

# FY 2012 Service Contract Inventory Analysis

Office of Procurement, Consumer Financial Protection Bureau (CFPB)  
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# 1. Introduction

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) established the Consumer Financial Protection Bureau (CFPB or Bureau). The CFPB is the nation's first federal agency focused solely on consumer financial protection. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) created the CFPB to protect consumers of financial products and services and to encourage the fair, transparent and competitive operation of consumer financial markets. The Bureau's mission is to make consumer financial markets work for American consumers, honest businesses, and the economy as a whole.

The CFPB's 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 analyze service contract inventory to determine if the mix of Federal employees and contractors is effective.

## 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's 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.

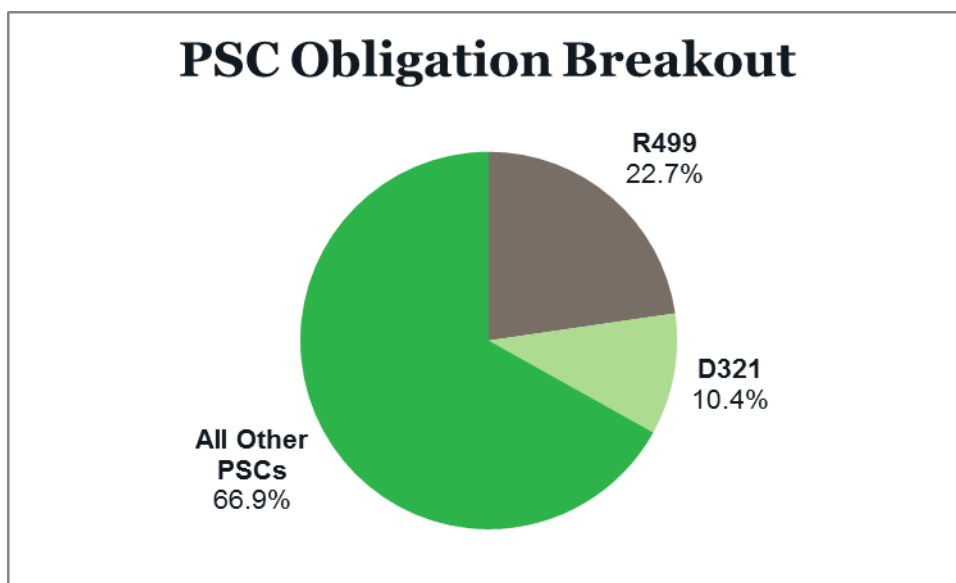
## 1.2 Scope of Analysis

The Office of Procurement staff analyzed the Bureau's service contract inventory from FY 2012 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. The analysis includes all service contract awards against identified PSCs exceeding \$25,000 that were awarded in FY 2012. 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**

<b>Product Service Code (PSC)</b>	<b>PSC Description</b>	<b>FY 2012 Obligation Dollars</b>	<b>Representative Contract Actions</b>	<b>Percentage of FY 2012 Award Dollars</b>
R499	Other Professional Services	\$18,340,216	25	22.7%
D321	IT and Telecommunications Help Desk	\$8,410,138	3	10.4%

R499 and D321 were chosen by the Office of Procurement because they each made up more than 10% of the Bureau's total obligated dollars for FY 2012. The review team conducted a 100% review for every contract action for the PSCs identified in the table above (awarded in FY 2012). The total obligation amount analyzed was \$26,750,354, and represents all 28 contract actions. In FY 2012, CFPB incurred obligations for 4 of the OMB-identified special interest functions-D302, D307, R408, and R707. Product Service Code D302 comprised 5.04%, D307 comprised .07%, R408 comprised 1.49%, and R707 comprised .03% of total FY 2012 obligations. The contracts were task-based and did not present an overreliance on contractor personnel that would critically affect the CFPB's control of its mission and operations. As a result, these four PSCs are not included for further analysis. The graphic below illustrates the importance of the selected PSCs, and their obligation profile as compared to the Bureau's entire service contract obligation profile in FY 2012.



## 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:

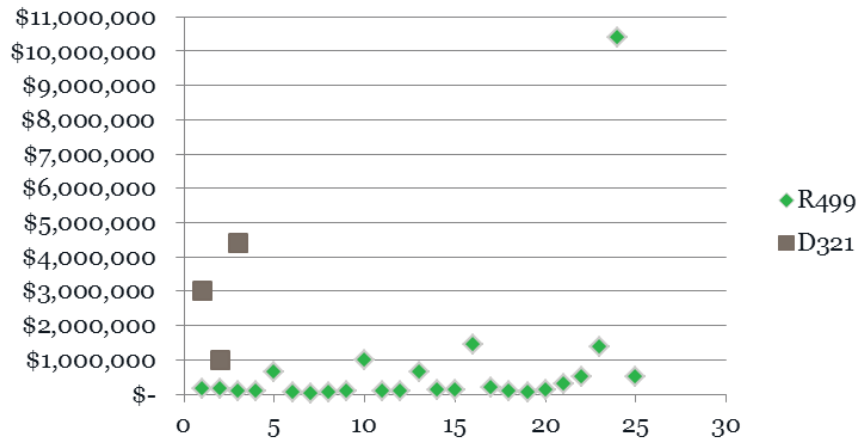
1. Gauging if services are being used appropriately for the Bureau's mission
2. Identifying necessary improvements to the service-related acquisition practices of the Bureau

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

- Contract files, including scopes of work
- Independent checklists
- COR interviews
- Contract monitoring practices and mechanisms

The resultant 28 actions ranged in obligated value, with differences within each PSC. The graphic below illustrates the obligation differences by action per PSC. The outlier here is a \$10.4 million PricewaterhouseCoopers contract for management consulting support services.

## Action Obligations by PSC



## 2. Summary of Findings

### 2.1 Analysis

In accordance with the Consolidated Appropriations Act, 2010, Division C, Title VIII§ 743(e), the CFPB has ensured through its analysis that:

- Each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations;
- The agency is giving special management attention to functions that are closely associated with inherently governmental functions;
- The agency is not using contractor employees to perform inherently governmental functions;
- The agency has 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;
- 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
- There are sufficient internal agency resources to manage and oversee contracts effectively.

## 2.2 PSC R499 – Other Professional Services

Product Service Code R499 was selected for review because it made up more than 10% of the Bureau's total obligated dollars for FY 2012. The 25 contract actions under PSC R499 encompass 22.7% of total FY 2012 award dollars.

Due to its relative youth as an agency and minimal staffing through FY 2012, the CFPB relied on contractor support for consulting, research, and implementation support. As the agency has expanded, the demands and priorities of the Bureau have increased, especially in the area of program/project management. While the review team examined each action, special focus was given to actions over \$1 million, which consisted of contracts awarded to PriceWaterhouseCooper LLP, Corporation for Enterprise Development, and Booz Allen Hamilton.

The contract with PriceWaterhouseCooper LLP (PWC), CFP-12-Z-00015, was a Blanket Purchase Agreement (BPA) call for management consulting support services for the CFPB's Office of Technology & Innovation (T&I). The goals of the project included providing project support services and collaborating with the CFPB staff program managers to offer state-of-the-art program/project management services to internal customers.

Review of PWC's contract found that the oversight provided by the COR and the T&I office was comprehensive. T&I's most experienced COR was assigned to manage the contract. The COR required weekly status reports and telephone/e-mail correspondence for contract monitoring. While PWC staff assisted with planning and management of numerous functions, final authority always remained with government personnel. In addition, the COR reported the status of the contractor's performance on a monthly basis to the Office of Procurement and upper management. The COR's evaluation of the contractor's performance covered quality of service, timeliness of performance, business relationship, and cost control.

The contract with Corporation for Enterprise Development, CFP-12-Z-00019, was a BPA call for the CFPB's Office of Financial Education. The project was to develop approaches to improving consumer financial well-being. Specifically, research sought to discover knowledge or behaviors that predict financial well-being, the importance of financial knowledge relative to other factors, and how to measure financial knowledge and well-being concepts. While this call has a high dollar value, the risk was low for inherently governmental work being performed. The contractor was responsible only for the research project and associated deliverables. Government personnel conducted review of the contractor's work products. Any subsequent



decisions made as a result of the contractor's work was made by CFPB personnel. In addition, the COR reported the status of the contractor's performance on a monthly basis to the Office of Procurement and upper management. The COR's evaluation of the contractor's performance covered quality of service, timeliness of performance, business relationship, and cost control.

The Booz Allen Hamilton contract, CFP-12-Z-00013, was a BPA call for management consulting support services for the Office of Consumer Response. Specifically, the services provided by the contractor were in the areas of training development, performance management, project management, process documentation and refinement, as well as assisting with operational planning. This call was deemed mission critical, and found to have sufficient government supervision. There were multiple sources of governance reports and spot checks performed by the COR and the program office. The COR also maintained, and shared with leaders from the Office of Consumer Response, monthly reports tracking cumulative costs for each task to ensure costs remained within those specified in the contract. In addition, the COR reported the status of the contractor's performance on a monthly basis to the Office of Procurement and upper management. The COR's evaluation of the contractor's performance covered quality of service, timeliness of performance, business relationship, and cost control.

All other contract actions reported under PSC R499 were examined using comprehensive Evaluation Checklists completed by the CORs and verified by the review team. In each case, there were processes in place for adequate government oversight. The CFPB has expanded its COR workforce, and each office has at its disposal well-trained and experienced CORs. The work the CORs have performed has enabled the CFPB to ensure that no contractor is performing any inherently governmental work.

## 2.3 PSC D321 – IT and Telecommunications Help Desk

The PSC D321, IT and Telecommunications Help Desk, was chosen because it encompassed over 10% of total CFPB contract obligations. The 3 contract actions under PSC D321 makes up 10.4% of total FY 2012 award dollars. Each of the three D321 contract actions was awarded to Vangent, Inc. to support the Office of Consumer Response implementation and operation of the CFPB's contact center. This contract is considered mission critical to the Bureau, as the Dodd-Frank Wall Street Reform and Consumer Protection Act mandates that the CFPB establish the Consumer Hotline and Consumer Response Database.

The review team concluded that there is a high standard of oversight implemented by the COR. The COR managed the contract and completed monthly performance reports summarizing accomplishments and areas of opportunity, in partnership with the business owners. The COR also monitored contact center telephone reports as well as project status and defect trackers to measure performance of the vendor. This is a transaction-based, firm-fixed price contract. The COR maintains a comprehensive burn rate tool to track costs by transaction type, contract line item number, month, quarter, etc. and provides regular status updates to Consumer Response leadership.

## 2.4 Special Interest Function Analysis

The Bureau's review team analyzed all contract actions for PSC R499 and D321. 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 the contract requirement include inherently governmental functions?
3. Does the 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?

### 2.4.1 Are Contractors performing a function that is mission-critical?

Due to the maturing nature of the CFPB in FY 2012, many functions performed by contractors were mission critical. The list below highlights functions performed by contractors in FY 2012 that were necessary for the Bureau to effectively perform and maintain control of its core mission and operations.

- Financial Consulting/Accounting Support Services
- Research Services
- Design of Loan Estimate and Closing Disclosure Forms

- Human Resources (HR) Support Services
- Management Consulting Support Services
- Implementation and Operation of the CFPB Contact Center

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

#### 2.4.2 Do contractual requirements include inherently governmental functions?

The Bureau's contractual support requirements generally did not include inherently governmental functions. Similar to the Service Contract Inventory Analysis for FY 2011, the CFPB had certain requirements related to HR support services, some that closely resembled inherently governmental functions; services such as contractor support to provide specialized human resources services to assist with the design, development, communication, and implementation of various support systems and program development tied to the CFPB's benefits program.

It should be noted, however, that 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, the CFPB provided sufficiently trained officials that were able to oversee the contract administration function.

#### 2.4.3 Do contractual requirements include unauthorized personal services?

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

#### 2.4.4 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 CFPB's status as a relatively new agency, internal resources were not always available to fulfill every critical requirement. This often dictated procuring additional support resources from contractors. To guarantee compliance with OFPP Policy Letter 11-01, the Bureau established a pre-acquisition service code determination checklist and approval worksheet. CFPB's Service Contract Coding Worksheet is completed for any service contract over \$25,000, ensuring adequate review and documentation is completed to avoid any unnecessary "inherently governmental" contract work. This checklist mandated that prior to award, the requirement was vetted and approved by both the Program Office and the Office of Human Capital personnel, certifying that both a balanced workforce approach and appropriate exercise of discretion was provided. In addition, the checklist ensured proper staffing for oversight of closely related inherently governmental functions was considered.

#### 2.4.5 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 28 contract actions reviewed were sufficiently trained in effective management techniques and oversight of critical/non-critical support services. The CFPB has expanded its COR workforce over the past year, ensuring that each program office has sufficiently trained employees capable of thorough and scrupulous contract administration. The CFPB currently has 113 certified CORs.

### 3. Known Issues and Improvement Areas

The review team uncovered improvement areas within the Bureau's existing procedures and mechanisms when monitoring and reporting for special interest functions. These areas 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 2012. 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 known issues highlighted above.

#### CFPB Core Values



# 4. Business Process Improvement Opportunities

The CFPB and the Office of Procurement implemented multiple strategies aimed at mitigating and solving some of the weaknesses identified by this audit for FY 2013. These efforts have been categorized into two buckets:

1. Ongoing process improvements for FY 2013
2. Recommended process improvements for FY 2013

## 4.1 Ongoing Process Improvement

The Bureau recognizes the need to continue the forum for CORs/program managers to share not only best practices, but also items such as contract administration techniques and general questions. The Office of Procurement hosts monthly COR Roundtable 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: invoice review, 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 to a current cohort of 113 certified professionals. 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 the contractor. The Office of Procurement has also shared sample performance metrics for CORs, and recommends that these performance objectives be incorporated into each CORs performance plan.

## 4.2 Recommended Process Improvement

The recommendations below provide the Bureau with additional process improvement steps for the FY 2013 service contract inventory:

1. Minimize contractor tasking of closely related inherently governmental functions
2. Continue COR awareness efforts, promoting aggressive training and encouraging COR Level II certification
3. 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
4. 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 CFPB'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.