

**National Science Foundation FY 2010
Service Contract Inventory Analysis Report**

Service Contract Inventory Working Group

National Science Foundation

December 30, 2011

Table of Contents

Executive Summary.....	3
Background.....	4
Purpose.....	4
Stakeholder Participation.....	4
Working Group Process.....	4
Special Interest Functions Studied by the NSF.....	5
Rationale for focusing on selected contracts/functions.....	5
Selected Contracts/Functions.....	5
Methodology Used to Support Analysis.....	5
NSF Findings.....	5
General Findings.....	6
Specific Findings.....	6
Science, Operations, and Maintenance (O&M) Contracts.....	6
Research Support and Logistics Services Contracts.....	7
Facility Operation and Support Management Services Contracts.....	8
IT Services.....	9
Actions Taken or Planned.....	10
Contract Branch Support.....	11
Appendices.....	12

Executive Summary

This National Science Foundation (NSF) report responds to the November 5, 2010 request by the Office of Management and Budget's Office of Federal Procurement Policy (OFPP) to analyze NSF's FY 2010 inventory of service contracts to determine if the mix of Federal employees and contractors is effective or if rebalancing may be required. It includes the following information:

- a) The special interest functions studied by the NSF, 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 NSF to support its analysis;
- c) NSF findings, including a brief discussion of the extent to which the desired outcomes described in Appendix D of the November 5, 2010, OFPP Memorandum are being met; and
- d) Actions taken or planned by the NSF to address any identified weaknesses or challenges.

Background

Purpose

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. In his Memorandum for the CAOs and SPEs of Departments and Agencies dated November 5, 2010, Daniel I. Gordon, Administrator, Office of Federal Procurement Policy (OFFP), provided initial guidance to help agencies prepare their initial inventory covering service contracting in FY 2010. It also contained guidance on analyzing the Service Contract Inventory. On December 19, 2011, Mr. Gordon issued another memorandum containing final guidance on the submission of analyses for the FY 2010 inventories.

In accordance with the November 5, 2010 guidance, NSF's Division of Acquisition and Cooperative Support prepared the NSF FY 2010 Service Contract Inventory. NSF does not have any personal services contracts listed in the NSF FY 2010 Service Contract Inventory.

Stakeholder Participation

Jeff Lupis, NSF Senior Procurement Official, established a Working Group for the analysis comprised of four individuals from NSF. They brought their individual perspectives and experiences from the Office of Information and Resources Management/Division of Information Systems (OIRM/DIS); Budget, Finance and Award Management/Division of Acquisition and Cooperative Support (BFA/DACS); and OIRM/Division of Human Resource Management (OIRM/HRM) (see Appendix A).

Working Group Process

The charge to the Working Group for the analysis of the NSF FY 2010 Service Contract Inventory was to conduct a meaningful analysis of the data in the 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 agency is effectively balanced. The analysis was required to cover the elements described in Attachment D to OFFP's November 5, 2010 guidance and be based on reviews informed through sampling of contract files; interviews of program managers and Contracting Officer representatives (CORs); and other appropriate information-gathering activities. In carrying out its charge, the Working Group reviewed the OFFP request and guidance; became knowledgeable about the background and issues; and studied and discussed the NSF Service Contract Inventory in order to determine which contracts to analyze (see the next section below, *Special Interest Functions Studied by the NSF*). After the contracts were selected, the Working Group formulated the methodology to support the analysis and conducted the analysis (see *Methodology Used to Support Analysis* section below).

Special Interest Functions Studied by the NSF

Rationale for focusing on selected contracts/functions

In FY 2010, the NSF obligated \$428,281,676 (374 actions) related to services. Of this amount, \$14,825,464 was obligated in the OFPP-specified special interest functions, which represents 3.4% of the total obligation for FY 2010 services. Since there was such a small portion of services devoted to the special interest functions for NSF in FY 2010, the Working Group decided to focus the analysis on the highest valued service contracts at NSF (See the next subsection below, *Selected Contracts/Functions*). The contracts/functions reviewed totaled \$240,474,171 or 56% of NSF service procurement dollars obligated in FY 2010.

Selected Contracts/Functions

Contract/Function Studied	PSC Code	Product or Service Description	FY 2010 Dollars Obligated
Science, Operations, and Maintenance	M181	OPERATIONS OF GOV'T R&D GOCO* FACILITIES	\$132,384,226.00
Research Support and Logistics Services	R706	LOGISTIC SUPPORT SERVICES	\$34,621,693.00
Facility Operation	R499	OTHER PROFESSIONAL SERVICES	\$25,796,461.00
Support Management Services	AD26	SERVICES (MANAGEMENT/SUPPORT)	\$20,672,420.00
IT Services	D399	OTHER ADP* & TELECOMMUNICATIONS SERVICES	\$26,999,186.00

* Note: R&D = Research and Development

GOCO = Government-Operated Contractor-Owned

ADP = Automatic Data Processing

Methodology Used to Support Analysis

The primary methodology used to support the analysis of the chosen contracts studied consisted of interviews with the CORs and Contracting Officers (COs) of the contracts chosen (see Appendix B). While in-depth contract file reviews were not conducted, one of the members of the Working Group was a Procurement Analyst very familiar with the contract files chosen. He had previously reviewed the subject files under NSF's Oversight Program that requires review of FAR 15.3 related contracts over \$1M. All of the contracts chosen for this analysis are well over that \$1M threshold.

NSF Findings

NSF FY 2010 Service Contract Inventory Analysis Report

The following are the Working Group findings for each of the contracts examined. The findings include a discussion of the extent to which the desired outcomes described in Appendix D of the November 5, 2010 OFPP Memorandum were achieved.

General Findings

Due to their size and criticality, all analyzed contracts in this study were found to be under constant examination to ensure the amount of contractor support and FTE (full time employee) involvement is balanced appropriately and that contractor support services are not inherently governmental. The following subsection, *Specific Findings*, as well as the following section, *Actions Taken or Planned*, demonstrate the examinations that these contracts undergo and any balance adjustments that have been taken or are planned as a result of the examinations. Each of the contracts studied in this analysis perform extremely critical functions that could adversely impact the NSF's mission and operations *if* they were not overseen to this extent.

Specific Findings

Science, Operations, and Maintenance (O&M)

The Contractor is not performing inherently governmental functions. They perform leg work and all final decisions are made by the NSF. Contractor employees are not performing critical functions in such a way that could affect the ability of the NSF to maintain control of its mission and operations under this contract. The following safeguards and monitoring systems are in place to ensure that work being performed by contractors has not changed or expanded during performance to become inherently governmental functions.

1. Contractor proposes a draft Annual Program Plan (APP) that is reviewed by the NSF on a line item basis and finalized through negotiation. This allows NSF to reset the year's activities.
2. Quarterly Reviews with the Contractor consist of reviews of past quarter(s) activity and next quarter activity from both a financial and task perspective.
3. Memorandums of Understanding (MOUs) and Memorandums of Agreement (MOAs) with numerous other Federal Agency partners are in place to assist in monitoring/overseeing.
4. Performance Evaluation Committee and Award Fee Review Boards are utilized.
5. Quarterly Expenditure Reports (QERs) reviewed by the Defense Contract Audit Agency (DCAA) are required.

NSF FY 2010 Service Contract Inventory Analysis Report

The NSF has been able to manage and oversee the contract effectively; however, a new contract was awarded recently and it is not yet known whether the current resources will continue to be sufficient (see next section, *Actions Taken or Planned*).

Internal agency resources to manage and oversee this contract effectively consist of (1) direct COR monitoring, (2) NSF on-site representatives, and (3) a one-position Manager that consists of two individuals.

There are also several activity based managers (ABMs) that oversee seven different specific areas within the contract.

In addition to the ABMs, the Office Head for Polar Environmental, Health and Safety oversees health services and environmental, health and safety activities under the contract.

Based on the Performance Evaluation Committee/Award Fee Review Board findings, this contract is not being poorly performed.

The mix of federal employees and contractors are considered an effective balance for this contract. However, as indicated above, a new contract structure might bring with it different resource requirements (see next section, *Actions Taken or Planned*).

Research Support and Logistics Services

The Contractor is not performing inherently governmental functions. While the contractor provides research support and logistics services, all final programmatic decisions are made by the NSF. Contractor employees are not performing critical functions in such a way that could affect the ability of the NSF to maintain control of its mission and operations under this contract. The following safeguards and monitoring systems are in place to ensure that work being performed by contractors has not changed or expanded during performance to become inherently governmental functions.

1. Contractor proposes a draft APP that is reviewed by the NSF on a line item basis and finalized through negotiation. This allows NSF to reset the year's activities.
2. A separate Management Support contractor assists in organizing resources and utilizes people with the research contractor to help NSF monitor estimates and schedules in detail.
3. Integrated Master Schedule (IMS) was recently developed by the Management Support contractor.
 - a. When the APP is approved by the Program Office and the CO, it becomes the baseline for IMS. When invoices are received by NSF they must be tied to the APP and the IMS. If the research contractor goes off target, it will be reflected in the invoice through the

NSF FY 2010 Service Contract Inventory Analysis Report

comparison with the APP, which uses a Work Breakdown Structure (WBS). If this process reveals that the contractor is not expending as much as forecast in a certain area, the Program Office can investigate why and call up other priorities.

4. MOUs and MOAs with other Federal Agency partners are used to assist in monitoring/oversight.
5. Delivery of Monthly Financial and Progress Reports are required.
6. Mid-year Program Reviews are conducted.
7. The CO has developed and instituted extensive tracking spreadsheets, which allow for monitoring of each contract line item, invoice etc. Through the use of these spreadsheets, every invoice is reconciled and charged properly. The CO also performs multiple contract administration duties such as but not limited to monitoring deliverables, reviewing requests for subcontract approvals, dealing with equipment issues and travel authorizations.

Internal agency resources are in place to manage and oversee this contract effectively. There are two individuals performing COR duties; a COR and an Alternate COR. One is primarily devoted to the Management portion and the other to the Science portion. There is a CO and Contract Specialist who are assigned to this contract and provide acquisition support.

The contract is not considered to be poorly performed.

The mix of federal employees and Contractors are considered an effective balance for this contract.

Facility Operation and Support Management Services

Due to the relationship of two contracts selected for study, the specific findings for these efforts have been combined. One contract covers the Facility Operations and the other provides Support Management Services.

The Contractors involved are not performing inherently governmental functions. While NSF is currently receiving contractor management support services under one of these contracts, all final decisions are made by the NSF with input from international partners. Contractor employees are not performing critical functions in such a way that could affect the ability of the NSF to maintain control of its mission and operations under these contracts. The following safeguards and monitoring systems are in place to ensure that work being performed by contractors has not changed or expanded during performance to become inherently governmental functions.

NSF FY 2010 Service Contract Inventory Analysis Report

1. Proposed APPs are reviewed and approved by the NSF and other stakeholders on a line item basis that allows NSF and the other stakeholders to reset the year's activities.
2. Currently daily, weekly and site summaries, prospectus and performance reports are received as well as quarterly and annual reports.
3. The COR personally touches base weekly or more often with the Facility Operation contractor.
4. Annual site visits are conducted.
5. Meetings are conducted with the President of the Support Management Services contractor bi-monthly and site visits are conducted to the contractor twice a year.
6. Bi-weekly to monthly site visits are made to the Facility Operation contractor.
7. The CO has developed and instituted extensive tracking spreadsheets, which allow for monitoring of each contract line item, invoice etc. Through the use of these spreadsheets, every advance payment request is recorded. The contractors are required to provide the CO with back-up documentation on the basis of each advance payment request. The CO also performs multiple contract administration duties such as but not limited to monitoring deliverables, reviewing requests for subcontract approvals, and dealing with equipment issues.

From the program's perspective, there are adequate internal program office resources. While extremely satisfied with the internal procurement related services provided, the program expressed concerns that the CO is overloaded and that some relief is needed in that area (see following section, *Actions Taken or Planned*). Program Officer/COR and CO provide the main NSF resources.

While the performance was considered mixed during the initial portion of the Facilities Operation contract selected, the contractor significantly improved after the initial stage. For the Support Management Services contract, performance reflects overall improvement since replacement of certain contractor personnel and an organizational restructuring.

Based on on-going analysis by the program office, future structural changes are planned for these efforts in order to maintain an effectively balanced mix of federal employees and contractors. After the planned changes described in the following section, *Actions Taken or Planned*, are implemented, there will be an effectively balanced mix for both of these contract efforts.

IT Services

NSF FY 2010 Service Contract Inventory Analysis Report

The Contractor is not performing inherently governmental functions for the contract studied. Contractor employees are not performing critical functions in such a way that could affect the ability of the NSF to maintain control of its mission and operations under this contract. The following safeguards and monitoring systems are in place to ensure that work being performed by contractors has not changed or expanded during performance to become inherently governmental functions.

1. Control safeguards start with the Project Baseline, which is approved by DIS leads, Senior Management, the IT Program Management Office (PMO) and the COR. The Contractor submits monthly Project Status Reports and meets with each DIS lead level covering information including but not limited to activities, expenditures, risks and milestones.
2. The COR has weekly meetings with the Contractor's Program Manager to discuss issues raised during the week.
3. Annual and Monthly Program Reviews are conducted at the overall contract level.

There are sufficient internal resources to manage and oversee at a variety of levels (COR, DIS Leads and Senior Management oversight). These resources participate in multiple internal meetings (e.g. weekly COR meetings with the contractor and NSF management; monthly Program Status Report meetings attended by the DIS Deputy Division Director, COR, Contractor Program Manager; etc.) to ensure the contract is managed effectively.

The contract is not considered to be poorly performed.

The mix of federal employees and contractors are considered an effective balance for this contract.

Actions Taken or Planned

This section covers actions taken or planned by the NSF to address any identified weaknesses or challenges discovered during the analysis.

Science, O&M Support

In certain areas on the contract studied, federal resources are no more than one deep requiring some federal personnel to work extended hours. The Program Office is planning to conduct a vigorous federal resource review over the next fiscal year to find ways to ensure continued mission success with a more reasonable and effective federal effort.

Support Management Services

NSF FY 2010 Service Contract Inventory Analysis Report

Based on an analysis conducted by the Program Office, a re-configuring is planned in two areas of the contractor's operation that will be pulled in-house, which is expected to result in a savings of \$2M a year with better quality and more meaningful results.

Contract Branch Support

During the course of the Working Group's interviews, concerns were raised as to the resources available in the Contracts Branch for two of the contracts analyzed.

- (1) A concern was expressed that there currently are not sufficient resources to effectively manage and oversee a large complex O&M Support contract. While other junior level support (including contractor support) is made available to assist in this effort, there is only one senior level FTE in the Branch overseeing this contract. This has posed a significant challenge since the senior level FTE is solely responsible for oversight and management of multiple related contracts and interagency agreement requirements. Given the critical nature of this contract, oversight and management is a priority; but, success has been achieved only through extreme effort including extensive overtime. Additional Federal resources in contracting are a must for continued success for this effort.
- (2) The program expressed concerns that the CO is overloaded and that some relief is needed for the Facility Operation contract and the Support Management Services contract. The same person administers both contracts. Based on planned future structural changes, this concern may evaporate.

In an effort to manage workload resource issues in the Contracts Branch, the Director of the Division of Acquisition and Cooperative Support (DACS) instituted monthly Workload/Work Distribution Meetings in FY 2011 to be attended by DACS management. At these meetings, major on-going in-process actions and administration issues are discussed resulting in implementation of timely and informed adjustments in regards to DACS resources in order to meet mission requirements. DACS management and higher NSF management were already aware of the NSF contracting resource availability concerns that were raised through this analysis. DACS will continue to use DACS monthly Workload/Work Distribution Meetings to make necessary adjustments when possible.

Appendices

- A. Service Contract Inventory (SCI) Working Group Members
- B. SCI Interviewees

Appendix A - SCI Working Group

Mr. Gregory Steigerwald	Branch Chief	Office of Budget, Finance & Award Management Division of Acquisition & Cooperative Support
Mr. Richard Pihl	Procurement Analyst	Office of Budget, Finance & Award Management Division of Acquisition & Cooperative Support
Ms. Charlene Arietti	Branch Chief	Office of Information and Resource Management's (OIRM) Division of Information Systems (HRM)
Ms. Robyne Doten	IT Specialist	Office of Information and Resource Management's (OIRM) Division of Information Systems (DIS)

Appendix B - SCI Interviewees

Mr. Jamie Allan	Program Director	Directorate of Geoscience Division of Ocean Sciences
Ms. Robyne Doten	IT Specialist	Office of Information and Resource Management Division of Information Systems
Ms. Pam Franzel	Contracting Officer	Office of Budget, Finance & Award Management Division of Acquisition & Cooperative Support
Mr. Pat Haggerty	Research Support & Logistics Manager	Office of the Director Office of Polar Programs
Ms. Sue LaFratta	Senior Advisor	Office of the Director Office of Polar Programs
Ms Mary Rouse	Contracting Officer	Office of Budget, Finance & Award Management Division of Acquisition & Cooperative Support