U.S. Department of Transportation
Office of the Secretary of Transportation

FY 2016
SERVICE CONTRACT INVENTORY
ANALYSIS REPORT

December 13, 2017

Submitted to

Office of Management and Budget

EXECUTIVE SUMMARY

The Department of Transportation (DOT) is working to improve the management of service contracts. DOT's ability to manage service contracts more effectively and to proactively find cost savings without adversely affecting the mission remains a top priority. DOT's Fiscal Year (FY) 2016 Service Contract Inventory (SCI) analysis focused on a subset of the OMB-selected special interest functions as well as additional function codes with significant reported obligations.

Our FY 2016 analysis efforts were designed to help us understand how we can better manage these service contract efforts for performance and cost efficiencies. Specifically, we examined opportunities for reducing the cost for these efforts such as through the use of GSA or other strategic sourcing contracts. We evaluated the extent to which contract awards within these functions leverage existing Federal or Departmental enterprise contract vehicles or present future opportunities for strategic sourcing. We assessed effective balancing of contracted and government resources for these efforts. The analysis also addressed the justification and basis for use of high risk cost type contracts. The focus on high risk contracts provided information essential to identifying issues with the Operating Administrations' use and management of cost-reimbursement awards. For the selected awards, our detailed analysis also identified the roles that contracted services play in achieving agency objectives.

In FY 2016, DOT obligated $6.746 billion on all contracts for goods and services (source: Federal Procurement Data System (FPDS) as of 12 January 2017). Eighty-four percent, or $5.710 billion, was obligated on service contracts. This represents an increase of $622M or 12% from the reported FY 2015 total service contract obligations of $5.089B. Seven out of ten Operating Administrations (OAs) obligated more than 90 percent of their contract dollars on service contracts.

In FY 2016, DOT obligated $1.562 billion on the 12 OMB-selected management support services, which represents 23 percent of the Department's total contract obligations (per DOT's FY 2016 Service Contract Inventory dated January 12, 2017). This represents an increase of $65M from the reported FY 2015 obligations of $1.497B for the OMB-selected management support services.

In the 12 categories:

- 71 percent of spending was in R425-Engineering and Technical Services;
- 18 percent of spending was in R408-Program Management/ Support Services; and
- 3 percent of spending was in D302 – IT and Telecom – Systems Development

DOT analyzed spending patterns in the R425 and R408 product service code categories in more detail to understand: (1) changes in contract composition from FY 2015 to FY 2016; (2) type of competition among vendors and changes from FY 2015 to FY 2016; (3) place of performance; (4) compliance with Departmental small business program goals; and (5) spending pattern for FY 2016. R425 and R408 were selected since these categories included the largest obligations in cost type contracts. This analysis provides an important foundation for identifying specific areas for further examination to ensure that contract labor is used appropriately and efficiently.

Spend Category	FY2015	FY2016
Total Obligations	$6,070,742,616.43	$6,746,880,411.38
Total Services Obligations	$5,088,916,701.61	$5,710,712,414.24
Total OMB MSS	$1,497,774,996.71	$1,562,825,102.38

For FY 2016, DOT selected and reviewed a subset of the OMB-select special interest functions as well as additional function codes with significant reported obligations, consisting of 534 contract obligation actions valued at $1,764,633,049 and representing 31 percent of the total Service Contract Inventory obligations. All contracts reviewed had adequate supervision.

- No insourcing was recommended. The OAs cited a lack of in-house government resources with the necessary expertise and that they valued the fact that the contractor workforce complimented in-house personnel with experience and knowledge of current industry standards. The OAs also reported that some of the efforts were short-term and not on-going requirements, so developing internal expertise would not be appropriate.

- Regarding opportunities for further cost savings, several of the Operating Administrations reported that they utilized strategic sourcing approaches with GSA contract vehicles and negotiated reductions from that GSA pricing for their service contract awards. The Operating Administrations reported that they also leveraged internal Departmental BPAs to reduce costs. The Operating Administrations reported for numerous reviewed service contracts that the contracts were awarded on the basis of full and open competition with fair and reasonable pricing. Several Operating Administrations indicated that the reviewed contracts consolidated efforts which were previously separately awarded achieving cost savings. FAA indicated that cost is monitored carefully as part of contract administration and FAA has assigned certified acquisition staff to ensure proper oversight.

Increasing Awareness of Service Contract Spending and High-Risk Contracting

To better manage service contracts for performance and efficiency, DOT initiated several important efforts beginning in FY 2011 designed to increase awareness of service contract spending and reduce high-risk contracting. The Senior Procurement Executive (SPE) regularly briefs the Chief Acquisition Officer (CAO), Strategic Acquisition Council (SAC), Chief Financial Officer (CFO), and Chief Information Officer (CIO) on service contract spending and on reducing the use of high-risk contract types. In those instances, where it is best to use a higher risk contract type, the SPE emphasizes effective oversight. In FY 2015, the OSPE issued an update to the Acquisition Planning Operational Guide with guidance to reduce high risk contracts and maximize competition. The OSPE recognizes that certification of the acquisition workforce—including contracting staff, contracting officers' representatives (CORs), and program managers—is essential to effective oversight of all contracts. From FY 2009 to FY 2016, DOT certifications have increased substantially. As of September 30, 2016, DOT certification rate for contracting professionals was 96%.

DOT-wide Strategic Sourcing

The Office of the Senior Procurement Executive serves as the Executive Secretariat for the Strategic Sourcing Executive Steering Committee within the department. The Executive Steering Committee analyzes data, evaluates the results, and implements strategic sourcing/category management solutions in areas that generate Department-wide savings, and from 2006-2016, DOT Strategic sourcing spend was $1.012 Billion, saving DOT $322 Million. In a memo to the CAOs and SPEs dated December 4, 2014, the Office of Management and Budget Office of Federal Procurement Policy kicked off an initiative to transform the federal procurement process for commodities, or "common spend" items – expanding the strategic sourcing program to that of Category Management.

Category management uses a structured approach focused around defining products and services that behave in a similar manner. Category management creates common categories of products and

services across Federal agencies and allows the Federal Government to buy smarter and more like a single enterprise. This is a fundamental shift from the practice of handling purchasing, analyzing pricing, and developing vendor relationships individually within thousands of procurement units across Government. A coordinated implementation of the category management business model will enable the Federal Government to eliminate redundancies, increase efficiency and effectiveness, and boost satisfaction with the products and services we deliver.

A critical lever utilized in category management is the identification of best-in-class (BIC) contract solutions. BIC is a contracting and acquisition designation used to denote contracts that meet rigorous category management performance criteria as defined by OMB.

BIC is one element that agencies may use to increase spend under management (SUM). Increasing SUM is a result of directing dollars for common spend, commodity-type supplies and services, to contract vehicles that are created and managed according to the principles of category management.

As a first step to strengthen mission support services through the use of common contract solutions, the President's Management Council (PMC) and the Office of Management and Budget (OMB) agreed that agencies would designate senior accountable officials (SAOs) to be responsible for reducing unmanaged spend and executing plans to increase use of contract solutions designated as "Best In Class" (BIC). DOT's SAO is Keith Nelson, Assistant Secretary for Administration.

For FY 2018, the PMC agreed upon the following goals:

- Increase the agency's FY 2016 baseline SUM by 20%. DOT FY 2016 baseline was 22.9% of spend under management. DOT FY 2018 target is 27.48% spend under management
- Increase spending through BIC solutions to no less than 35%. DOT FY 2016 spend through BIC solutions was 1.2%. DOT FY 2018 target is 35% of spend through BIC solutions.

FAA is currently finalizing a reporting and analysis infrastructure to standardize and consistently track savings from service contracts. FAA does have multi-award contracting programs for services/support that fall under strategic sourcing and is in the process of establishing controls similar to those under the Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) contracts to be able to effectively track spend and savings with metrics as we progress through FY17.

Workforce Analysis

In June 2014 DOT OCIO completed an information technology (IT) workforce analysis to evaluate the current alignment of Federal staff and contractor resources supporting the Department's IT efforts. Based on this analysis and the changing nature of IT, DOT engaged in an IT workforce initiative to reduce reliance on contractors and concomitantly increase the number of Federal positions. The realignment was sought to provide two main benefits:

Realize cost savings and efficiencies: The cost of contractor support is often significantly higher than the full-cost of Federal employees. The use of contractors also creates the possibility of increased duplication of roles and additional layers of reporting that may create barriers to operations. Converting contracted positions to Federal positions will reduce this potential redundancy.

Realign Federal and contractor roles: Many IT functions performed by contractors may be more appropriately performed by government employees. Generally, these are contractors who are funded on a time and materials basis to perform full-time work reflective of steady state responsibilities that are ongoing year after year.

Based on the analysis, DOT is in the process of reshaping the IT workforce.

DOT-wide Acquisition Oversight

On September 10, 2013, the Deputy Secretary issued the Department's Acquisition Oversight and Risk Management updated policy establishing formal governance by the Senior Procurement Executive (SPE), Chief Financial Officer (CFO) and Chief Information Officer (CIO) to effectively oversee DOT's contracts portfolio through the implementation of the Acquisition Strategy Review Board (ASRB). The ASRB provides a departmental-level review of the business and acquisition approaches utilized by the Operating Administrations (OAs) in meeting DOT mission requirements and program objectives; ensures that Federal and Departmental initiatives are being addressed; emphasizes the importance of acquisition planning, source selection criteria, contract type, socioeconomic objectives, competition benefits, and award determinations; provides a venue for OAs to raise issues that may be of concern to the Department; and ensures that management support service contracts are appropriately justified and managed within DOT. In FY16, the ASRB reviewed and approved 22 acquisition programs which included services valued in excess of $908,174,264. The ASRB reviews are designed to address several key acquisition objectives including minimizing the use of high risk contracts (both in the base contract and subordinate orders) as well as reducing the use of management support services to the greatest extent practicable, consistent with program needs.

The SPE will continue to leverage FPDS data analysis as a management tool to better understand and track service contract spending throughout DOT. FPDS data is the baseline data source used to support spend analysis and identify potential strategic sourcing opportunities. Through the Acquisition Strategy Review Board, the SPE, CFO, and CIO continue to lay the groundwork for establishing internal management controls for new service contracts, as well as identifying existing service contracts that are in high risk categories and candidates for strategic sourcing or renegotiation.

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Chief Information Officer

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1.0 INTRODUCTION

The Office of Management and Budget (OMB) is asking agencies to improve the management of service contracts to ensure that contract labor is used appropriately and efficiently. This improved management includes:

- Understanding the functions that contract labor performs to ensure that contractors are not performing inherently governmental or critical functions;
- Using a multi-sector workforce approach to avoid overreliance on contractors and to ensure the right mix of federal employees and contractors; and
- Using acquisition processes and contract management to reduce contract costs.

This Service Contract Inventory Analysis Report presents the analysis methodology, findings, and the resulting recommendations and actions. Recognizing current and future budget constraints, DOT's ability to manage service contracts more effectively and to find cost savings without adversely affecting the mission remains a top priority.

DOT's FY 2016 Service Contract Inventory (SCI) analysis focused on a subset of the OMB-selected special interest functions as well as additional function codes with significant reported obligations. The analysis efforts were designed to help us understand how we can better manage these efforts for performance and cost efficiencies. Specifically, we examined opportunities for reducing the cost for these efforts such as through the use of GSA or other strategic sourcing contracts, or consolidation with other efforts. We evaluated the extent to which contract awards within these functions leverage existing Federal or Departmental enterprise contract vehicles or present future opportunities for strategic sourcing. We assessed effective balancing of contracted and government resources for these efforts. The analysis included the justification and basis for use of high risk contract types to help us understand how we can better manage these efforts for performance and cost efficiencies. The focus on high risk contracts provided information essential to identifying issues with the Operating Administrations' use and management of cost-reimbursement awards. For the selected awards, the detailed analysis also included the roles that the contracted services play in achieving agency objectives.

2.0 ANALYSIS METHODOLOGY

Section 743 of Division C of the FY 2010 Consolidated Appropriations Act, Public Law 111-117 requires civilian agencies to prepare an annual inventory of their service contracts. OMB issued a memorandum for Chief Acquisition Officers and Senior Procurement Executives, dated December 19, 2011, providing specific guidance for developing, analyzing, and reporting on the Service Contract Inventory.

During FY 2012, GAO assessed agency efforts to comply with the legislative requirements (GAO-12-1007). In their September 2012 report entitled "Civilian Service Contract Inventories, Opportunities Exist to Improve Agency Reporting and Review Efforts", GAO recommended agencies review a larger percentage of their service contracts each year, providing the dollar value of the contracts reviewed as a percentage of total service contracts. The report also recommended that agencies provide their rationale for reviewing the selected contracts, provide more contexts around the findings, and report on steps taken to resolve any issues.

On December 11, 2012, OMB issued draft guidance to ensure that agencies were aware of the recommendations made by GAO and to incorporate them in the Service Contract Inventory Analysis Report. On September 8, 2015, OMB issued an Alert providing guidance on the Development and Analysis of Service Contract Inventories. In response to OMB's guidance and the GAO recommendations, DOT:

- Developed the FY 2016 Service Contract Inventory using service contract action obligations over $25,000 awarded in FY 2016.

- Conducted analysis of the FY 2016 Service Contract Inventory to determine if contract labor was used appropriately and efficiently;
- Developed new guidance, facilitated the analysis with a FY 2016 Analysis spreadsheet pre-populated with information from FPDS, and obtained Operating Administration certification on the FY 2016 Service Contract Inventory Analysis Completion Statement.

A list of the applicable legislation and guidance is provided in *Appendix A: Applicable Legislation and Guidance.*

2.1 Service Contract Inventory Analysis

DOT analyzed the FY 2016 Service Contract Inventory concentrating on a subset of the OMB-selected special interest functions as well as additional function codes with significant reported obligations. In the December 19, 2011, Memorandum, OMB identified 12 product and service codes (PSCs) in the areas of professional and management services and information technology support services as "special interest functions." These special interest functions were identified based on four management concerns:

1. Spending in these areas had increased four-fold in the last decade, outpacing spending in most other areas;
2. The majority of contracts in these areas are high risk type contracts; i.e., time-and-materials, labor hour, or cost-plus;
3. Using contractors in these areas increases the risk of contracting out inherently governmental functions and potentially losing control of mission and operations; and
4. These areas are vulnerable to misuse as a means to augment federal government staff.

DOT developed a detailed list of FY 2016 awarded contracts by contract type for a subset of the OMB-selected special interest functions as well as additional function codes with significant reported obligations.

1. For the Department of Transportation's FY 2016 Service Contract Inventory, the analysis focused on the OMB-selected special interest functions as well as additional function codes with significant reported FY 2016 obligations as highlighted in Table 1-1 below:
2. To facilitate the analysis, we developed a pre-populated FY 2016 SCI analysis master spreadsheet with information from FPDS. The spreadsheet was organized by Operating Administration and listed all FY 2016 awards within the scope of the analysis. We requested that each Operating Administration:
    - Select and review a minimum of 60% of the total obligations within the cited product service codes. This represents an increase from the 50% review requirement in FY 2015.
    - Ensure the selected and reviewed awards include as many different basic contracts as possible to ensure a comprehensive review.
    - Select and review <u>all</u> Personal Services contracts listed on the FY 2016 master spreadsheet.
    - Document the contract review and responses on the FY 2016 master spreadsheet template.
    - Upon completion of the analysis, certify the completion statement.

Table 1-1: Baseline for FY 2016 Service Contract Inventory Analysis

Special Interest PSC	Description	Obligations	% Total Obligations
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	$1,120,481,833.88	16.61%
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	$282,944,223.59	4.19%
R499	SUPPORT- PROFESSIONAL: OTHER	$184,856,423.61	2.74%
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT	$47,525,562.08	0.70%
R414	SYSTEMS ENGINEERING SERVICES	$35,870,966.86	0.53%
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE	$24,213,212.03	0.36%
R707	SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION SUPPORT	$19,126,009.19	0.28%
D314	IT AND TELECOM- SYSTEM ACQUISITION SUPPORT	$16,520,845.60	0.24%
D310	IT AND TELECOM- CYBER SECURITY AND DATA BACKUP	$10,874,514.49	0.16%
R406	SUPPORT- PROFESSIONAL: POLICY REVIEW/DEVELOPMENT	$6,448,307.81	0.10%
R413	SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT	$2,081,917.42	0.03%
R497	SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS	$2,038,777.19	0.03%
B505	SPECIAL STUDIES/ANALYSIS- COST BENEFIT	$1,484,993.32	0.02%
R421	TECHNICAL ASSISTANCE	$1,059,240.05	0.02%
R423	SUPPORT- PROFESSIONAL: INTELLIGENCE	$88,000.00	0.00%

Largest Obligations		Obligations	% Total Obligations
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	$1,120,481,833.88	16.61%
Y1LB	CONSTRUCTION OF HIGHWAYS, ROADS, STREETS, BRIDGES, AND RAILWAYS	$673,643,401.47	9.98%
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	$282,944,223.59	4.19%
AD26	R&D- DEFENSE OTHER: SERVICES (MANAGEMENT/SUPPORT)	$271,433,740.07	4.02%
S113	TELEPHONE AND-OR COMMUNICATIONS SER	$261,746,820.01	3.88%
R499	SUPPORT- PROFESSIONAL: OTHER	$184,856,423.61	2.74%
S216	HOUSEKEEPING- FACILITIES OPERATIONS SUPPORT	$164,377,654.83	2.44%
AD25	R&D- DEFENSE OTHER: SERVICES (OPERATIONAL SYSTEMS DEVELOPMENT)	$161,932,388.81	2.40%
S211	HOUSEKEEPING- SURVEILLANCE	$158,943,830.00	2.36%
D316	IT AND TELECOM- TELECOMMUNICATIONS NETWORK MANAGEMENT	$150,619,837.05	2.23%

The Operating Administrations reviewed the selected contracts in accordance with the requirement in Section 743 (e) for the purpose of ensuring that:

"(i) 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;

(ii) the agency is giving special management attention, as set forth in FAR 37.114, to functions that are closely associated with inherently governmental functions;

(iii) the agency is not using contractor employees to perform inherently governmental functions;

(iv) 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;

(v) 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

(vi) there are sufficient internal agency resources to manage and oversee contracts effectively."[1]

The individual contract review process included documentation to ensure that all the Section 743(e) requirements were addressed, as well as questions to address the extent of competition, the justification and basis for approval of a cost type contract, what specific quality assurance procedures and oversight are in place, the role of the contract in achieving agency objectives, the business status, plans to re-compete the contract, and whether or not the Operating Administration has determined if any of the services should be performed by federal employees or a mixture of federal employees and contractors. Additional questions addressed opportunities for reducing the cost for the effort for example, use of a GSA or other enterprise strategic sourcing vehicle, consolidation with similar contracts, increase in oversight, or change in contract type. In addition, each Operating Administration was asked to review and confirm that the contractor past performance information was entered into CPARS. To complete the analysis, the Operating Administrations reviewed the contract file and, as necessary, conducted interviews with the relevant program and acquisition offices. In addition, Operating Administrations were required to complete the Annual Service Contract Inventory Review Certification Form as part of their analysis and submission.

2.2 Federal Procurement Data System Data Considerations

Since developing the FY 2010 Service Contract Inventory, DOT became aware of several issues that must be considered when using FPDS data to analyze service contract spending:

a) The FPDS data is not static and is continually changing with additions and corrections to the data;

b) The Federal Aviation Administration, which awarded approximately 66% of the Department's total FY 2016 Service Contract Inventory, periodically identifies reporting anomalies due to the fact that they were using an old version of PRISM for contract writing and did not migrate to FPDS-NG until November 2016. After migration to FPDS-NG and certification of their FY16 procurement award data, FAA entered missing prior year obligations as FY16 awards, mistakenly increasing FY16 award data. FAA will have an action plan in place by the end of FY2017, and implemented in the first quarter of FY2018 to adjust reported award data

c) The FPDS query guidance from OMB to exclude small action obligations under $25,000 also excludes de-obligations. This results in overstated actual overall spending and in some cases reflecting an erroneous percentage exceeding 100%. The overstatements are immaterial to the analysis, overstating spend at most by 1.2%.

3.0 ANALYSIS FINDINGS

3.1 Service Contract Inventory Analysis

DOT obligated $6.746 billion on contracts (action obligations) in FY 2016 (as reported in FPDS as of January 12, 2017). This represents an increase of $675M from the $6.071 billion on contracts (action obligations) in FY 2015 (as reported in

[1] Service Contract Inventory Requirement. Public Law 111-117. Section 743. December 16, 2009.

FPDS as of December 14, 2015). Eighty-four percent or $5.710 billion was obligated on service contracts. Seven Operating Administrations (OAs) obligated 90 percent or more of their contract dollars on service contracts. In FY 2016:

- Federal Highway Administration (FHWA), Federal Motor Carrier Safety Administration (FMCSA), Federal Railroad Administration (FRA), the Office of the Secretary of Transportation (OST), the National Highway Traffic Safety Administration (NHTSA), the Federal Transit Administration (FTA), and Pipeline and Hazardous Materials Safety Administration (PHMSA), all obligated over 90 percent of their total contract spending on services.
- MARAD's obligations reflect the fact approximately 75% of their total obligations utilize Navy appropriations which are not reported in the DOT's Service Contract Inventory.

Table 3-1 provides a breakdown of total spending and spending for service contracts by Operating Administration (OA). It's important to note that the Service Contract Inventory dollar amounts include only reported obligations greater than $25,000 per OMB report requirements. This reporting requirement results in anomalies in the percentage calculations since the total contract obligations include all awards including those less than $25,000 and de-obligations.

Table 3-1: Service Contract Spending by Operating Administration

Operating Administration	FY2016 Action Obligations		Percentage SCI of Total Contracts
	Total Contracts	Service Contract Inventory > $25,000	
FEDERAL AVIATION ADMINISTRATION	$4,609,297,163.21	$3,793,117,962.33	82.29%
FEDERAL HIGHWAY ADMINISTRATION	$921,658,857.93	$943,838,333.35	102.41%
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION	$75,405,723.81	$74,198,902.52	98.40%
FEDERAL RAILROAD ADMINISTRATION	$63,512,686.80	$63,703,580.57	100.30%
FEDERAL TRANSIT ADMINISTRATION	$106,366,208.51	$108,064,141.99	101.60%
IMMEDIATE OFFICE OF THE SECRETARY OF TRANSPORTATION	$388,635,874.06	$382,425,430.74	98.40%
M63 Procurement Office	$166,243,160.51	$161,925,279.44	97.40%
VOLPE Procurement Office	$222,392,713.55	$220,500,151.30	99.15%
MARITIME ADMINISTRATION	$323,429,942.15	$80,338,674.20	24.84%
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION	$202,964,006.08	$193,210,089.97	95.19%
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATON	$43,853,378.94	$41,673,064.60	95.03%
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION	$11,756,569.89	$1,850,492.00	15.74%
*Other		$28,291,741.97	
Grand Total	**$6,746,880,411.38**	**$5,710,712,414.24**	**84.64%**
***Other includes contracting agencies DISA, DOE, Federal Acquisition Service, Public Building Service, and Departmental Offices who awarded contracts on behalf of DOT**			

Note: FPDS reporting is not static. The data was sourced from FPDS with total contract obligations reported as of January 12, 2017 and Service Contract Inventory as of February 21, 2017. MARAD awards a significant amount of contracts using funds from other federal agencies. Those obligations are reported by the funding agency and are not included in DOT's Service Contract Inventory.

Table 3-2 provides a breakdown of service contract spending by Operating Administration (OA) and a percentage of their spending as a part of the total service contract spending.

- Federal Aviation Administration (FAA) was responsible for 66 percent of DOT total spending on service contracts at DOT;
- Federal Highway Administration (FHWA) was responsible for 17 percent of DOT total spending on service contracts at DOT;

Table 3-2: OA Service Contract Spending as a Part of Total Service Contract Spending (percentages below are rounded)

Operating Administration	FY2016 Action Obligations		Percentage SCI of Total Contracts
	Total Contracts	Service Contract Inventory > $25,000	
FEDERAL AVIATION ADMINISTRATION	$4,609,297,163.21	$3,793,117,962.33	66.42%
FEDERAL HIGHWAY ADMINISTRATION	$921,658,857.93	$943,838,333.35	16.53%
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION	$75,405,723.81	$74,198,902.52	1.30%
FEDERAL RAILROAD ADMINISTRATION	$63,512,686.80	$63,703,580.57	1.12%
FEDERAL TRANSIT ADMINISTRATION	$106,366,208.51	$108,064,141.99	1.89%
IMMEDIATE OFFICE OF THE SECRETARY OF TRANSPORTATION	$388,635,874.06	$382,425,430.74	6.70%
M63 Procurement Office	$166,243,160.51	$161,925,279.44	2.84%
VOLPE Procurement Office	$222,392,713.55	$220,500,151.30	3.86%
MARITIME ADMINISTRATION	$323,429,942.15	$80,338,674.20	1.41%
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION	$202,964,006.08	$193,210,089.97	3.38%
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATON	$43,853,378.94	$41,673,064.60	0.73%
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION	$11,756,569.89	$1,850,492.00	0.03%
*Other		$28,291,741.97	
Grand Total	**$6,746,880,411.38**	**$5,710,712,414.24**	100.00%
***Other includes contracting agencies DISA, DOE, Federal Acquisition Service, Public Building Service, and Departmental Offices who awarded contracts on behalf of DOT**			

Table 3-3 presents an overview of the changes in service contract spending from FY 2014 to FY 2016. From FY 2015 to FY 2016:

- Total service contract obligations have increased approximately 12 percent.
- Several Operating Administrations including Federal Transit Administration, and Saint Lawrence Seaway Development Corporation decreased serviced contract obligations by more than 15%. The Federal Highway Administration (FHWA) service contract obligations increased by 49%.
- The Research and Innovative Technology Administration was elevated into the Office of the Secretary of Transportation during FY 2014 and the data, while separately reported in FPDS-NG, was combined for the purposes of this report in FY2014 and FY2015. The actual net change in the total reported inventory for both organizations from FY 2014 to FY 2015 was less than a 1% increase. The net change from FY 2015 to FY 2016 was an increase of 6%.
- Spending in category *"Other"* decreased by 31 percent from FY 2015 to FY 2016. *"Other"* consists of obligations of DOT funding by other contracting agencies.

Table 3-3: FY 2016 Service Contract Inventory – Change from FY 2014 to FY 2016

Operating Administration	Service Contract Inventory FY 2014	Service Contract Inventory FY 2015	Service Contract Inventory FY2016	SCI Percentage Change from FY15 to FY16
FEDERAL AVIATION ADMINISTRATION	$3,508,226,230.47	$3,509,053,877.54	$3,793,117,962.33	8%
FEDERAL HIGHWAY ADMINISTRATION	$834,876,434.05	$632,827,129.21	$943,838,333.35	49%
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION	$57,865,256.84	$71,317,902.20	$74,198,902.52	4%
FEDERAL RAILROAD ADMINISTRATION	$79,307,235.04	$56,651,301.10	$63,703,580.57	12%
FEDERAL TRANSIT ADMINISTRATION	$71,060,755.96	$131,617,903.36	$108,064,141.99	-18%
IMMEDIATE OFFICE OF THE SECRETARY OF TRANSPORTATION (OST)	$420,413,546.16	$360,455,358.23	$382,425,430.74	
M63 Procurement Office			$161,925,279.44	6%
VOLPE Procurement Office	Merge within OST	Merge within OST	$220,500,151.30	
MARITIME ADMINISTRATION	$104,040,674.37	$66,642,594.66	$80,338,674.20	21%
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION	$166,788,195.17	$169,384,608.05	$193,210,089.97	14%
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATON	$36,892,987.24	$40,264,413.28	$41,673,064.60	3%
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION	$11,375,067.85	$9,853,629.84	$1,850,492.00	-81%
Other*	$20,168,560.55	$40,847,984.14	$28,291,741.97	-31%
Total	$5,311,014,943.70	$5,088,916,701.61	$5,710,712,414.24	12%
***Other includes contracting agencies DISA, DOE, Federal Acquisition Service, Public Building Service, and Departmental Offices who awarded contracts on behalf of DOT**				

DOT reviewed the service contract spending by service code categories:

- 36 percent of spending was in category R—Support (Professional/Administrative/Management);
- 16 percent of spending was in category A—Research and Development;
- 66 percent of spending was within the three top spending categories; and
- 91 percent of spending was within the top six categories.

Table 3-4 provides DOT spending by service code category rank ordered from largest to smallest amount.

Table 3-4: DOT Spending by Service Code Category

Service Code Category		FY 2016 Action Obligations	Percentage of Total
R	Support (Professional/Administrative/Management)	$2,054,125,898.20	35.97%
A	Research and Development	$906,729,184.64	15.88%
Y	Construction of Structures/Facilities	$805,264,041.85	14.10%
S	Utilities and Housekeeping	$683,322,196.71	11.97%
D	Information Technology and Telecommunication	$603,981,796.11	10.58%
Z	Maintenance, Repair, Alteration of Structures/Facilities	$125,091,051.76	2.19%
N	Installation of Equipment	$107,143,910.78	1.88%
C	Architect and Engineering Services	$73,328,771.91	1.28%
J	Maintenance, Repair, and Rebuilding of Equipment	$73,145,179.79	1.28%
B	Special Studies/Analysis	$67,191,745.16	1.18%
V	Transportation/Travel/Relocation	$56,670,194.73	0.99%
U	Education/Training	$39,767,381.94	0.70%
X	Lease/Rental of Structure/Facilities	$28,178,284.08	0.49%
H	Quality Control, Testing, and Inspection	$19,495,302.62	0.34%
F	Natural Resources Management	$17,699,418.88	0.31%
L	Technical Representative	$17,364,486.18	0.30%
Q	Medical	$15,340,480.67	0.27%
T	Photo/Map/Print/Publication	$7,803,188.13	0.14%
W	Lease/Rental of Equipment	$4,427,830.84	0.08%
M	Operation of Structures/Facilities	$3,130,706.97	0.05%
P	Salvage	$745,941.01	0.01%
E	Purchase of Structures/Facilities	$604,290.00	0.01%
K	Modification of Equipment	$86,896.28	0.00%
G	Social	$74,235.00	0.00%
Total		$5,710,712,414	100.00%

Table 3-5 presents the change in DOT obligations by service code. From FY 2015 to FY 2016:

- Category (R) Support (Professional/Administrative/Management) the largest category by dollar value, increased by 7 percent; and
- Category (A) Support (Research and Development) the second largest category by dollar value, decreased 6.35 percent.

Table 3-5: DOT FY 2016 Obligations by Service Code – Change from FY 2015

Service Code Category		FY 2015 Action Obligations	FY 2016 Action Obligations	Change from FY15 to FY16
R	Support (Professional/Administrative/Management)	$1,927,250,676	$2,054,125,898	6.58%
A	Research and Development	$968,162,501	$906,729,185	-6.35%
S	Utilities and Housekeeping	$550,063,923	$683,322,197	24.23%
D	Information Technology and Telecommunication	$506,414,269	$603,981,796	19.27%
Y	Construction of Structures/Facilities	$474,559,702	$805,264,042	69.69%
V	Transportation/Travel/Relocation	$55,963,897	$56,670,195	1.26%
U	Education/Training	$105,625,238	$39,767,382	-62.35%
B	Special Studies/Analysis	$86,510,130	$67,191,745	-22.33%
Z	Maintenance, Repair, Alteration of Structures/Facilities	$94,089,849	$125,091,052	32.95%
C	Architect and Engineering Services	$69,255,265	$73,328,772	5.88%
N	Installation of Equipment	$88,019,821	$107,143,911	21.73%
J	Maintenance, Repair, and Rebuilding of Equipment	$53,850,739	$73,145,180	35.83%
H	Quality Control, Testing, and Inspection	$19,958,519	$19,495,303	-2.32%
M	Operation of Structures/Facilities	$14,522,338	$3,130,707	-78.44%
X	Lease/Rental of Structure/Facilities	$18,201,371	$28,178,284	54.81%
F	Natural Resources Management	$16,118,016	$17,699,419	9.81%
T	Photo/Map/Print/Publication	$10,611,459	$7,803,188	-26.46%
Q	Medical	$8,162,700	$15,340,481	87.93%
L	Technical Representative	$11,831,700	$17,364,486	46.76%
W	Lease/Rental of Equipment	$5,873,271	$4,427,831	-24.61%
K	Modification of Equipment	$210,254	$86,896	-58.67%
E	Purchase of Structures/Facilities	$1,101,515	$604,290	-45.14%
G	Social	$60,000	$74,235	23.73%
P	Salvage	$2,499,548	$745,941	-70.16%
Total		$5,088,916,701	$5,710,712,414	

In Table 3-6 and Table 3-7, DOT examines service contract obligations by service code category and type of contract. The contract dollars shown as a percentage reveal that:

- 62% of total obligations is on fixed price type contracts, 24% percent is on cost type contracts, 14% is on time and material and labor hour type contracts; and
- Within the top 3 service codes, approximately 30% or more of the obligations are on high-risk cost contract types.

Table 3-6: DOT Obligations by Service Code – Percentages

Service Code Category		% Total Cost Contracts	% Total TM/LH ContractS	% Total Fixed Price Contracts	% Total Other Contracts	FY 2016 Action Obligations
R	Support (Professional/Administrative/Management)	32%	25%	43%	0%	$2,054,125,898
A	Research and Development	46%	12%	42%	0%	$906,729,185
S	Utilities and Housekeeping	23%	0%	77%	0%	$683,322,197
D	Information Technology and Telecommunication	20%	18%	62%	0%	$603,981,796
Y	Construction of Structures/Facilities	0%	0%	100%	0%	$805,264,042
V	Transportation/Travel/Relocation	0%	0%	100%	0%	$56,670,195
U	Education/Training	0%	15%	85%	0%	$39,767,382
B	Special Studies/Analysis	18%	25%	57%	0%	$67,191,745
Z	Maintenance, Repair, Alteration of Structures/Facilities	0%	0%	99%	0%	$125,091,052
C	Architect and Engineering Services	3%	9%	88%	0%	$73,328,772
N	Installation of Equipment	3%	1%	97%	0%	$107,143,911
J	Maintenance, Repair, and Rebuilding of Equipment	0%	1%	99%	0%	$73,145,180
H	Quality Control, Testing, and Inspection	0%	68%	32%	0%	$19,495,303
M	Operation of Structures/Facilities	71%	0%	29%	0%	$3,130,707
X	Lease/Rental of Structure/Facilities	0%	0%	100%	0%	$28,178,284
F	Natural Resources Management	0%	6%	94%	0%	$17,699,419
T	Photo/Map/Print/Publication	0%	16%	84%	0%	$7,803,188
Q	Medical	11%	2%	82%	4%	$15,340,481
L	Technical Representative	73%	10%	17%	0%	$17,364,486
W	Lease/Rental of Equipment	0%	0%	92%	8%	$4,427,831
K	Modification of Equipment	0%	100%	0%	0%	$86,896
E	Purchase of Structures/Facilities	0%	0%	100%	0%	$604,290
G	Social	0%	0%	100%	0%	$74,235
P	Salvage	0%	0%	100%	0%	$745,941
Total		**24%**	**14%**	**62%**	**0%**	**100%**

Table 3-7: Service Contract Spending by Service Code – Dollar Amount

Service Code Category		Obligations for Cost	Obligations for T&M/LH	Obligations for FP	Obligations for Other	FY 2016 Action Obligations
R	Support (Professional/Administrative/Management)	$657,764,521	$512,207,411	$884,153,966	$0	$2,054,125,898
A	Research and Development	$416,279,887	$107,148,175	$382,439,011	$862,112	$906,729,185
S	Utilities and Housekeeping	$158,943,830	$0	$524,378,367	$0	$683,322,197
D	Information Technology and Telecommunication	$121,587,579	$108,881,873	$373,512,344	$0	$603,981,796
Y	Construction of Structures/Facilities	$0	$0	$805,164,042	$100,000	$805,264,042
V	Transportation/Travel/Relocation	$80,000	$184,965	$56,405,230	$0	$56,670,195
U	Education/Training	$27,659	$5,935,175	$33,804,548	$0	$39,767,382
B	Special Studies/Analysis	$12,325,980	$16,488,475	$38,377,290	$0	$67,191,745
Z	Maintenance, Repair, Alteration of Structures/Facilities	$585,103	$361,012	$124,144,936	$0	$125,091,052
C	Architect and Engineering Services	$2,046,426	$6,537,374	$64,544,972	$200,000	$73,328,772
N	Installation of Equipment	$2,870,030	$575,795	$103,698,086	$0	$107,143,911
J	Maintenance, Repair, and Rebuilding of Equipment	$0	$763,295	$72,381,885	$0	$73,145,180
H	Quality Control, Testing, and Inspection	$0	$13,181,365	$6,313,938	$0	$19,495,303
M	Operation of Structures/Facilities	$2,210,663	$0	$920,044	$0	$3,130,707
X	Lease/Rental of Structure/Facilities	$0	$0	$28,178,284	$0	$28,178,284
F	Natural Resources Management	$0	$1,064,049	$16,635,370	$0	$17,699,419
T	Photo/Map/Print/Publication	$0	$1,266,775	$6,536,413	$0	$7,803,188
Q	Medical	$1,722,314	$338,323	$12,606,050	$673,794	$15,340,481
L	Technical Representative	$12,710,298	$1,739,925	$2,914,263	$0	$17,364,486
W	Lease/Rental of Equipment	$0	$0	$4,081,688	$346,143	$4,427,831
K	Modification of Equipment	$0	$86,896	$0	$0	$86,896
E	Purchase of Structures/Facilities	$0	$0	$604,290	$0	$604,290
G	Social	$0	$0	$74,235	$0	$74,235
P	Salvage	$0	$0	$745,941	$0	$745,941
Total		**$1,389,154,291**	**$776,760,882**	**$3,542,615,193**	**$2,182,049**	**$5,710,712,414**

3.2 Management Support Services Analysis

Table 3-8 provides the breakdown of contract obligations on service contracts and management support services. In FY 2016, DOT obligated $1.562 billion on OMB selected management support services, which is 23 percent of total contract obligations. This represents an increase of $65M from the reported FY 2015 OMB selected management support services obligations of $1.497B. However, as a percentage of spend on management support services, the numbers decreased from 24% in 2015 to 23% in 2016.

Table 3-8: OMB Management Support Services

Spend Category	FY2016 Actions Obligations	Percentage of Total Contract Spend	FY2016 Action Obligations > 25000	Percentage of Total Contract Spend
Total Contract	$6,746,880,411.38		$6,822,183,771.36	
Service Contract Inventory	$5,710,712,414.24	85%	$5,710,712,414.24	84%
OMB Selected Management Support Services	$1,562,825,102.38	23%	$1,562,825,102.38	23%

Spend Category	FY2015 Actions Obligations	Percentage of Total Contract Spend	FY2015 Action Obligations > 25000	Percentage of Total Contract Spend
Total Contract	$6,070,742,616.43		$6,143,252,409.59	
Service Contract Inventory	$5,088,916,701.61	84%	$5,088,916,701.61	83%
OMB Selected Management Support Services	$1,497,774,996.71	25%	$1,497,774,996.71	24%

Management support services spending in the 12 OMB-selected codes for FY2016 are compared to values for FY 2015 in Table 3-9:

- Total obligations for OMB selected management support services **increased by 4 percent from** FY2015 to FY2016
- 89 percent of management support services obligations are in the top two categories (R425 and R408);
- 72 percent of obligations are in engineering and technical services (R425)

Table 3-9: OMB-Selected Management Support Services Spend

OMB Selected Management Support Services		FY2015 Obligations > $25k	FY2016 Obligations > $25k	Percentage of Total	Change from FY 2015
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT	$33,604,114.25	$47,525,562.08	3.04%	41.43%
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE	$27,159,984.85	$24,213,212.03	1.55%	-10.85%
D310	IT AND TELECOM- CYBER SECURITY AND DATA BACKUP	$9,045,360.30	$10,874,514.49	0.70%	20.22%
D314	IT AND TELECOM- SYSTEM ACQUISITION SUPPORT	$18,704,349.04	$16,520,845.60	1.06%	-11.67%
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	$214,009,552.18	$282,944,223.59	18.10%	32.21%
R413	SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT	$2,529,116.63	$2,081,917.42	0.13%	-17.68%
R414	SYSTEMS ENGINEERING SERVICES	$34,347,128.18	$35,870,966.86	2.30%	4.44%
R421	TECHNICAL ASSISTANCE	$519,830.00	$1,059,240.05	0.07%	103.77%
R423	SUPPORT- PROFESSIONAL: INTELLIGENCE	$121,708.33	$88,000.00	0.01%	-27.70%
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	$1,087,692,876.71	$1,120,481,833.88	71.70%	3.01%
R497	SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS	$3,068,924.25	$2,038,777.19	0.13%	-33.57%
R707	SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION SUPPORT	$66,972,051.99	$19,126,009.19	1.22%	-71.44%
Total		$1,497,774,996.71	$1,562,825,102.38	100.00%	32.17%

Table 3-10 shows management support services obligations as a percentage of service contract spending.

- Federal Transit Administration (FTA) and the Federal Motor Carrier Safety Administration (FMCSA) are spending 72 percent and 45 percent of their service contracts on the OMB-Selected Management Support Services; and
- The percentage of Management Support Services out of the total Service Contract Inventory has decreased by 2% from 29% to 27% in FY 2015 and FY 2016.

Table 3-10: Management Support Services Spend as a Percentage of Service Contracts

Operating Administration	FY2016 Action Obligations		Management Support Services Percentage of SCI FY2015	Management Support Services Percentage of SCI FY2016	Change in Management Support Services
	Service Contract Inventory	OMB Selected Management Support Services			
FEDERAL AVIATION ADMINISTRATION	$3,793,117,962.33	$1,228,704,355.27	31%	32%	1.39%
FEDERAL HIGHWAY ADMINISTRATION	$943,838,333.35	$63,417,095.46	5%	7%	1.72%
FEDERAL MOTOR CARRIER SAFETY ADMINISTRATION	$74,198,902.52	$33,556,725.59	44%	45%	1.23%
FEDERAL RAILROAD ADMINISTRATION	$63,703,580.57	$19,224,336.80	26%	30%	4.18%
FEDERAL TRANSIT ADMINISTRATION	$108,064,141.99	$77,682,106.24	84%	72%	-12.11%
IMMEDIATE OFFICE OF THE SECRETARY OF TRANSPORTATION (OST)	$161,925,279.44	$7,639,929.57	46%	5%	2%
***VOLPE	$220,500,151.30	$93,782,426.64		43%	
MARITIME ADMINISTRATION	$80,338,674.20	$11,777,224.93	15%	15%	-0.34%
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION	$193,210,089.97	$18,152,425.06	17%	9%	-7.60%
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATON	$41,673,064.60	$8,673,727.82	28%	21%	-7.19%
SAINT LAWRENCE SEAWAY DEVELOPMENT CORPORATION	$1,850,492.00	$214,749.00	3%	12%	8.60%
* Other	$28,291,741.97		0%	0%	0.00%
Total	$5,710,712,414	$1,562,825,102	29%	27%	
***Other includes contracting agencies DISA, DOE, Federal Acquisition Service, Public Building Service, and Departmental Offices who awarded contracts on behalf of DOT**					

Tables 3-11 and 3-12 show the obligations for management support services by service code and contract type in two ways: Table 3-11 as percentages; and Table 3-12 in dollar values. The findings were:

- 41 percent ($648M) is in fixed price contracts;
- 38 percent ($599M) is in cost type contracts;
- 20 percent ($315M) is in time and material and labor hour type contracts;
- For service code R425—Engineering and Technical Services (representing 72.6 percent of total management support services obligations) —41 percent of obligations were on cost contracts ($456M);
- For service codes D307—Automated Information System Services, more than 70 percent of obligations were on cost type contracts.
- In contrast to the FY 2015 Service Contract Inventory, obligations in FY 2016 decreased for cost from 45% to 38% and increased for fixed price type contracts from 39% to 41%.
- The FY 2016 Management Support Services spend reflects a $76M decrease in obligations using high risk cost reimbursement type contracts compared to FY 2015.

Table 3-11: Management Support Services Spend by Service Code and Contract Type (Percentages)

OMB Selected Management Support Services		FY 2016 Actions Obligations				
		Total Cost Contracts	Total T&M/LH Contracts	Total Fixed Price Contracts	Total Other Contracts	Total Contracts
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT	74%	8%	18%	0%	$47,525,562.08
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE	72%	21%	8%	0%	$24,213,212.03
D310	IT AND TELECOM- CYBER SECURITY AND DATA BACKUP	0%	91%	9%	0%	$10,874,514.49
D314	IT AND TELECOM- SYSTEM ACQUISITION SUPPORT	0%	7%	93%	0%	$16,520,845.60
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	23%	18%	59%	0%	$282,944,223.59
R413	SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT	0%	100%	0%	0%	$2,081,917.42
R414	SYSTEMS ENGINEERING SERVICES	68%	0%	32%	0%	$35,870,966.86
R421	TECHNICAL ASSISTANCE	0%	80%	20%	0%	$1,059,240.05
R423	SUPPORT- PROFESSIONAL: INTELLIGENCE	0%	0%	100%	0%	$88,000.00
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	41%	21%	39%	0%	$1,120,481,833.88
R497	SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS	0%	85%	15%	0%	$2,038,777.19
R707	SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION SUPPORT	0%	48%	52%	0%	$19,126,009.19
	Total	38%	20%	41%	0%	$1,562,825,102.38

Table 3-12: Management Support Services Spend by Service Code and Contract Type (Dollar Values)

OMB Selected Management Support Services		FY 2016 Actions Obligations				
		Total Cost Contracts	Total T&M/LH Contracts	Total Fixed Price Contracts	Total Other Contracts	Total Contracts
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT	$35,191,913.49	$3,631,862.78	$8,701,785.81	$0.00	$47,525,562.08
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE	$17,352,252.06	$4,980,810.20	$1,880,149.77	$0.00	$24,213,212.03
D310	IT AND TELECOM- CYBER SECURITY AND DATA BACKUP	$0.00	$9,841,784.63	$1,032,729.86	$0.00	$10,874,514.49
D314	IT AND TELECOM- SYSTEM ACQUISITION SUPPORT	$0.00	$1,095,315.60	$15,425,530.00	$0.00	$16,520,845.60
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	$66,111,794.58	$50,068,025.08	$166,764,403.93	$0.00	$282,944,223.59
R413	SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT	$0.00	$2,081,917.42	$0.00	$0.00	$2,081,917.42
R414	SYSTEMS ENGINEERING SERVICES	$24,514,913.98	$0.00	$11,356,052.88	$0.00	$35,870,966.86
R421	TECHNICAL ASSISTANCE	$0.00	$847,086.61	$212,153.44	$0.00	$1,059,240.05
R423	SUPPORT- PROFESSIONAL: INTELLIGENCE	$0.00	$0.00	$88,000.00	$0.00	$88,000.00
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	$456,016,928.13	$232,084,265.45	$432,380,640.30	$0.00	$1,120,481,833.88
R497	SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS	$0.00	$1,728,558.43	$310,218.76	$0.00	$2,038,777.19
R707	SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION SUPPORT	$0.00	$9,197,558.13	$9,928,451.06	$0.00	$19,126,009.19
	Total	$599,187,802.24	$315,557,184.33	$648,080,115.81	$0.00	$1,562,825,102.38

Table 3-13 shows the number of contract actions by service code and contract type. Compared to FY 2015, the number of actions have decreased for cost and increased for time and material (T&M) type contract categories.

Table 3-13: Number of Action Obligations by Service Code and Contract Type

OMB Selected Management Support Services		FY2016 Action Obligations				
		Total Cost Contracts	Total T&M/LH Contracts	Total Fixed Price Contracts	Total Other Contracts	Total Contracts
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT	3	7	18	0	28
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE	6	10	10	0	26
D310	IT AND TELECOM- CYBER SECURITY AND DATA BACKUP	0	17	8	0	25
D314	IT AND TELECOM- SYSTEM ACQUISITION SUPPORT	0	4	16	0	20
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	138	137	225	0	500
R413	SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT	0	7	0	0	7
R414	SYSTEMS ENGINEERING SERVICES	28	0	7	0	35
R421	TECHNICAL ASSISTANCE	0	9	2	0	11
R423	SUPPORT- PROFESSIONAL: INTELLIGENCE	0	0	1	0	1
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	461	483	538	0	1482
R497	SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS	0	21	5	0	26
R707	SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION SUPPORT	0	28	29	0	57
Total		636	723	859	0	2218
Fiscal year 2015		755	429	828	119	2131

Table 3-14: Percentage of Action Obligations by Service Code and Contract Type

Table 3-14 shows the percentage of contract action obligations by service code and contract type. Compared to FY 2015, the percentages have decreased for cost type contracts and increased for T&M contracts.

OMB Selected Management Support Services		FY2016 Action Obligations				
		Total Cost Contracts	Total T&M Contracts	Total Fixed Price Contracts	Total Other Contracts	Total Contracts
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT	11%	25%	64%	0%	28
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE	23%	38%	38%	0%	26
D310	IT AND TELECOM- CYBER SECURITY AND DATA BACKUP	0%	68%	32%	0%	25
D314	IT AND TELECOM- SYSTEM ACQUISITION SUPPORT	0%	20%	80%	0%	20
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT	28%	27%	45%	0%	500
R413	SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT	0%	100%	0%	0%	7
R414	SYSTEMS ENGINEERING SERVICES	80%	0%	20%	0%	35
R421	TECHNICAL ASSISTANCE	0%	82%	18%	0%	11
R423	SUPPORT- PROFESSIONAL: INTELLIGENCE	0%	0%	100%	0%	1
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL	31%	33%	36%	0%	1482
R497	SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS	0%	81%	19%	0%	26
R707	SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION SUPPORT	0%	49%	51%	0%	57
Total		29%	33%	39%	0%	2218
Fiscal year 2015		35%	20%	39%	6%	2131

3.3 Role of the Service Contracts in Achieving Agency Objectives

Pursuant to Section 743 of Division C of the FY 2010 Consolidated Appropriations Act, Public Law 111-117, the Department of Transportation asked the Operating Administrations (OAs) to confirm the role of the service contract inventory in achieving agency objectives. Selected excerpts from the OA certification packages are included below.

The Federal Highway Administration (FHWA) reported that contract DTFH6114D00004 contributed to achieving their agency objectives with a work effort designed to advance the state of the art practice for concrete and concrete pavements and implement best practices. Contract DTFH6113D00004 contributed to their agency objectives by delivering data analytic visualization services to improve information sharing for large, dynamic and important data sets. Through the development of these visualization products, the work conducted under this task order will demonstrate the utility of visualization techniques beyond three-dimensional project modeling for enhanced communication of data within the FHWA, with FHWA partners and with project stakeholders. Contract DTFH6113D00004 enabled FHWA to achieve economic assessment requirements for rulemaking establishing performance measures in support MAP-21 Section 1203 National Goals. Utilizing services provided under contract DTFH6114F00113, FHWA is able to achieve its agency objectives by conducting the National Household Travel Survey.

The Federal Aviation Administration (FAA) reviewed key contracts that contribute to their agency objectives. Services under contract DTFAWA11C00003 for the National Airspace System (NAS) provided support to FAA organizations responsible for NAS transformation, integration and implementation in the areas of implementation and integration planning, transition planning, engineering support, environmental support, automation support and other engineering and technical disciplines as required. Contract DTFAWA05C00031 provides weather briefing and flight planning services to pilots in support of the FAA's safety goals. This includes performing in-flight updates and processing information such as pilot reports (PIREPs), notices to airmen (NOTAMs), supporting search and rescue activities, and other services in accordance with FAA Order 7110.10 Flight Services. Finally, FAA analyzed contract DTFAWA15D00003 for the CSS-Wx System to acquire and publish weather information in standardized formats for use by the FAA Air Traffic Organization (ATO), commercial aviation, general aviation, and other Federal agencies. Service contracts play an important role in helping the National Highway Traffic Safety Administration (NHTSA) achieve their agency objectives. NHTSA is charged with reducing the number of deaths and injuries caused by highway vehicle crashes involving pedestrians, bicycles, motorcycles and passenger vehicles with the responsibility of reducing the personal and property losses resulting from motor vehicle crashes. The contracted services under contract DTNH2215F00071 enable NHTSA's Vehicle Safety Hotline. NHTSA reviewed contract DTNH2216C00014 for services to conduct a probability-based national survey of drivers aged 18 years or older on their attitudes, behavior and awareness of alcohol use, drug use (including over-the-counter, prescription, and illegal drugs) and alcohol- and drug-positive driving. Contract DTNH2215C00030 provides support for the NEMSIS Technical Assistance Center. NEMSIS is the National Emergency Medical Services Information System. NEMSIS is the official EMS Data Standard for how EMS data are to be collected in the United States and the associated territories. The goal is to improve access to the National EMS Database for reporting capabilities, allowing Federal, State, and Local EMS stakeholders access to performance and benchmarking metrics.

The Federal Railroad Administration's (FRA) mission is to enable the safe, reliable, and efficient movement of people and goods for a strong America, now and in the future. FRA reviewed contract DTFR5316F00010 for support services for NON-HSIPR RPD-10 Programs (RAIL LINE RELOCATION, DISASTER ASSISTANCE, AND AMTRAK). The support includes integrating the programs into the Program Management Tracker, reviewing and standardizing application procedures and guidance, aligning policies and procedures across programs, developing performance reporting tools and metrics and other program support. In addition, FRA reviewed multiple orders against contract DTFR5313D00013 to support operations of the Automated Track Inspection Program (ATIP) and the Fleet Operation & Maintenance and Track Data Management System (TDMS). This program is designed provide accurate, timely, and reliable information on the National Railroad Infrastructure to assure public safety.

The Federal Motor Carrier Safety Administration (FMCSA) reviewed multiple modifications against service contract DTMC7512C00001 to support FMCSA's stakeholders and business process through support of the Commercial Driver's

License Information System (CDLIS), the National Law Enforcement Telecommunications System (NLETS), Mexico's motor carrier authorization database, the Commercial Driver's Licensing system (eLicencias), and the Federal Convictions and Withdrawals Database (FCWD). FMCSA also reviewed multiple awards against Contract DTMC7515F90006 for information technology and support services in support of FMCSA's existing portfolio of systems as well as the development, modernization, and enhancement of future-state systems. Specifically, this contract provides for hosting support services including, transitioning to the cloud, services desk support, configuration management, solutions architecture, records management, as well as maintenance of the network/telecommunications capabilities.

DOT's Pipeline and Hazardous Materials Safety Administration (PHMSA) reviewed Federal Service Supply contract DTPH5616F00004 against Federal Service Supply contract GS35F0799M for $2,806,000.00. These services helped the agency achieve its objective by providing contractor support in the operations, maintenance support, and system development for the Hazmat Information Portal and Pipeline DataMart (HIP/PDM). It includes infrastructure and application support services to ensure all components, services and capabilities of HIP/PDM remain operational, consistent, and perform at optimal levels.

Consistent with its mission to improve the nation's transportation system, the Volpe Center, now part of the Office of the Secretary of Transportation (OST) within the Office of the Assistant Secretary for Research and Technology (OST-R), included in its review significant task orders issued under contract DTRT5712D30003. The services acquired under these task orders helped achieve the Volpe Center's objectives to improve the efficiency and safety of aviation systems and operations by providing, technical and analytical support for a variety of Volpe Center Air Traffic Systems (ATS) functions, including those supporting the Automatic Dependent Surveillance-Broadcast (ADS-B) and NextGen systems.

3.4 Detailed Assessment of Service Codes with the Highest Spending on Cost Type Contracts:
Within the 12 management support services, the two service codes with the highest spending on cost type contracts were assessed in greater detail:

- Engineering and Technical Services (R425);
- Support Professional Program Management (R408)

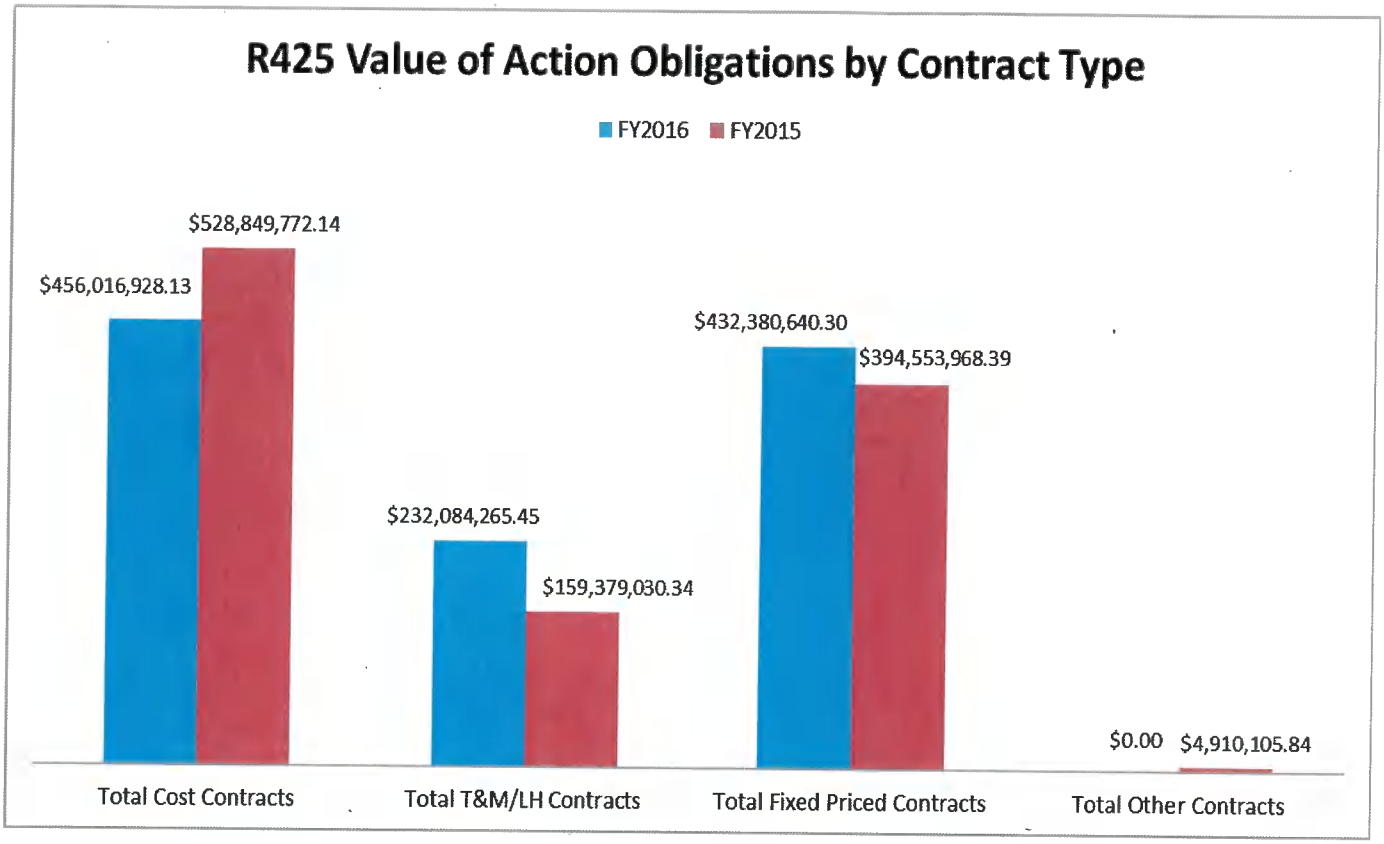
R425 Engineering and Technical Services

A. Type of Contract

For FY 2016, R425 was the service code category with the largest amount of cost type contracts. From FY 2015 to FY2016, there has been an increase in total value of contract obligations and a slight change in contract type composition.

Fiscal Year	Total Cost Contracts	Total T&M/LH Contracts	Total Fixed Priced Contracts	Total Other Contracts	Total Contracts
2016	$456,016,928.13	$232,084,265.45	$432,380,640.30	$0.00	$1,120,481,833.88
2015	$528,849,772.14	$159,379,030.34	$394,553,968.39	$4,910,105.84	$1,087,692,876.71

Fiscal Year	Cost No Fee	Cost Plus Award Fee	Cost Plus Fixed	Cost Plus Incentive Fee	Cost Sharing	Total
2016	$3,899,115.00	$720,318.83	$451,397,494.30	$0.00	$0.00	$456,016,928.13
2015	$123,565.00	$12,931,181.83	$515,795,025.31	$0.00	$0.00	$528,849,772.14



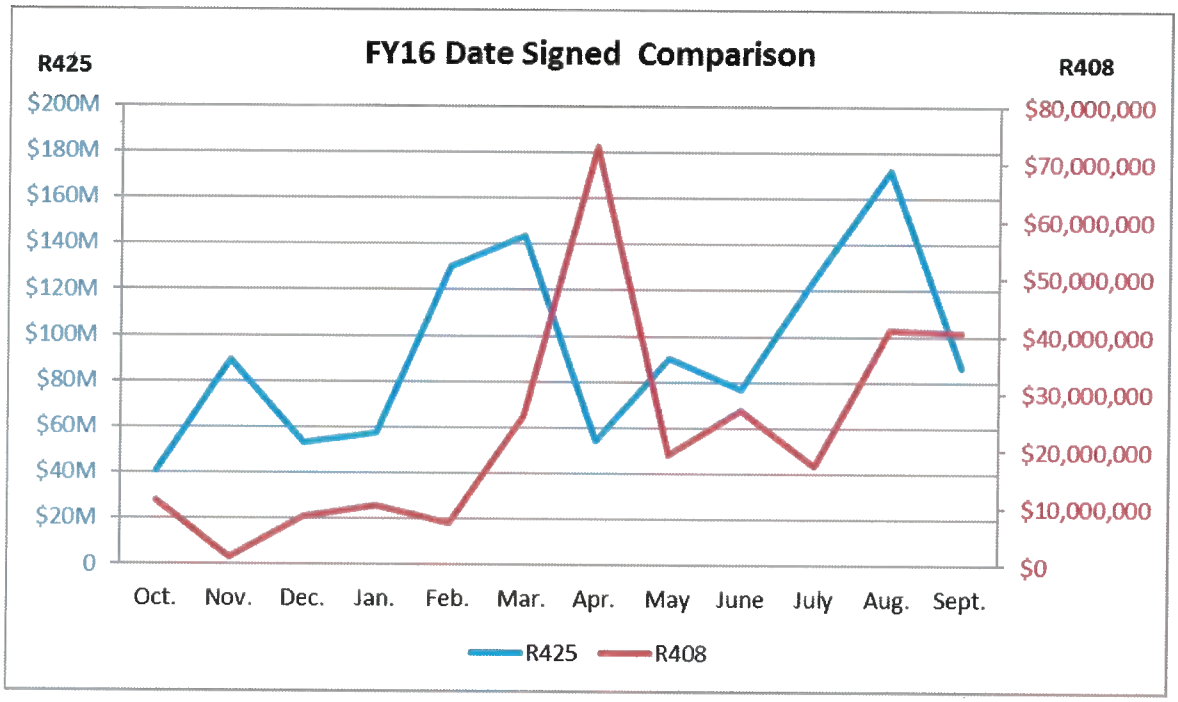
B. Level of Competition

The percentage of contracts awarded under full and open competition has slightly decreased from 61 percent to 59 percent and at the same time contracts that were competed under Simplified Acquisition Procedures slightly decreased from 17 percent to 15 percent, from FY2015 to FY2016.

Level of Competition	FY2015	%	FY2016	%
FULL AND OPEN COMPETITION	$668,439,909	59%	$656,103,602	61.45%
NOT COMPETED	$198,579,203	18%	$199,244,358	18.26%
COMPETED UNDER SAP	$182,754,774	15%	$167,494,096	16.80%
FULL AND OPEN COMPETITION AFTER EXCLUSION OF SOURCES	$20,648,398	7%	$73,461,456	1.90%
NOT COMPETED UNDER SAP	$6,162,128	1%	$14,571,961	0.57%
NOT AVAILABLE FOR COMPETITION	$10,717,497	1%	$9,606,361	0.99%
COMPETITIVE DELIVERY ORDER	$390,968	0%	$0	0.04%
NON-COMPETIVE DELIVERY ORDER	$0	0%	$0	0.00%
FOLLOW ON TO COMPETED ACTION	$0	0%	$0	0.00%
UNDEFINED	$0	0%	$0	0.00%
Total	$1,087,692,877	100%	$1,120,481,834	100%

C. Date Signed

This chart shows the level of obligations awarded over time based on the date signed of the contract action. This chart shows the two product service codes with the highest levels of obligations in cost type contracts for comparison. The obligations awarded under cost type contracts increased as the year progressed, with significant increases in the second and fourth quarters.

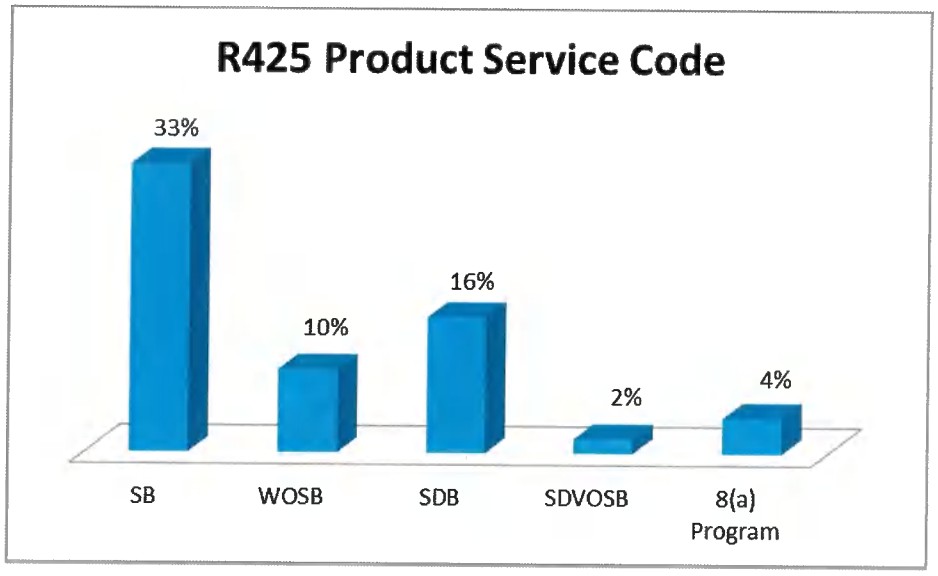


D. Small Business Program Representation

For the R425 category:

- Thirty-three percent of the contracts were awarded to small businesses (SB), 10 percent to women- owned small businesses (WOSB), 16 percent to small disadvantaged businesses (SDB), and two percent to service disabled veteran- owned small businesses (SDVOSB), and 4 percent under the SBA 8(a) Program.
- This information should be compared to the overall Departmental small business prime contracting goals that are 44 percent for small businesses, five percent for both WOSB and SDB, and three percent for SDVOSB.

- It is important to note that in FPDS, this data is entered as an answer to a "yes and no" question for every type of small business program representation. A vendor can belong to multiple categories (e.g., small business, WOSB, and SDVOSB) so a single action obligation can result in a "yes" in several categories.



E. Information about Vendors

- In FY 2016, there were 230 different vendors in the R425 category with five vendors having contracts with more than one OA.
- 59 percent of the contract obligations was awarded to 10 contractors, with the Raytheon Company accounting for 15 percent of total obligations

Vendor	Operating Admininstration									Grand Total	R425 obligation %
	FAA	FHWA	FRA	OST	MARAD	NHTSA	PHMSA	SLSDC	VOLPE		
	$992,726,115.29	$17,700,491.97	$12,984,806.11	$374,278.99	$3,141,745.89	$1,970,134.23	$35,000.00	$214,749.00	$91,334,512.40	$1,120,481,833.88	
RAYTHEON COMPANY	$164,207,958.00								$5,292,150.00	$169,500,108.00	15%
THE MITRE CORPORATION	$143,274,730.90								$200,608.00	$143,475,338.90	13%
HARRIS CORPORATION	$90,325,177.74									$90,325,177.74	8%
ENGILITY CORPORATION									$64,054,323.00	$64,054,323.00	0%
SRA INTERNATIONAL, INC.	$58,565,119.38									$58,565,119.38	5%
HUMAN SOLUTIONS, INC.	$55,983,595.74									$55,983,595.74	5%
LOCKHEED MARTIN CORPORATION	$50,788,344.82								$2,758,500.00	$53,546,844.82	5%
LS TECHNOLOGIES, LLC	$34,739,670.23									$34,739,670.23	3%
CNI AVIATION LLC	$33,425,784.19									$33,425,784.19	3%
RAYTHEON ELECTRONIC SYSTEMS, INC	$33,129,569.00									$33,129,569.00	3%

F. Place of Performance

- The primary places of performance for the contracts in R425 included DC, Virginia and Massachusetts. The chart below depicts the top 10 states with the highest level of FY 2016 obligations for service contracts.

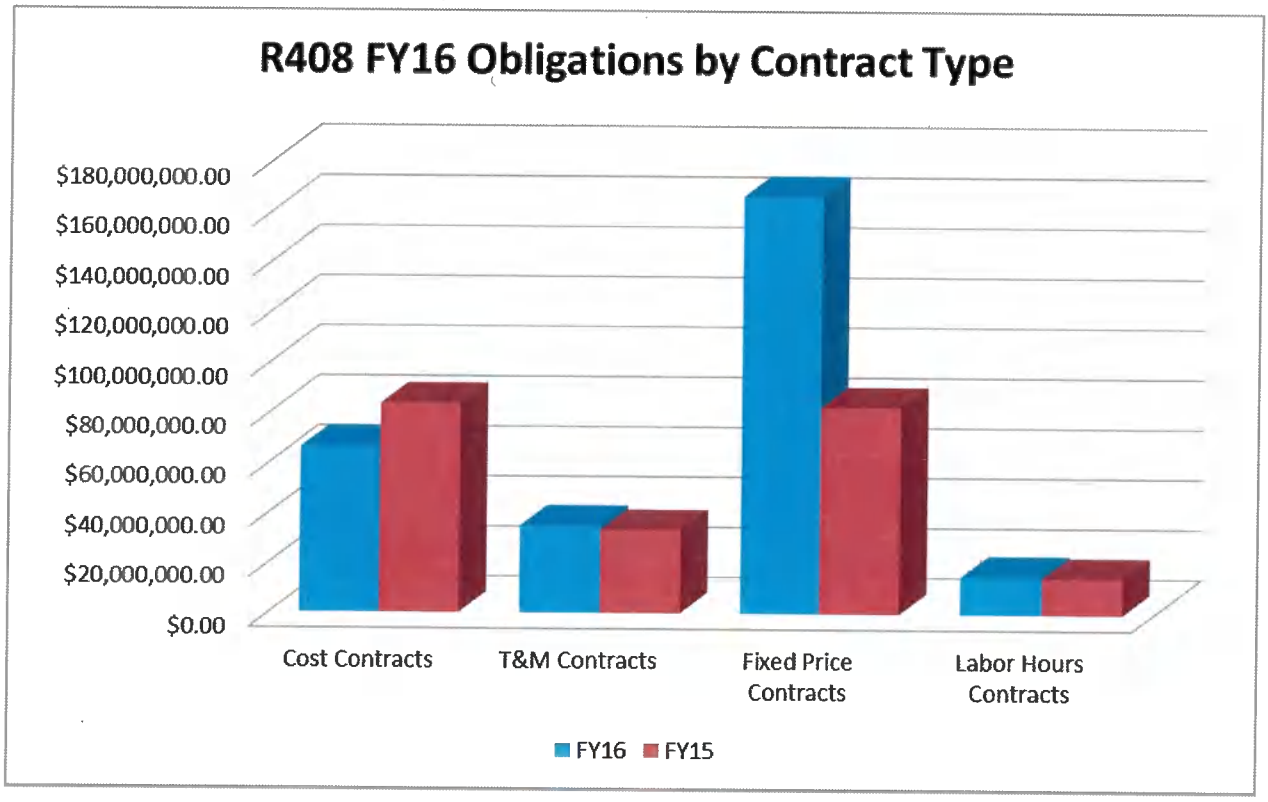
State Code	FAA	FHWA	FRA	OST	MARAD	NHTSA	PHMSA	SLSDC	VOLPE	Grand Total
DC	$261,978,459.18	$1,588,245.93	$2,295,963.04	$374,278.99	$176,000.00	$67,148.83			$32,669,300.00	$299,149,395.97
Undefined	$216,626,546.00	$1,229,355.00				$1,106,401.40			$40,000.00	$219,002,302.40
VA	$181,722,885.70	$4,266,733.90	$10,688,843.07						$1,225,000.00	$197,903,462.67
MA	$117,733,050.50	$129,900.00							$43,912,708.89	$161,775,659.39
MD	$73,492,892.31	$1,813,813.00			$2,965,745.89				$4,004,777.00	$82,277,228.20
NJ	$56,540,910.98	$3,229,125.00								$59,770,035.98
OK	$47,029,738.02								$444,240.69	$47,473,978.71
CA	$17,957,991.35								$933,273.00	$18,891,264.35
WA	$259,050.00								$7,237,150.00	$7,496,200.00
PA	$6,355,633.83	$99,999.00								$6,455,632.83

R408 Program Management/ Support Services

For FY 2016, R408 was the second service code category with the largest amount of cost type contracts.

A. Type of Contract

Fiscal Year	Cost Contracts	T&M Contracts	Fixed Price Contracts	Labor Hours Contracts	Total Contracts
FY16	$66,111,794.58	$34,877,142.09	$166,764,403.90	$15,190,882.99	$282,944,223.56
FY15	$83,602,573.00	$33,254,164.56	$82,518,282.15	$14,634,532.47	$214,009,552.18



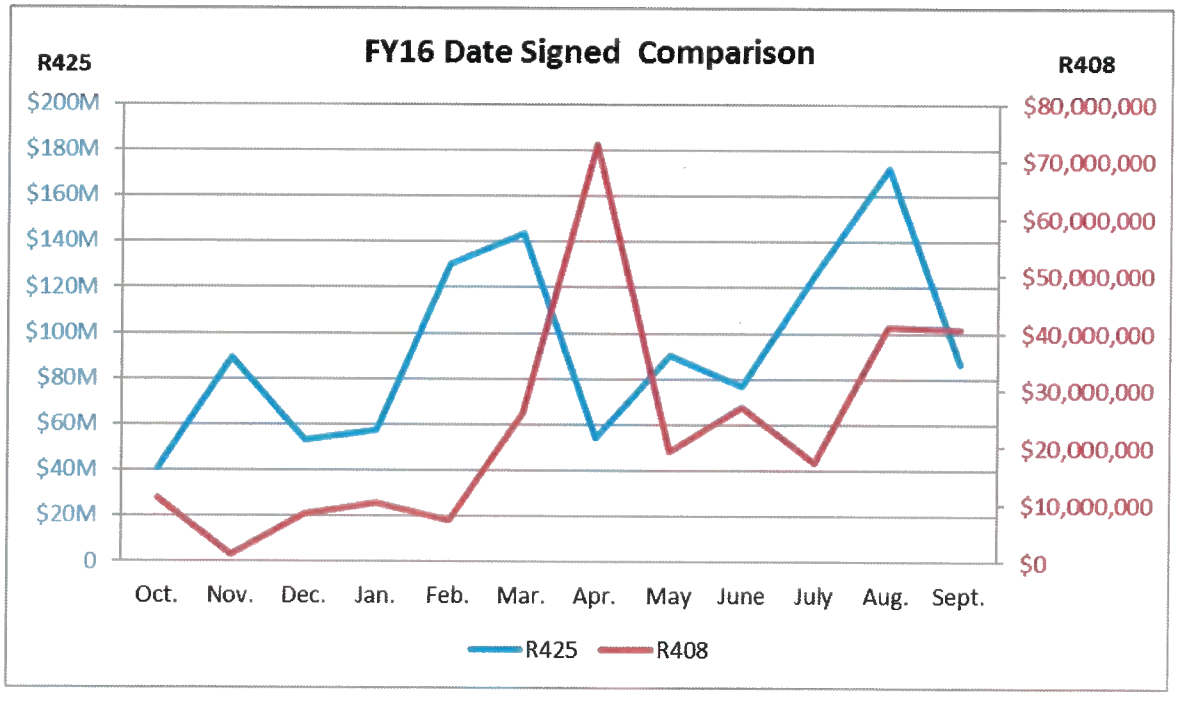
B. Level of Competition

The percentage of contracts awarded under full and open competition has slightly increased from 56 percent to 66 percent and at the same time contracts that were competed under Simplified Acquisition Procedures slightly decreased from FY2015 to FY2016.

Level of Competition	FY15	%	FY16	%
FULL AND OPEN COMPETITION	$119,442,070.83	55.81%	$187,752,695.98	66.36%
FULL AND OPEN COMPETITION AFTER EXCLUSION OF SOURCES	$31,477,892.41	14.71%	$29,575,149.75	10.45%
COMPETED UNDER SAP	$20,396,431.96	9.53%	$25,582,537.22	9.04%
NOT COMPETED	$29,539,090.13	13.80%	$24,907,875.66	8.80%
NOT AVAILABLE FOR COMPETITION	$7;505,093.16	3.51%	$9,681,991.51	3.42%
NOT COMPETED UNDER SAP	$5,229,233.69	2.44%	$5,156,615.63	1.82%
Undefined	0	0	$287,357.84	0.10%
COMPETITIVE DELIVERY ORDER	$419,740.00	0.20%	0	0
Grand Total	$214,009,552.18	100%	$282,944,223.59	100.00%

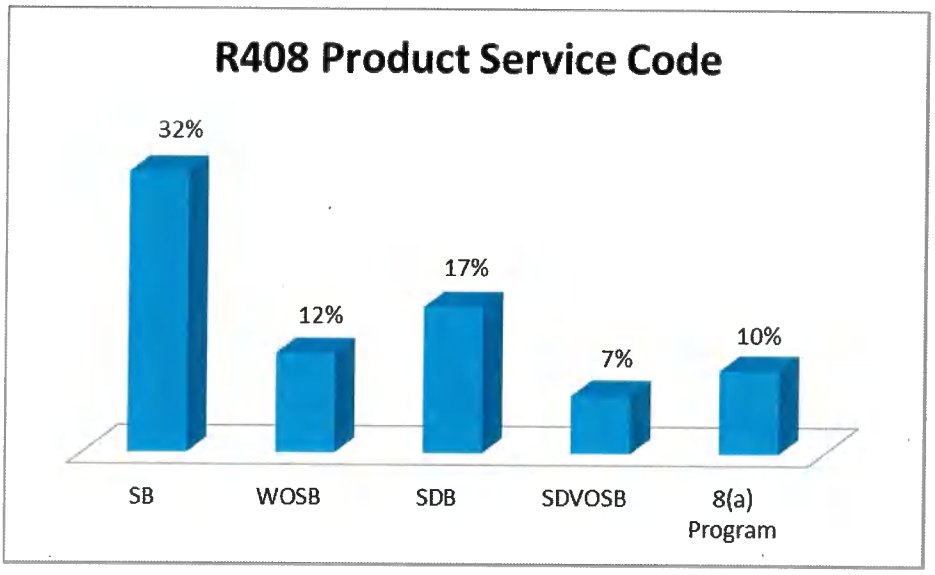
C. Date Signed

This chart shows the level of obligations awarded over time. This chart shows the two product service codes with the highest level of obligations in cost type contracts for comparison. The value of obligations awarded remained consistent as the year progressed, with significant increases in the third and fourth quarters.



D. Small Business Program Representation

- Of the contract value in category R408, 32 percent was awarded to small business, 12 percent to women-owned small businesses (WOSB), 17 percent to small disadvantaged business (SDB), and 10 percent to SBA 8(a) program.
- This should be compared to the goals that are 44 percent for small businesses, five percent for women-owned small businesses and small disadvantaged businesses and three percent for SBA 8(a) program.
- In FPDS, this data is entered as an answer to a yes and no question for every type of small business program representation. A vendor can belong to multiple categories (e.g., small business, WOSB, and VOSB) the same action obligation can result in a yes in several categories.



E. Information about Vendors

There were 139 different vendors in category R408. The chart below depicts the top 10 with the highest obligations awarded. Thirty-two percent of the obligations were awarded to Science Applications International Corporation.

Vendors	FAA	FHWA	FMCSA	FRA	FTA	OST	MARAD	NHTSA	PHMSA	VOLPE	Grand Total	% Obligations
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION	$67,145,746.00		$23,045,502.49								$90,191,248.49	31.88%
WESTAT INCORPORATED		$21,369,199.00									$21,369,199.00	7.55%
DELON HAMPTON & ASSOCIATES, CHARTERED INC.					$8,051,559.00						$8,051,559.00	2.85%
BURNS ENGINEERING, INC.					$7,187,188.59						$7,187,188.59	2.54%
LEIDOS, INC.		$4,382,420.00	$2,136,999.42								$6,519,419.42	2.30%
URBAN ENGINEERS, INC.					$6,181,834.00						$6,181,834.00	2.18%
CONCEPT SOLUTIONS, L.L.C.	$5,696,882.90										$5,696,882.90	2.01%
DAVID EVANS AND ASSOCIATES, INC.					$5,540,533.75						$5,540,533.75	1.96%
PHASE ONE CONSULTING GROUP, INC.			$84,136.55	$287,357.84		$3,837,712.45			$718,310.40		$4,927,517.24	1.74%
KAL KRISHNAN CONSULTING SERVICES INC					$4,604,026.00						$4,604,026.00	1.63%

F. Place of Performance

The primary places of performance for the contracts in R408: the District of Columbia, Virginia, and Maryland. The chart below depicts the top 10 states with the highest level of FY 2016 obligations for service contracts.

State Code	FAA	FHWA	FMCSA	FRA	FTA	OST	MARAD	NHTSA	PHMSA	VOLPE	Grand Total
DC	$16,284,748.76	$1,903,592.61	$29,697,681.55	$5,791,536.37	$18,230,791.87	$3,946,185.24	$3,444,598.99	$6,936,952.41	$718,310.40		$86,954,398.20
Undefined	$62,047,058.00	$1,300,000.00	$2,102,453.64		$43,999.90						$65,493,511.54
VA	$14,805,196.75	$12,754,789.18			$9,680,657.99	$1,035,694.24	$2,252,751.98	$4,578,343.20			$45,107,433.34
MD	$4,824,698.04	$23,790,332.08			$1,545,445.74	$600,000.00	$35,676.00				$30,796,151.86
PA		$1,076,880.61	$369,127.00		$17,452,319.01						$18,898,326.62
CA		$287,500.00			$10,758,207.00			$821,908.48			$11,867,615.48
OR					$5,540,533.75						$5,540,533.75
CO		$64,500.00			$4,950,345.28						$5,014,845.28
NJ	$1,991,627.98				$2,064,361.00						$4,055,988.98
NY		$177,795.00			$2,197,586.00		$151,485.00				$2,526,866.00

3.5 Selected Individual Contract Review

Operating Administrations identified and reviewed 534 contract actions within the Table 1-1: Baseline for the FY 2016 Service Contract Inventory Analysis concentrating on a subset of the OMB-selected special interest functions as well as additional function codes with significant reported obligations corresponding to 113 percent of the total DOT FY 2016 obligations for OMB select management support services spend.

The individual contract action review process included the following: documentation to ensure that all the Section 743(e) requirements were addressed; questions to address the extent of competition; the justification and basis for approval of a cost type contract; what specific quality assurance procedures and oversight are in place; the role of the contract in achieving agency objectives; the business status; plans to re-compete the contract; and whether or not the Operating Administration has determined if any of the services should be performed by federal employees or a mixture of federal employees and contractors. Additional questions addressed opportunities for reducing the cost for the effort for example, use of a GSA or other enterprise strategic sourcing vehicle, consolidation with similar contracts, increase in oversight, or change in contract type. In addition, each Operating Administration was tasked to review and confirm that the contractor past performance information was entered into the Contractor Past Performance Reporting System (CPARS).

To facilitate the analysis, we developed a pre-populated FY 2016 analysis spreadsheet with information from the Federal Procurement Data System. The spreadsheet was organized by Operating Administration and listed FY 2016 awards within the scope of this year's analysis. We requested that each Operating Administration

- Select and review a minimum of 60% of the total obligations within the cited product service codes
- Ensure the selected and reviewed awards include as many different basic contracts as possible to ensure a comprehensive review; and
- Select and review all Personal Services contracts listed on the FY 2016 master spreadsheet
- Document the contract review and responses on the highlighted columns and questions on the FY 2016 master spreadsheet
- Upon completion of the analysis, certify the completion statement

The Operating Administrations reviewed the contract file and, as necessary, conducted interviews with the relevant program and acquisition offices to complete the analysis. For the reviewed contracts, the findings are summarized in the below table:

Operating Administration	FY2016 Action Obligations Reviewed	Number of Contracts Reviewed	Number of Actions Reviewed	Percentage of OMB Selected Services (to be completed by OSPE)	Personal Services		Inherently Governmental		Adequate Supervision	Estimated Number of Contractor FTE
					# of Contracts	Total Obligations Reviewed	# of Critical Reveiwed	# of Closely Reviewed		
FAA	$1,489,342,858	35	107	100%	1	$55,000	0	0	Yes	123.0
FMCSA	$31,882,400	6	19	61%	0	$0	0	0	Yes	56
FRA	$22,482,954	65	65	100%	0	$0	0	0	yes	47
FTA	$56,950,048	84	84	60%	0	$0.00	0	0	yes	140
FHWA	$40,785,197	39	48	100%	0	$0	0	0	Yes	73.11
MARAD	$14,223,790	4	42	67%	0	$0	0	0	yes	57
NHTSA	$15,706,283	20	45	100%	0	$0	19	10	45	102.5
OST	$ 19,663,962.53	65	101	100%	1	$600,000	0	0	Yes	136
PHMSA	$6,392,656	6	7	64%	0	$0	6	0	Yes	20.5
Volpe	$66,913,152	12	97	64%	0	$0	0	0	Yes	352
SLSDC	$289,749	3	3	100%	0	$0	0	1	yes	3
Total	$1,764,633,049	255	534	113%	2	$655,000	25	11		970.1

Inherently Governmental codes:
CL: Closely Associated
CT: Critical Functions

Note: Estimated number of FTE contractors is only an estimate provided by the OA. The authoritative source is the Service Contract Report.

- Twenty-five of the contracts were for critical functions.
- Eleven contracts involved work closely associated with inherently governmental work.
- Contractor employees are performing critical work; while the OAs agreed that these functions could be insourced, either the OAs cited no available Government staff, lack of government expertise, or they valued the flexibility of a contractor workforce. No insourcing was recommended.

4.0 RECOMMENDATIONS AND ACTIONS

Throughout FY 2016, DOT remained focused on improving the management of service contracts. DOT's ability to manage service contracts more effectively and to identify cost savings without adversely affecting the mission remains a top priority. DOT continued initiatives to reduce overall contract spending and risks by increasing awareness and improving governance; implementing DOT-wide strategic sourcing; and reducing high-risk contracting. The Office of the Senior Procurement Executive leverages FPDS data analysis to better understand service contracts.

This section will look into how these initiatives are implemented at DOT to positively affect the Department's oversight of its Service Contract Inventory.

4.1 Increasing Awareness and Improving Governance

The Office of the Senior Procurement Executive (OSPE) established the Strategic Sourcing Executive Steering Committee (SSESC) in FY 2011. The SSESC is chaired by the Deputy Secretary and is an executive-level, decision-making body with the Administrators from each OA or their designated representative. The purpose of the SSESC is to ensure executive level support and buy- in to DOT-wide cost reduction strategies. The SSESC meets as needed supported by spend analysis teams who are research and develop recommendations for SSESC consideration. The accomplishments of the Department's Strategic Sourcing program in relationship to service contracts are described below in section 4.4.

The OSPE has taken the lead role to increase awareness of the need for more effective service contract management throughout the Department as the chair of the Strategic Acquisition Council (SAC), which includes the Directors of Acquisition from each Operating Administration. The SAC meets monthly to share ideas and information, establishes priorities and goals, and report on progress. The SAC has become an important organization for understanding acquisition issues and for launching new initiatives. The Senior Procurement Executive is actively engaged with the SAC to improve the quality of all data reported in FPDS with a particular focus on accurate and timely data; proper coding of the service contract inventory with the knowledge that proper use of Product Service Codes facilitates business intelligence for appropriate oversight, strategic sourcing and spend analysis.

On September 10, 2013, the Deputy Secretary of Transportation issued updated Department Acquisition Oversight and Risk Management Policy. This policy strengthened the Department's focus on the acquisition workforce and defined the process and dollar thresholds associated with the review and approval of acquisition strategy planning documents. The Department's Acquisition Strategy Review Board includes senior executives from the offices of the Chief Information Officer and the Chief Financial Officer who with the Senior Procurement Executive are positioned to consider the insight provided by the Service Contract Inventory analysis in the review and approval of proposed strategies for new contract awards. Although all elements of the acquisition package are important and are reviewed to ensure it clearly articulates a sound and compliant approach, the review also ensures the creation of acquisition strategy process that facilitates:

- Clear consideration for minimizing the use of high-risk contracts (both in the base contract and in subordinate task orders)
- Evidence of active planning and consideration for robust competition
- Consideration for the professional preparedness of those individuals who will manage the program (certified CO, COR's, program managers, etc.)
- Clearly articulated consideration for small business opportunities (or the absence thereof)
- Consideration of information technology strategies consistent with Departmental policies, including consideration of section 508 issues; and
- Seeks to minimize the use of management support services to the greatest extent practicable, consistent with program needs.

4.2 Workforce Analysis

In FY2015, the Office of the Chief Information Officer (OCIO) completed an information technology (IT) workforce analysis to evaluate the current alignment of Federal staff and contractor resources supporting the Department's IT efforts. Based on this analysis, DOT is engaging in a multi-year IT workforce initiative to reduce reliance on contractors and concomitantly increase the number of Federal positions. The realignment will provide two main benefits including cost savings and efficiencies with realigned federal and contractor roles. The success of this workforce analysis will set an example for future functional assessments.

4.3 Reducing High-Risk Contracting

DOT recognizes the importance of effectively managing program risk. Through increased awareness and education, DOT continues to engage to reduce high risk contracting. In those instances, when it is best to use a high risk contract type, the SPE emphasizes effective oversight. The SPE recognizes that certification of the acquisition workforce (including contracting staff, Contracting Officer's Representatives (CORs), and program managers) is essential to effective oversight of all contracts. From FY 2009 to FY 2016, DOT certifications have increased substantially. As of September 30, 2016, DOT certification rate for contracting professionals was 96%. The Department will continue its focus on reducing high-risk type contracts and use the governance provided by the Acquisition Strategy Review Board to ensure the proposed contract strategies and types mitigate program risk.

4.4 Strategic Sourcing

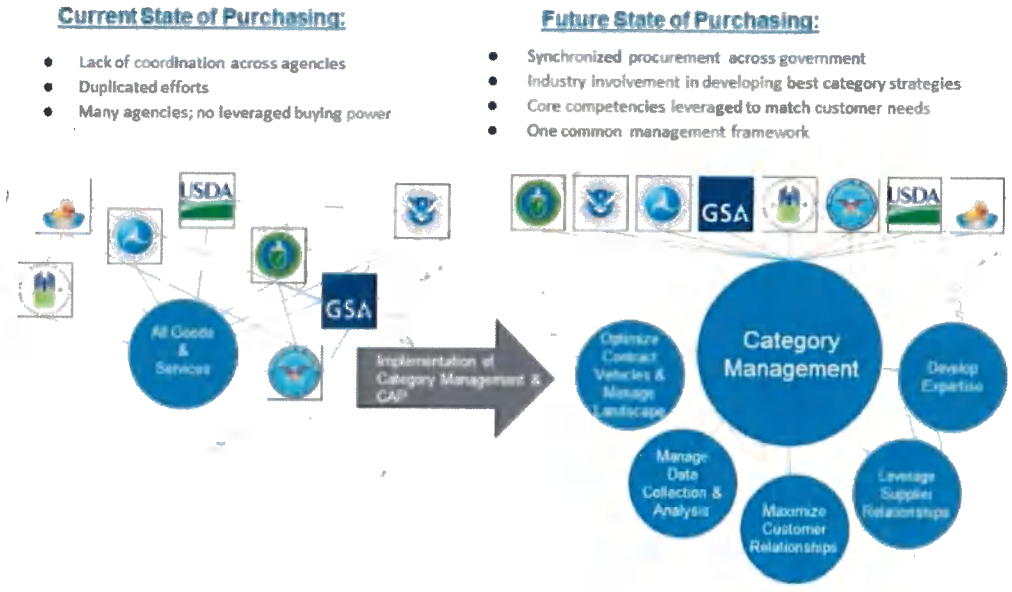
The Office of the Senior Procurement Executive serves as the Executive Secretariat for the Strategic Sourcing Executive Steering Committee within the department. The Executive Steering Committee analyzes data, evaluates the results, and implements strategic sourcing/category management solutions in areas that generate Department-wide savings, and from 2006-2016, DOT Strategic sourcing spend was $1.012 Billion, saving DOT $322 Million. In a memo to the CAOs and SPEs dated December 4, 2014, the Office of Management and Budget's Office of Federal Procurement Policy (OFPP) kicked off an initiative to transform the federal procurement process for commodities, or "common spend" items – expanding the strategic sourcing program to that of Category Management. A major initiative in FY2017 is to transition the SSESC and the DOT Strategic Sourcing program into robust Category Management.

Category management uses a structured approach focused around defining products and services that behave in a similar manner. Category management creates common categories of products and services across Federal agencies and allows the Federal Government to buy smarter and more like a single enterprise. This is a fundamental shift from the practice of handling purchasing, analyzing pricing, and developing vendor relationships individually within thousands of procurement units across Government. A coordinated implementation of the category management business model will enable the Federal Government to eliminate redundancies, increase efficiency and effectiveness, and boost satisfaction with the products and services we deliver.

To achieve the benefits of being the world's largest buyer the Government must act as a more unified entity. In December 2014, OFPP released the memo "Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings" which cites a critical need for Federal Government to shift from managing purchases and price individually across

thousands of procurement units to managing entire categories of common spend and total cost through category management. The Strategic Sourcing Leadership Council was replaced with the Category Management Leadership Council (CMLC). The CMLC helped the Federal Government act as one, buy as one, and reap the benefits as one by aggregating volumes of commonly purchased goods and services to achieve best-in-class pricing, developing common specifications and service levels, expanding supplier relationships, and leveraging shared solutions. This shift to a better orchestrated, more unified Federal Government purchasing is reflected in Figure 2.

Figure 2. Current to Future State of Federal Government Purchasing



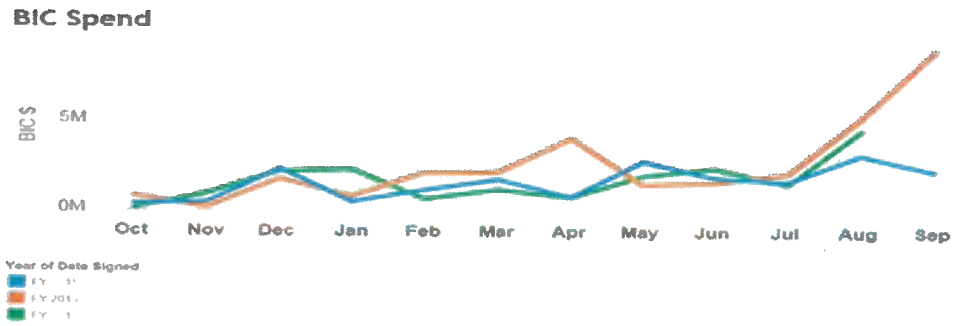
A critical lever utilized in category management is the identification of best-in-class (BIC) contract solutions. BIC is a contracting and acquisition designation used to denote contracts that meet rigorous category management performance criteria as defined by OMB. This BIC-designated contract represents a preferred government-wide solution and provides a unique opportunity to leverage the government's buying power. The BIC designation allows acquisition experts to take advantage of pre-vetted, government-wide contract solutions; supports a government-wide migration to solutions that are mature and market-proven; assists in the optimization of spend, within the government-wide category management framework; and increases the transactional data available for agency level and government-wide analysis of buying behavior.

BIC is one element that agencies may use to increase spend under management (SUM). Increasing SUM is a result of directing dollars for common spend, commodity-type supplies and services, to contract vehicles that are created and managed according to the principles of category management.

As a first step to strengthen mission support services through the use of common contract solutions, the President's Management Council (PMC) and the Office of Management and Budget (OMB) agreed that agencies would designate senior accountable officials (SAOs) to be responsible for reducing unmanaged spend and executing plans to increase use of contract solutions designated as "Best in Class" (BIC). DOT's SAO is Keith Nelson, Assistant Secretary for Administration.

For FY 2018, the PMC agreed upon the following goals:

- Increase the agency's FY 2016 baseline SUM by 20%. DOT FY 2016 baseline was 22.9% of spend under management. DOT FY 2018 target is 27.48% spend under management
- Increase spending through BIC solutions to no less than 35%. DOT FY 2016 spend through BIC solutions was 1.2%. DOT FY 2018 target is 35% of spend through BIC solutions.



While most BIC solutions are optional for agency use (with opt-out justification), OMB has designated some as mandatory sources:

> October 16, 2015, M-16-02, Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops
>
> August 4, 2016, M-16-20, Category Management Policy 16-3: Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services
>
> July 27, 2017, M-17-29, Best-In-Class Mandatory Solution-Package Delivery Services
> September 7, 2017, Direct Delivery Fuels Solution

There are ten different common spend categories, one of which is Professional Services. DOT spent $2.181M on professional services in FY 2016. In addition, many of the other categories contain a sub-category for services. For instance, IT, Facilities & Construction, Security and Protection, Industrial Products & Services, and Human Capital categories each include at least one service-related sub-category.

APPENDIX A: APPLICABLE LEGISLATION AND GUIDANCE

This appendix provides the applicable legislation and guidance in chronological order beginning with the most recent.

Legislation

December 16, 2009
Public Law 111-117
Section 743, Service Contract Inventory Requirement

October 19, 1998
Public Law 105-270
Federal Activities Inventory Reform Act of 1998
(Inherently Governmental)

Office of Management and Budget Policy Memoranda

November 8, 2011
Discussion Draft
For: Chief Acquisition Officers and Senior Procurement Executives
Subject: Service Contract Inventories

November 7, 2011
For: Chief Financial Officers, Chief Acquisition Officers, and Senior Procurement Executives
Subject: Reduced contract spending for management support services

November 5, 2010
For: Chief Acquisition Officers and Senior Procurement Executives
Subject: Service Contract Inventories

Office of Management and Budget Policy Letters

September 8, 2015
OMB Service Contract Inventory Alert subject: FY 2015 Service Contract Inventories

September 12, 2011
Policy Letter 11-01
Performance of Inherently Governmental and Critical Functions

APPENDIX B: SERVICE CONTRACT INVENTORY DATA ELEMENTS

The FY 2016 Service Contract Inventory was developed by querying the Federal Procurement Data System (FPDS) for all service contract actions over $25,000 awarded in FY 2016. The query was run in accordance with the December 19, 2011, OMB Memorandum, which specified the FPDS data elements and format for the inventory. The FPDS data elements and descriptions are shown in Table 2-1.

Table 2-1: Service Contract Inventory FPDS Data Elements

OMB Required FPDS Data Element		FPDS Data Element Description
1	PSC	The code that best identifies the product or service procured. Codes are defined in the Product and Service Codes Manual.
2	Product or Service Code (PSC) Description	A description of the product or service designated by the product code.
3	Contracting Agency	The code for the agency of the contracting office that executed or is otherwise responsible for the transaction.
4	Contracting Department	The code for the Department of the contracting office that executed or is otherwise responsible for the transactions
5	Funding Agency	The code for the agency that provided the preponderance of the funds obligated by this transaction.
6	Place of Performance City	This is the location of the principal plant or place of business where the items will be produced, supplied from stock, or where the service will be performed.
7	State	
8	Country	
9	Date Signed	The date that a mutually binding agreement was reached. The date signed by the Contracting Officer or the Contractor, whichever is later.
10	Extent Competed	A code that represents the competitive nature of the contract.
11	Fair Opportunity/ Limited Sources	The type of statutory exception to Fair Opportunity.
12	Type of Contract	The type of contract as defined in FAR Part 16 that applies to this procurement.
13	Description of Requirement	A brief description of the contract or award.
14	Vendor Name	The name of the vendor supplying the product or service as it appears in CCR or as entered by the user if CCR exception is selected.
15	Action Obligation	The amount that is obligated or de-obligated by this transaction.
16	PIID	The unique identifier for each contract, agreement or order.
17	Referenced IDV PIID	When reporting orders under Indefinite Delivery Vehicles (IDV) such as a GWAC, IDC, FSS, BOA, or BPA, report the Procurement Instrument Identifier (Contract Number or Agreement Number) of the IDV. For the initial load of a BPA under a FSS, this is the FSS contract number.
18	DUNS Number	The DUNS number of the contractor. Used as a key to CCR. Maps to the DUNS Number in CCR.