

December 2015

FY 2014 Service Contract Inventory Analysis

Office of Procurement, Consumer Financial Protection Bureau
1700 G St NW, Washington DC



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1. Introduction

The Consumer Financial Protection Bureau (CFPB or Bureau), was established on July 21, 2010 under Title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act Public Law No. 111-203 (Dodd-Frank Act). The CFPB was established as an independent bureau within the Federal Reserve System. The Bureau is an Executive agency as defined in Section 105 of Title 5, United States Code.

The Dodd-Frank Act authorizes the CFPB to exercise its authorities to ensure that, with respect to consumer financial products and services:

1. Consumers are provided with timely and understandable information to make responsible decisions about financial transactions
2. Consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination
3. Outdated, unnecessary, or unduly burdensome regulations are regularly identified and addressed in order to reduce unwarranted regulatory burdens
4. Federal consumer financial law is enforced consistently in order to promote fair competition, and
5. Markets for consumer financial products and services operate transparently and efficiently to facilitate access and innovation.

The Bureau has continued its efforts to listen and respond to consumers and industry, to be a resource for the American consumer, and to develop into a great institution worthy of the responsibility Congress has conferred on it.

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 has 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 its 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 service contract inventory for the purposes 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. The analysis shall cover the elements called for in the Consolidated Appropriations Act, 2010, Division C, Title VII §743(e)(2) and include any agency findings, actions taken or planned by the agency to address any identified weaknesses or challenges, and a description of the methodology used by the agency to support its analysis. In carrying out these actions, agencies should review OMB Memorandum M-09-26, Public Law 111-8, and the Office of Federal Procurement Policy (OFPP) Policy Letter 11-01. Agencies shall post their analysis in the OMB MAX system once completed.

1.2 Scope of Analysis

The Office of Procurement staff has analyzed the Bureau's service contract inventory from FY 2014 to validate program requirements, including appropriate contract use and effectiveness, to determine if the mix of Federal employees and service contractors is balanced. Table 1 identifies Product Service Codes (PSCs) selected by the Office of Procurement. The analysis includes all service contract awards against selected PSCs exceeding \$25,000 and funded by the Bureau in FY 2014.

TABLE 1: CFPB PRODUCT SERVICE CODES

PSC	PSC Description	FY 2014 Obligation Dollars	Representative Contract Actions
R408	Support - Professional: Program Management/Support	\$25,853,343	22
D304	IT & Telecommunications – Telecommunications and Transmission	\$22,960,594	4

The above PSCs are chosen because they represent the two largest percentages of total FY 2014 service contract obligations. PSC R408 makes up approximately 19% of total FY 2014 contract obligations and appears on the OMB's list of special interest functions. PSC D304 makes up approximately 17% of total FY 2014 contract obligations in FY 2014.

The review team has conducted a review of each contract for the PSCs identified in Table 1. Specifically, the Office of Procurement has analyzed the Service Contract Code (SCC) determination worksheets for each contract. Before a procurement action for services is awarded, the relevant CFPB program office is required to submit an SCC determination worksheet to the Office of Procurement and the Office of Human Capital (OHC). The Chief Human Capital Officer or designee reviews the scope of work and approves the worksheet, certifying that the action does not involve an inherently governmental function.

According to OFPP's Policy Letter 11-01, civilian agencies must reserve performance of certain work to Federal employees and guarantee sufficient management oversight over how contractors are used to support government operations. Furthermore, it is the responsibility of management to ensure that "as part of the acquisition planning, agencies shall confirm that the services procured do not include work that must be reserved for performance by Federal employees and that the agency will be able to manage the contractor consistent with its responsibility to perform all inherently governmental functions and maintain control of its

mission and operations.”¹ Thus, CFPB has created the SCC determination worksheet for completion for every contract for services over \$25,000 as part of its pre-award process. For the analysis, the Office of Procurement has reviewed the SCC determination worksheets for the contract actions identified in FY 2014 under PSCs R408 and D304.

1.3 Methodology

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

- a) Gauging if services are being used appropriately for the Bureau’s mission
- b) Ensuring Bureau service contracts are being provided with appropriate and sufficient oversight
- c) Identifying necessary improvements to the service-related acquisition practices of the Bureau

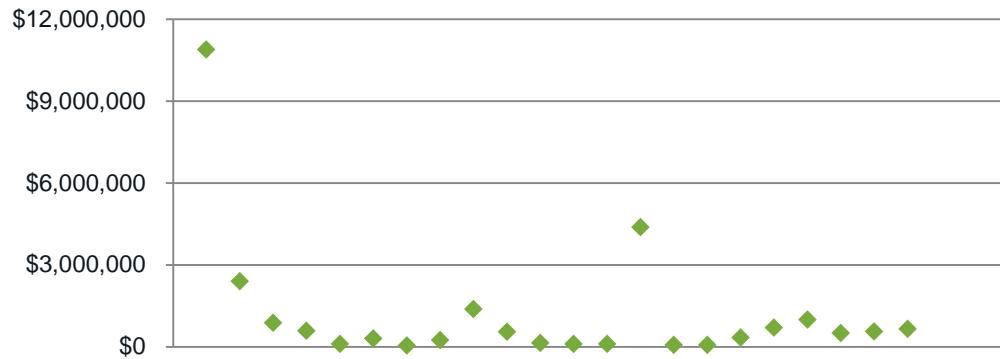
The below list details the data gathering elements collected by the review team:

- Contract files, including scopes of work
- Contract monitoring practices, mechanisms, and performance standards
- SCC determination worksheets

Figures 1 and 2 illustrate the obligation dollars for each PSC R408 and D304 action.

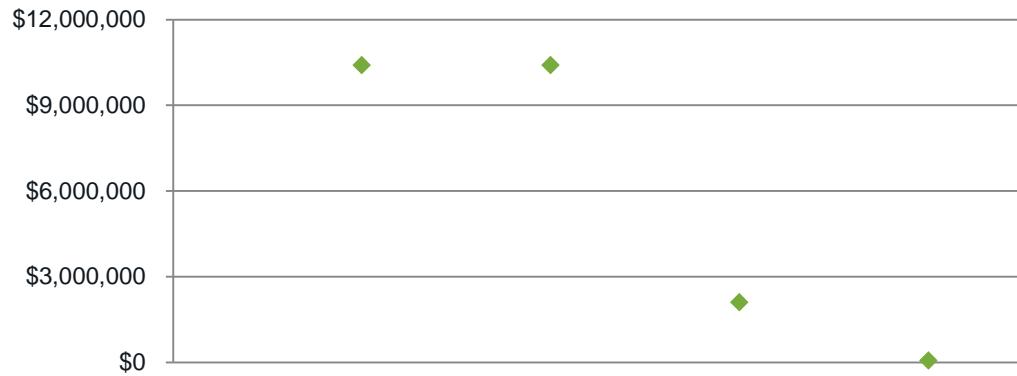
¹ “Publication of the Office of Federal Procurement Policy (OFPP) Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions”, Federal Register, Monday, September 12, 2011, pg. 56238

FIGURE 1: PSC R408 – ACTION OBLIGATIONS



For PSC408, the resultant twenty-two actions are depicted in Figure 1. The obligation dollars range in value from a low of \$44,307 to a high of \$10,881,584, with an average action obligation of \$1,175,152 for PSC R408.

FIGURE 2: PSC D304 – ACTION OBLIGATIONS



For PSC D304, the resultant four actions are depicted in Figure 2. The obligation dollars range in value from a low of \$54,942 to a high of \$10,402,826 with an average action obligation of \$5,740,149.

Tables 2 and 3, below, detail the twenty-two contract actions under PSC R408 and the four contract actions under PSC D304 respectively.

TABLE 2: PSC R408 CONTRACT ACTION DETAILS

Vendor Name²	Description of Requirement	Action Obligation
BOOZ ALLEN HAMILTON INCORPORATED (3626)	MANAGEMENT CONSULTING SUPPORT	\$44,307
PRICEWATERHOUSECOOPERS LLP	MANAGEMENT CONSULTING SUPPORT	\$57,389
BOOZ ALLEN HAMILTON INCORPORATED (3626)	MANAGEMENT CONSULTING SUPPORT	\$61,186
INFORMATION EXPERTS INCORPORATED	CONSUMER MORTGAGE BOOKLETS CREATIVE CONCEPTS DEVELOPMENT SUPPORT	\$92,163
BOOZ ALLEN HAMILTON INCORPORATED (3626)	MANAGEMENT CONSULTING SUPPORT	\$95,196
PRICEWATERHOUSECOOPERS LLP	BUSINESS PROCESS STANDARDIZATION AND CAPABILITY DESIGN SUPPORT	\$100,766
BOOZ ALLEN HAMILTON INCORPORATED (3626)	MANAGEMENT CONSULTING SUPPORT	\$138,412
C B HARRIS & COMPANY INC	RECORDS MANAGEMENT SUPPORT SERVICES	\$241,709
DELOITTE CONSULTING LLP	STRATEGIC COMMUNICATIONS SUPPORT SERVICES	\$291,578
BOOZ ALLEN HAMILTON INCORPORATED (3626)	MANAGEMENT CONSULTING SUPPORT	\$333,716
DELOITTE CONSULTING LLP	MANAGEMENT CONSULTING SUPPORT	\$491,362
PRICEWATERHOUSECOOPERS LLP	MANAGEMENT CONSULTING SUPPORT	\$543,496
PRICEWATERHOUSECOOPERS LLP	CONSUMER SATISFACTION SURVEY IMPLEMENTATION SUPPORT	\$554,472
PRICEWATERHOUSECOOPERS LLP	BUSINESS PROCESS STANDARDIZATION AND CAPABILITY DESIGN	\$572,532

² Vendor names are displayed exactly as they are registered and appear in the Federal Procurement Data System (FPDS).

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Vendor Name²	Description of Requirement	Action Obligation
SUPPORT		
BOOZ ALLEN HAMILTON INCORPORATED (3626)	MANAGEMENT CONSULTING SUPPORT	\$649,137
DELOITTE CONSULTING LLP	STRATEGIC COMMUNICATIONS SUPPORT	\$699,930
THE BOSTON CONSULTING GROUP INC	STRATEGIC MANAGEMENT CONSULTING SERVICES	\$873,265
THE BOSTON CONSULTING GROUP INC	STRATEGIC IMPLEMENTATION SUPPORT SERVICES FOR THE KNOW BEFORE YOU OWE CAMPAIGN	\$993,532
PRICEWATERHOUSECOOPERS LLP	MANAGEMENT CONSULTING SUPPORT	\$1,371,239
BOOZ ALLEN HAMILTON INCORPORATED (3626)	MANAGEMENT CONSULTING SUPPORT	\$2,394,713
AECOM SERVICES, INC.	CONSTRUCTION MANAGEMENT SERVICES FOR CFPB HEADQUARTERS RENOVATION PROJECT	\$4,371,658
PRICEWATERHOUSECOOPERS LLP	MANAGEMENT CONSULTING SUPPORT	\$10,881,584

TABLE 3: PSC D304 CONTRACT ACTION DETAILS

Vendor Name	Description of Requirement	Action Obligation
FEDERAL RADIO SERVICE CORP.	DIGITAL RADIOS, AIRTIME SUBSCRIPTION & MAINTENANCE	\$54,942
VANGENT, INC.	CONSUMER RESPONSE CALL CENTER SUPPORT	\$2,100,000
VANGENT, INC.	CONSUMER RESPONSE CALL CENTER SUPPORT	\$10,402,826
VANGENT, INC.	CONSUMER RESPONSE CALL CENTER SUPPORT	\$10,402,826

2. Summary of Findings

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

- The Bureau is giving special management attention to functions closely associated with inherently governmental functions
- The Bureau is not using contractor employees to perform inherently governmental functions
- The Bureau 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 Bureau is not using contractor employees to perform critical functions in a way that could affect the agency's ability to maintain control of its mission and operations
- There are sufficient internal agency resources to manage and oversee contracts effectively, and
- No contracts have been identified as poorly performed because of excessive costs or inferior quality.

2.1 PSC R408: Support - Professional: Program Management/Support

Product Service Code R408 is selected for review because it makes up one of the highest percentages of overall CFPB service contract obligations, and is also included in the OMB-identified list of special interest functions. The Bureau has reported approximately 19% of its total FY 2014 obligation dollars under PSC R408. Seven vendors are responsible for these services: Aecom Services, Inc.; Booz Allen Hamilton Inc.; CB Harris & Company Inc.; Deloitte

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Consulting LLP; Information Experts Inc.; PriceWaterhouseCoopers LLP; and The Boston Consulting Group.

Aecom Services, Inc. has been awarded a contract by the General Services Administration (GSA) on behalf of the Bureau for construction management services in support of the Bureau's building renovation project in FY 2014. The obligation amount for this contract action is approximately \$4.4 million. Since the Bureau was a new agency created as a result of the Dodd-Frank Act, the Office of the Comptroller of the Currency (OCC) and the Bureau entered into an agreement early on to use space in the OCC's building located at 1700 G Street NW, Washington, DC. The 1700 G Street building has not undergone any major renovations or modernization since the late 1970s when it was constructed; therefore, to better suit the Bureau's needs, the Bureau is renovating the building. Specifically, Aecom Services, Inc. has been tasked with facilitating and coordinating project execution activities, leading and completing the commissioning process, and providing documented confirmation that the completed facility fulfills the functional and performance requirements of the GSA, the Bureau, and its facility operators. Construction-related performance standards are defined as part of the contract. The Chief Administrative Office (CAO) is the Bureau office responsible for overall approval authority for all aspects of the building renovation project, including determining requirements associated with the renovation needs, project scope, design, schedule, and budget. The CAO has assigned a full-time Federal employee with the construction-related expertise required to oversee the overall renovation project. This Bureau employee is also Level III certified as a Contracting Officer's Representative (COR), and meets regularly with the contractor regarding progress.

Seven of the twenty-two contract actions have been awarded to Booz Allen Hamilton Inc. totaling approximately \$3.7 million in obligations. The obligations impact four call orders against a multiple-award, CFPB Blanket Purchase Agreement (BPA) for management consulting support services. The work requirements for these call orders include assisting with staffing models, analysis of organizational operational requirements, and resource evaluations and assessments. Each BPA call order has been reviewed, including both the approved SCC determination worksheets and related contract documents. All four BPA call orders require the contractor to submit bi-weekly status reports and other deliverables. Additionally, experienced and certified Bureau CORs monitor the performance of each call order, and are designated to the contracts accordingly.

CB Harris & Company Inc. has been awarded one FY 2014 contract action under PSC R408 for approximately \$241,000. Work under this contract is for records

management support, specifically assisting with identifying, classifying, and safeguarding Bureau records. Aspects of contract management include contract performance standards and monthly reports, as well as a certified Bureau COR with the technical expertise to oversee contract performance.

Three FY 2014 contract actions, with an estimated \$1.5 million in obligations, have been awarded to Deloitte Consulting LLP. These actions affect three different BPA call orders for management consulting support services. Two of the three BPA call orders involve assessing the Bureau's communication practices, policies, and plans. Tasks on the third BPA call order involve strategic planning support, and assessing challenges and potential resources to incorporate K-12 financial education in schools. All three BPA call orders are issued for less than twelve months of services, on a firm-fixed-price basis with payment driven by contract deliverables. Each call order has a certified Bureau COR designated to oversee contract performance.

The estimated \$92,000 in obligations awarded to Information Experts Inc. consists of one contract action out of the overall twenty-two contract actions reported under PSC R408. The contract action is a call order under a CFPB BPA that was competitively awarded. Under the call order, Information Experts Inc. gathers input from consumers and lenders on a required mortgage disclosure document as it moves through the development process. The support services provided by the contractor are for less than twelve months. The contractor participates in weekly status meetings with the Bureau to review the project plan and work progress. Furthermore, there is a certified COR designated to this contract to oversee contract management.

Seven contract transactions, with an estimated \$14 million in obligations, are awarded to PriceWaterhouseCoopers LLP (PWC). These actions affect four different BPA call orders for management consulting support services. Under one of the BPA call orders, PWC supports the Bureau's Technology and Innovation (T&I) office with project/program management support to ensure operational performance and improvements for existing and new T&I business projects. Tasks on the remaining BPA call orders support the Bureau's Consumer Response (CR) office to assist with program management support, documenting the existing consumer complaint lifecycle operational processes, evaluating existing operational processes, recommending process improvements, and implementing the Bureau's Consumer Satisfaction Survey strategy. Payment schedules are included in the firm-fixed-price call orders to drive contract

performance. PWC also provides weekly and/or bi-weekly status reports detailing work performed, planned work, and any issues or risks encountered on all the BPA call orders. A certified Bureau COR is designated by the Contracting Officer on all four BPA call orders.

The remaining two contract actions reported under PSC R408 are awarded to The Boston Consulting Group Inc (BCG) for an obligation of roughly \$1.9 million across two BPA call orders. The scope of work under one of the BPA call orders supports the Bureau's Office of Research, Markets, and Regulations (RMR) to assist with improving the consumer experience around mortgage closing. The second BPA call order also supports RMR, specifically with assessing its Know Before You Owe (KBYO) Closing Time pilot program. Both BPA call orders are awarded on a firm-fixed-price basis with defined deliverables driving payment. Like all the previous contract actions discussed, certified Bureau CORs are also designated to these BPA call orders with BCG.

All contract actions reported under PSC R408 have been examined by reviewing SCC worksheets and contract documents. In each case, as demonstrated, there are processes in place for adequate government oversight. The CFPB has continued to expand its' COR workforce, and each office has at its disposal well-trained and experienced CORs. Additionally, the Bureau has an internal monthly report in place for CORs to report on the status of contractors' performance to staff in the Office of Procurement, who shares it with upper management. The COR's evaluation of the contractor's performance covers quality of service, timeliness of performance, business relationship, and cost control. The work the CORs perform and other controls have enabled the CFPB to ensure that no contractor is performing any inherently governmental work.

2.2 PSC D304: IT & Telecommunications – Telecommunications and Transmission

Product Service Code D304 is selected for review because it makes up one of the highest percentages of overall CFPB service contract obligations. Four contract actions impacting contracts with two vendors, Vangent (now GDIT) and Federal Radio Service Corp., make up the overall PSC D304 obligations in FY 2014.

One contract action out of the four is awarded to Federal Radio Service Corp. for approximately \$55,000. This firm-fixed-price contract is for an integrated digital on-site radio system, portable radios, radio accessories, wide-area service, on-site service, and DSL connections. The services acquired for the maintenance portion of the contract are commercial in nature and are not inherently governmental. A certified Bureau COR is designated to oversee the management of this contract. All other items procured under this contract are considered products; therefore, they are not subject to further analysis for the purposes of this report.

In FY 2014, the CFPB has continued its contract for contact center support with GDIT. Obligations for contact center support reported under PSC D304 are approximately \$23 million. GDIT is tasked with building and delivering a set of solutions, Contact Center System, to support and help manage the Bureau's interactions with consumers, regulated entities and other government agencies. As part of quality assurance, the contractor is required to provide a quality monitoring solution that records 100% of voice communication, web chats, customer service representative (CSR) desktop activities and all outgoing correspondences with consumers. The Bureau also conducts both remote and side-by-side monitoring sessions with CSRs at any time, without advance notice to GDIT. The Bureau is able to remotely monitor up to five live and/or recorded consumer calls simultaneously, anonymously, and autonomously. Other methods of managing contract performance include consumer satisfaction surveys, employee surveys, and external operational assessments. Service level agreements/performance standards and incentives are also included as part of the contract and a certified Bureau COR is designated to oversee overall contract performance. The COR is required to report the status of the contractor's performance on a monthly basis to the Office of Procurement who shares it with upper management. The COR's evaluation of the contractor's performance covers quality of service, timeliness of performance, business relationship, and cost control.

2.3 Analysis

The analysis is 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?

2.3.1 Are contractors performing a function that is mission-critical?

In the case of this analysis, some functions are deemed to be mission-critical such as the contact center support, project/program management support to ensure operational performance and improvements for existing and new T&I business projects, and analysis of organizational operational requirements support. It should be noted that contractors are 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) remains with the government workforce at the Bureau. In addition, the CFPB provides sufficiently trained officials and CORs that are able to oversee the contract administration function.

2.3.2 Do contractual requirements include inherently governmental functions?

The Bureau's contractual support requirements did not include inherently governmental functions, and as such, there is little possibility of contractors performing inherently governmental work.

2.3.3 Do contractual requirements include unauthorized personal services?

The Bureau does not have any contracts or contractual requirements that include unauthorized personal services.

2.3.4 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 is given to fulfilling needs with existing government employees prior to synopsizing requirements. To comply with OFPP's Policy Letter 11-01, the Bureau has established a pre-acquisition service code determination checklist and approval worksheet. CFPB's SCC determination worksheet is required for service contract obligations over \$25,000, ensuring adequate review and documentation is complete to avoid any unnecessary "inherently governmental" contract work. An approved SCC determination worksheet is required prior to award and documents that the requirement has been vetted and approved by both the program office and the Office of Human Capital, certifying both a balanced workforce approach and appropriate exercise of discretion. In addition, the worksheet documents that proper staffing for oversight of closely related inherently governmental functions has been considered.

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

Regarding performance related to the PSCs studied in this report, the CORs, Contracting Officers, and Program Managers involved in the contract actions reviewed are sufficiently trained in effective management techniques and oversight of critical/non-critical support services. Over the last four years, the CFPB expanded its COR workforce to ensure that each program office has sufficiently trained employees capable of contract administration. The Office of Procurement also offers regular COR training and guidance. The CFPB currently has 179 certified CORs.

3. Business Process Improvement Opportunities

The CFPB's Office of Procurement has implemented strategies aimed at ensuring that service contracts are managed effectively, and that the potential for performing inherently governmental work is avoided. These efforts have been categorized into two groups:

1. Ongoing process improvements
2. Recommended process improvements

3.1 Ongoing Process Improvements

The Bureau recognizes the need to continue the forum for CORs/program managers to share not only best practices, but also topics such as contract administration techniques and general contract questions. The Bureau's Office of Procurement continues to host monthly COR roundtable meetings aimed at maintaining and enhancing the professional development of staff sharing ideas, values, and strategies across the COR workforce. These meetings have become a forum for discussing current procurement topics, and have spawned individual training sessions in program offices throughout the Bureau. Training sessions include topics such as invoice review, contract administration, file/record maintenance, accruals, and contractor on/off-boarding procedures. In addition to the monthly COR roundtable meetings, the Office of Procurement offers formal COR training throughout the year including classes such as COR Refresher, Contract Changes, Developing a Performance Work Statement, Ethics in Federal Contracting, and Developing an Independent Government Cost Estimate.

The Office of Procurement also has robust internal reports that share contract information, contractor and COR-driven reporting, obligation profiles, and summaries of contractor

performance for service contracts valued over the Simplified Acquisition Threshold 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 in the areas of quality of service, cost control, timeliness of performance, and business relations between the Bureau and its contractors. Other oversight mechanisms include the development of a procurement dashboard which provides an overview of all contract obligations by fiscal year quarters and associated number of transactions processed. The dashboard is available to all Bureau employees to include upper management. Users can drill into the data to see top obligation dollars by vendor.

The Bureau is currently in the process of establishing a special Contract Administration Office within the Office of Procurement. The Contract Administration Office will be specifically responsible for COR functions and training to help centralize contract administration oversight across the Bureau.

3.2 Recommended Process Improvements

The recommendations below provide the Bureau with additional process improvement steps for the FY 2015 service contract inventory:

1. Establish and grow the Contract Administration Office to increase and centralize contract administration oversight
2. Further develop the procurement dashboard to enable deeper views into contract awards such as small business status, competition, etc.
3. Continue COR awareness efforts, promoting aggressive training and encouraging COR Level II/III certification
4. Minimize Labor Hour and Time-and-Material contracts; maximize usage of Fixed Price contracts

4. Bureau Senior Management Officials

The senior management official accountable for the development of the Bureau's policies, procedures, and training associated with OFPP's 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, Jeffery Sumberg.

The Chief Information Officer for the Bureau is Ashwin Vasan.