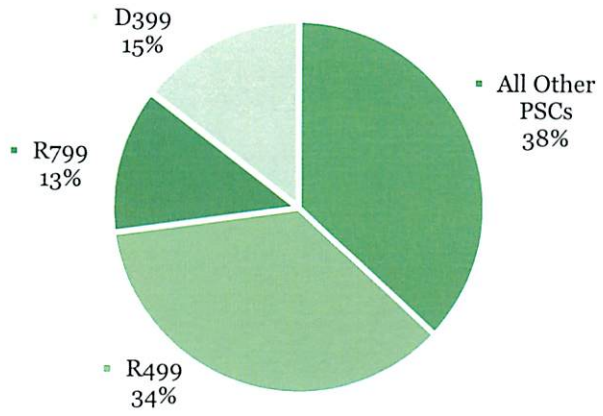
and the Bureau's top three PSCs by obligation amounts in FY 2011. The analysis includes all service contract awards against identified PSCs exceeding $25,000 that were awarded in FY 2011. Additionally, only actions funded by the Bureau were included in the CFPB inventory and analysis. Any actions made on behalf of another agency using that agency's funding were excluded.

CFPB PSCs

Product Service Codes (PSC)	PSC Descriptions	FY 2011 Obligations	Representative Contract Actions	Percentage of FY 2011 Award Dollars
D399	Other ADP and Telecommunication Services	$5,063,328.00	5	15%
R499	Other Professional Services	$11,298,648.00	26	34%
R799	Other Management Support Services	$4,330,290.00	1	13%

D399, R499, and R799 were chosen by the Office of Procurement because they total 62% of the Bureau's obligations in FY 2011. The review team conducted a 100% review for every contract action for the PSCs identified in the table above (awarded in FY 2011). The total obligation amount analyzed was $20,692,266.00, and represents all 32 contract actions. The graphic below illustrates the importance of the selected PSCs, and their obligation profile as compared to the Bureau's entire contract action obligation profile in FY 2011.

PSC Obligation Breakout



1.3 Methodology

The Bureau's scope of analysis was assessed by a use-case evaluation approach. The analysis was aimed at determining the following areas:

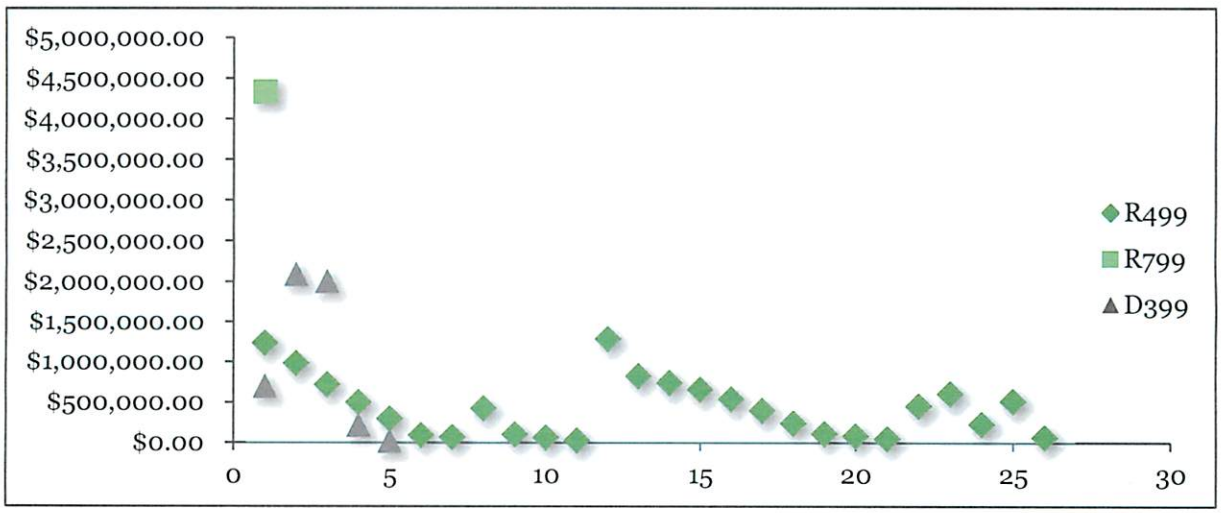
1) Gauging if services are being used appropriately for the Bureau's mission
2) Identifying necessary improvements to the service-related acquisition practices of the Bureau

The below list details the data gathering elements collected by the review team:

- Contract files
- Independent checklists
- COR interviews
- Inherently governmental functions and possibility for performance by a contractor
- Functions closely associated with inherently governmental functions and possibility for performance by a contractor
- Contract monitoring practices and mechanisms
- Written justifications explaining why Bureau staff outsourced requirements

The resultant 32 actions ranged greatly in obligated value, with large differences within each PSC. The graphic below illustrates the obligation differences by action per PSC.

Action Obligations by PSC



2. Summary of Findings

2.1 Special Interest Function Analysis

The Bureau's review team analyzed all contract actions per PSC as identified in Graphic 2. The analysis was completed using the protocols and methods outlined in Section 1.3, with special attention given to answering the five questions below.

1. Is the contractor performing a function that is mission-critical?
2. Does this contract requirement include inherently governmental functions?
3. Does this contract requirement include unauthorized personal services either in the work statement or in contract operation?
4. In the case of work closely associated with inherently governmental functions, or non-competitive contracts, was special consideration given to using federal government employees?
5. Are sufficiently trained and experienced officials available within the Bureau to manage and oversee the contract administration function?

2.1.1 Are Contractors performing a function that is mission-critical?

Due to the standing up of the Bureau in FY 2011, many functions performed by contractors were mission-critical. The list below highlights functions performed by contractors in FY 2011 that were necessary for the Bureau to effectively perform and maintain control of its core mission and operations.

- Human Resource (HR) policies and procedures support
- HR integration and implementation support
- Compensation consulting support
- Workforce planning support

- Implementation and "go-live" support of the Bureau's contact center
- Information Technology (IT) project management support

Additionally, many contractors were performing functions that were important to areas of the Bureau's mission, but were not defined as "critical."

2.1.2 Do contractual requirements include inherently governmental functions?

The Bureau's contractual support requirements generally did not include inherently governmental functions. Certain requirements related to HR support services did closely resemble inherently governmental functions; services such as initiating and defining payroll packages, developing workforce planning policies, and providing recruitment and workforce development policies and procedures. However, contractors were not authorized approvers regarding decisions to implement guidance and policies at the Bureau. The responsibility for enacting policies and procedures (to include final draft signatures) remained with the Government workforce at the Bureau. In addition, contractors were closely monitored by knowledgeable Bureau personnel.

2.1.3 Do contractual requirements include unauthorized personal services?

The Bureau did not have any contracts or contractual requirements that included unauthorized personal services.

2.1.4 If performance is closely associated with inherently governmental functions, or in non-competitive acquisitions, was consideration given to utilizing federal employees prior to acquisition?

General consideration was given to fulfilling needs with existing government employees prior to synopsizing requirements. Due to the Bureau's standing up, internal resources were not available to fulfill every critical requirement. This often dictated procuring additional support resources from contractors. To ensure compliance with OFPP Policy Letter 11-01, the Bureau established a pre-acquisition service code determination checklist and approval worksheet

template. This checklist ensures that prior to award, the requirement has been vetted and approved by both the PM and Office of Procurement personnel certifying a balanced workforce approach and that appropriate exercise of discretion is provided. In addition, the service code determination checklist ensures that proper staffing for oversight of closely related inherently governmental functions is considered.

2.1.5 Are sufficiently trained and experienced officials available within the Bureau to manage and oversee contract administration functions?

The Bureau actively pursues and hires qualified and experienced employees to conduct its contract administration functions. Regarding performance related to the PSCs studied in this report, the CORs, Contracting Officers (COs), and PMs involved in the 32 contract actions reviewed were sufficiently trained in effective management techniques and oversight of critical/non-critical support services.

3. Known Issues and Improvement Areas

The review team uncovered three improvement areas within the Bureau's existing procedures and mechanisms when monitoring and reporting for special interest functions. These three items are:

1. Reliance upon Labor Hour and Time and Material (T&M) agreements
2. Reliance upon contractor staff to support critical functions
3. Decreased COR effectiveness due to competing duties

These issues are recognized as "improvement areas" and were often the consequence of the Bureau's standup of all operations in FY 2011. Nevertheless, in an effort to maintain and enhance the core values at the Bureau (see graphic below of the CFPB's core values) it is critical to address, mitigate, and solve the three known issues highlighted above.

CFPB Core Values

4. Business Process Improvement Opportunities

To date, the Bureau and the Office of Procurement has implemented multiple strategies aimed at mitigating and solving some of the weaknesses identified by this audit for FY 2012. These efforts have been categorized into two buckets:

1. Ongoing process improvements for FY 2012
2. Recommended process improvements for FY 2012

4.1 Ongoing Process Improvement

Currently, the Bureau has recognized the need to further establish a forum for CORs and PMs to share not only best practices, but also items such as Contractor Performance Assessment Reporting System (CPARS) and general questions. In light of this need, the Office of Procurement hosts monthly COR meetings, aimed at maintaining and enhancing the professional development of staff and sharing ideas, values, and strategies across the COR workforce. These meetings have become a forum for discussing current topics and have spawned individual training sessions. Training sessions include topics such as: proper use and timely report of CPARS, contract administration, file maintenance, and yearly refresher training certification.

Admittedly, the Bureau recognizes the staffing challenges present when standing up operations, and in response has rapidly acquired Bureau resources to minimize contractor tasking of inherently governmental functions. Consequently, the hiring of more internal resources has allowed the Bureau to grow the COR workforce from an initial 5 individuals, to a current cohort of 70 certified professionals. Moreover, the addition of 65 acquisition professionals within the Bureau has afforded special interest functions increased surveillance, and has mitigated the risk of single COR coverage across multiple departments / functional areas.

In addition to COR development, the Office of Procurement has also established an innovative, transparent, and robust internal monthly report that shares contract milestones, contractor and COR driven reporting, expenditure profiles, and objective summaries about each contractor doing business with the Bureau for intra-agency consumption. Additional emphasis is paid to CORs evaluation of contractor performance through an internally developed contractor performance report, which details monthly performance summary, quality of service, cost-control, timeliness of performance, and business relations between the Bureau and contractor staff.

4.2 Recommended Process Improvement

The recommendations below provide the Bureau with additional process improvement steps for the FY 2012 service contract inventory:

1. Expand the pre-acquisition service contract inventory coding questionnaire to ensure proper consideration is provided to Bureau employees for non-mission critical, closely associated inherently governmental functions
2. Minimize contractor tasking of closely related inherently governmental functions
3. Continue COR awareness efforts, and identify additional CORs for Bureau-wide coverage to support continued growth
4. Create data repositories for each contractor (by contract action) to capture the number of Full Time Equivalents (FTEs), the amount invoiced, and the role that contract services play in achieving the Bureau's mission for FY 2013 service contract inventory submission
5. Minimize Labor Hour and T&M agreements, maximize usage of Fixed Price agreements

5. Bureau Senior Management Officials

The senior management official accountable for the development of the Bureau's policies, procedures, and training associated with OFPP Policy Letter 11-01 is the Senior Procurement Executive, David P. Gragan.

The official responsible for ensuring appropriate internal management attention is provided to the development and analysis of the service contract inventory for the Bureau is the Chief Human Capital Officer, Dennis E. Slagter.