Analysis of Department of Homeland Security (DHS)
FY 2016 Service Contract Inventory

Introduction
Section 743 of Division C, of the Fiscal Year (FY) 2010 Consolidated Appropriations Act, Pub. 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 requires rebalancing. This report provides information on DHS service contracts, in accordance with implementing guidance contained in the OMB Memorandum to Chief Acquisition Officers and Senior Procurement Executives, dated October 5, 2017.

In 2010, DHS established the Balanced Workforce Strategy (BWS) program to support the analysis of DHS’s proposed requirements for services prior to solicitation of contracts with the exception of those requirements in select Product and Service Codes (PSCs) that have been designated on the BWS Exemption List.

The BWS goals are to:

- Ensure compliance with applicable statutes, regulations, and policies, through a repeatable, documented decision-making process;
- Determine the proper workforce balance for each Component activity; and
- Reduce mission risk while, as practicable, reducing or controlling costs.

I. Proposed Requirements for Services Analyzed and Dollars Obligated in FY 2016

On November 30, 2017, the BWS provided DHS Components with a list of analyses via the Balanced Workforce Assessment Tool (BWAT) for FY 2016. The list contained all proposed requirements for service contracts (including Special Interest Functions (SIFs) shown below) awarded in FY 2016 with an ultimate value greater than or equal to the Simplified Acquisition Threshold (SAT)\(^1\) of $150,000.

<table>
<thead>
<tr>
<th>PSC</th>
<th>DESCRIPTION OF FUNCTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>B505</td>
<td>Special Studies/Cost Benefit Analyses</td>
</tr>
<tr>
<td>R406</td>
<td>Policy Review/Development Services</td>
</tr>
<tr>
<td>R408</td>
<td>Program Management/Support Services</td>
</tr>
<tr>
<td>R410</td>
<td>Program Evaluation/Review/Development Services</td>
</tr>
<tr>
<td>R413</td>
<td>Specifications Development Service</td>
</tr>
<tr>
<td>R423</td>
<td>Intelligence Services</td>
</tr>
<tr>
<td>R425</td>
<td>Engineering and Technical Support Services</td>
</tr>
</tbody>
</table>

\(^1\) The Simplified Acquisition Threshold applies to the total contract value: base plus option years.

\(^2\) The department adopted a subset of codes previously recommended by OMB and added two additional codes for functions identified as critical.
Components were required to review the FY 2016 BWAT Analysis list, confirm all contracts were analyzed under the BWS review process, and produce the requested information December 22, 2017. Components were also required to submit additional BWS analyses completed during FY 2016 that were not included in the contract inventory data call for technical review.

**Dollars Obligated in FY 2016.** The total value of all proposed (single and multi-year) requirements for service contracts identified for BWS analysis was $66,470,711,789³.

## II. Methodology Used to Support Analysis

The department based this report on data entered by the Components into the Balanced Workforce Assessment Tool (BWAT). The BWAT is an enterprise-wide online questionnaire used to analyze proposed requirements for services and re-competed work functions. The BWAT enabled Components to categorize work as an inherently governmental function (in accordance with OFFP Policy Letter 11-01, FAR 7.5, HSAM 3007.5), personal services (in accordance with FAR 37.1), closely associated with an inherently governmental function (OFFP Policy Letter 11-01, OFPP M-09-26 memo, FAR 7.5 & 37.1, Section 736), or a critical function (OFPP Policy Letter 11-01). The analysis further included assessment of possible mission risk, level of contractor oversight and management needed, mitigation strategies, and cost analysis. The results of this analysis facilitate recommended sourcing decisions – whether work functions must be performed by federal personnel only, or can be performed through a combination of federal expertise and contractor support. For the purposes of this report, the department focused on contracts awarded or exercised in FY 2016.

## III. Summary of Findings

Components analyzed 1,288 requirements with an ultimate value equal to or above the SAT of $150,000 using the BWAT. Below are the total numbers of contracts analyzed via the BWS process in each PSC in comparison with the total number of FY 2016 service contracts.

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³ Total value denotes base plus option years of service contracts, including IDIQ contracts.
There were no analyses completed during the FY 2016 period that produced the sourcing recommendation “Must Be Performed by Federal Employees.”

**IV. Outcomes Achieved in Accordance with Section 743(e)(2)**

1. **Any personal services contract listed in the inventory has been executed, and is being performed, according to applicable laws and regulations.**

   The BWS analysis of proposed requirements for services addresses personal services and indicates that DHS is in compliance with FAR Part 37.104, only entering into personal services contracts authorized by statute.

2. **As set forth in FAR 37.114, the agency is giving special management attention to functions that are closely associated with inherently governmental functions.**

   BWS analysis includes items in the BWAT to assess the extent to which a function might be closely associated with inherently governmental functions. Once identified, the tool determines the appropriate mix of federal employees and contractors to perform the function with an enhanced degree of oversight to ensure the department maintained control of its mission.

3. **The agency is not using contractor employees to perform inherently governmental functions.**
In the department’s review of the proposed requirements for service contracts, none of the applicable contracts were identified as performing inherently governmental functions.

4. 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.

DHS depends on well-trained Contracting Officer Representatives (CORs) to advise Contracting Officers that contractors do not inadvertently assume inherently governmental functions during contract performance.

5. 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.

BWS enables DHS program offices to evaluate critical functions prior to solicitation to assess whether the department has sufficient internal capability to control its mission, including:

- Relationship of the work to the department’s mission;
- Complexity of the function;
- Extent of sufficient in-house capability to perform the function;
- Impact of contractor ceasing performance; and
- Risk of function evolving into inherently governmental (i.e., restricted) work.

6. There are sufficient internal agency resources to manage and oversee contracts effectively.

BWS supports DHS program offices to identify the number of federal workers providing oversight and management of service contracts prior to the solicitation process. In addition, Components provide information about the sufficiency of contract management through the availability of appropriately trained and experience contract administration staff. DHS uses technical subject matter experts (SMEs), in addition to CORs and Contracting Officers, to administer its complex contracts.

V. Explanation of actions taken or planned to resolve weaknesses

Since deploying the BWAT, the DHS is monitoring Component activity and compliance with the mandatory use requirement. As Components continue to integrate the BWAT and BWS processes into their business processes, DHS conducts audits to evaluate program implementation, use, and compliance with associated guidance.

In FY 2017, DHS has:

- Completed BWS audits of several DHS Components
- Updated and enhanced the BWAT based on Component feedback
VI.  Responsible Officials

Policy
Laura Auletta, Executive Director for Policy and Acquisition Workforce, Office of the Chief Procurement Officer

Diana Davis, Executive Director for Strategic Workforce Planning and Analysis, Office of the Chief Human Capital Officer

Management
Saurabh Surendra, Division Manager, Balanced Workforce Strategy and Human Capital, Office of the Chief Human Capital Officer