**U.S. NUCLEAR REGULATORY COMMISSION**

**FY 2013 SERVICE CONTRACT INVENTORY ANALYSIS**

**NRC RESPONSIBLE OFFICIALS**

Jill Daly, Branch Chief, Sourcing, Systems and Policy Branch, is the responsible official for policy and Darren Ash, Deputy, Executive Director for Corporate Management, is the responsible party for the management of the service contract inventory and analysis process.

**BACKGROUND**

NRC submitted to the Office of Management and Budget (OMB) Product Service Code (PSC) R710, entitled “Support Management - Financial” as the special interest function selected to be analyzed during Fiscal Year FY13.

This PSC (R710) was selected because it was not the subject of a previous analysis, it did not appear in the NRC’s Top 10 PSCs reported in FY13, and most other top PSCs for FY13 were being evaluated as part of NRC’s ongoing strategic sourcing initiatives. The selection of this code is consistent with PSC selections made for prior fiscal year service contract inventory submissions to OMB. Accordingly, NRC focused its analysis of the service contract inventory on this special interest function.

**SCOPE OF REVIEW**

The FY13 service contract inventory was reviewed for special interest functions that required increased management attention due to possible over-reliance on contractor support for activities that may otherwise be performed by Federal employees. The special interest function selected for review is under the “R” of the Product Service Codes. Contracts within this code include those that provide professional, administrative and management services which could be considered closely associated with inherently governmental functions in accordance with

[OMB Policy Letter 11.01](http://www.whitehouse.gov/omb/procurement_index_work_performance/) entitled: “**Performance of Inherently Governmental and Critical Functions**.”

As required by Sections 743(e)(3) and (4) of the Federal Activities Reform Act of 1998 and Section C of the attachment to the guidance issued by OMB, a representative sample (50%) of these were required. However, in FY13, there was only one contract under PSC R710. The work under the contract was evaluated to determine if it was performed satisfactorily, in terms of quality and timeliness of performance, and cost constraints. It was also analyzed to determine if the services should be considered for conversion to performance by NRC employees in accordance with insourcing guidelines.

**METHODOLOGY**

The work under this delivery order (DO) has been performed properly in terms of quality and timeliness of performance, and met budgetary constraints. The Agency was satisfied with the overall performance of the contractor and had no knowledge of cost overruns. The Agency continues to review financial service requirements, including those under special interest function “Support Management – Financial,” as part of its continued efforts in strategic sourcing, including review by Agency commodity councils. This above NRC labor-hour DO was awarded based on a BPA call order under GSA schedule number GS35F4670G. The DO was closely monitored by the Agency to ensure that no cost overruns occurred and that the contractor was providing quality services within budget and on schedule. In addition, based on the established criteria for classifying functions as inherently governmental, it was determined that the contractor was not performing inherently governmental functions.

The contracts that typically fall under PSC R710 are primarily for professional consulting services to support NRC employees with various financial issues and financial system support services. During fiscal year 2013, NRC spent approximately $1 million under PSC R710 for computer related support services. This amount consisted of four modifications issued under DO number NRCHQ12P090058, totaling $1,010,000, on a labor-hour basis:

FY13 Incremental Funding Modifications:

* M003: $260,000.00
* M004: $100,000.00
* M007: $550,000.00
* M008: $100,000.00

The above DO had a ceiling of $3,503,909.32 with a period of performance of January 31, 2012 through June 30, 2014. The total obligated amount ($2,970,248.50) was reduced by $539.48; thereby resulting in a final obligated amount of $2,969,709.02. The DO was effectively closed via contract modification on January 21, 2015.

A Contractor Performance Assessment Report (CPAR) was completed for this DO. The Contracting Officer’s Representative (COR) rated the contractor highly in each evaluation category, suggesting that there were no significant performance problems or concerns.

In accordance with Section 743€ of the Federal Activities Reform Act of 1998 and Appendix D of the OMB guidance, NRC analyzed the contracts in this category as follows:

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. ***No personal services contracts were identified during the analysis of this category of service contracts****.*

1. The agency is giving special management attention, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions. ***FAR 37.114 is actively being followed during the performance of contracts awarded under this PSC R710.***
2. The agency is not using contractor employees to perform inherently governmental functions. ***A review of NRC’s FY13 Service Contract Inventory shows that there are no contractors being used to perform inherently governmental functions.***
3. 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. ***Contract scope is monitored by the CO to ensure that “scope creep” is not occurring, especially into inherently governmental functions through contract modifications. CORs are required to ensure that services provided and invoiced are in accordance with scope of the contract; and that work does not change or expand during performance to become inherently governmental.***
4. 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. ***There are sufficient Agency personnel in place to ensure that contractor* e*mployees are not performing critical functions to the point of affecting NRC’s ability to perform its mission and operations.***
5. There are sufficient internal agency resources to manage and oversee contracts effectively. ***There are sufficient internal NRC resources to manage and oversee contracts effectively. However, the Agency continues to study ways in which to improve organizational effectiveness and contractor performance.***

**CONCLUSION**

Based on the above analysis, the NRC has determined that it is not necessary to take any actions to convert these functions currently being performed by contractors under PSC R710 to performance by NRC employees.

There are no planned or pending actions identified in previous inventories that require follow-up.