Merit Systems Protection Board

Financial and Administrative Management

Fiscal Year 2024 Service Contract Inventory Analysis

June 2026

Background

The Merit Systems Protection Board (MSPB) is an independent, quasi-judicial agency in the Executive branch that serves as the guardian of Federal merit systems. The Board was established by Reorganization Plan No. 2 of 1978, which was codified by the Civil Service Reform Act of 1978 (CSRA), Public Law No. 95-454. The CSRA, which became effective on January 11, 1979, replaced the Civil Service Commission with three new independent agencies: Office of Personnel Management (OPM), which manages the Federal work force; Federal Labor Relations Authority (FLRA), which oversees Federal labor-management relations; and the Board.

The mission of the MSPB is to protect the Merit System Principles and promote an effective Federal workforce free of Prohibited Personnel Practices. MSPB carries out its statutory responsibilities and authorities primarily by adjudicating individual employee appeals and by conducting merit systems studies. In addition, MSPB reviews the significant actions of the Office of Personnel Management (OPM) to assess the degree to which those actions may affect merit.

Introduction

As required by Division C, Section 743 of the Fiscal Year (FY) 2010 Consolidated Appropriations Act (P.L. 111-117) and further guidance from the Office of Management and Budget (OMB) – Office of Federal Procurement Policy (OFPP) Memorandum to Chief Acquisition Officers (CAO) and Senior Procurement Executives (SPE), entitled "Service Contract Inventories" - dated November 5, 2010 and December 19, 2011, and the FY2024 Service Contract Inventory Instructions for Agencies, the U.S. Merit Systems Protection Board (MSPB), Office of Financial and Administrative Management prepared an annual inventory of the service contracts and performed an analysis of the data in the inventory to determine whether contract labor is used appropriately and effectively and the mix of federal employees and contractors in the agency is effectively balanced. The results are summarized in this report.

OMB guidance requires that priority consideration be given to reviewing the use of professional and management services and information technology support services. Based on concerns of risk of losing control of mission and operations, OMB identified special interest functions that agencies should give increased management attention. Additionally, the recommendations in the GAO report Civilian Service Contract Inventories: Opportunities Exist to Improve Agency Reporting and Review Efforts, GAO-12-1007, September 2012 must be addressed in the analysis.

SPECIAL INTEREST FUNCTIONS	
PSC	**PRODUCT OR SERVICE DESCRIPTION**
B505	SPECIAL STUDIES/ANALYSIS- COST BENEFIT
D302	IT AND TELECOM- SYSTEMS DEVELOPMENT
D307	IT AND TELECOM- IT STRATEGY AND ARCHITECTURE
D310	IT AND TELECOM- CYBER SECURITY AND DATA BACKUP
D314	IT AND TELECOM- SYSTEM ACQUISITION SUPPORT
R406	SUPPORT- PROFESSIONAL: POLICY REVIEW/DEVELOPMENT
R408	SUPPORT- PROFESSIONAL: PROGRAM MANAGEMENT/SUPPORT
R410	SUPPORT- PROFESSIONAL: PROGRAM EVALUATION/REVIEW/DEVELOPMENT
R413	SUPPORT- PROFESSIONAL: SPECIFICATIONS DEVELOPMENT
R423	SUPPORT- PROFESSIONAL: INTELLIGENCE
R425	SUPPORT- PROFESSIONAL: ENGINEERING/TECHNICAL
R497	SUPPORT- PROFESSIONAL: PERSONAL SERVICES CONTRACTS
R707	SUPPORT- MANAGEMENT: CONTRACT/PROCUREMENT/ACQUISITION SUPPORT
R499	SUPPORT- PROFESSIONAL: OTHER
R699	SUPPORT- ADMINISTRATIVE: OTHER
R799	SUPPORT- MANAGEMENT: OTHER

MSPB TOP TEN PRODUCT SERVICE CODES FOR SERVICE CONTRACTS	
PSC	**PRODUCT OR SERVICE DESCRIPTION**
DG01	IT and Telecom – Network Support Services (Labor)
R418	Support – Professional: Legal
R425	Support – Professional: Engineering/Technical
R606	Support – Administrative: Court Reporting
R699	Support – Administrative: Other
R704	Support – Management: Auditing
R799	Support – Management: Other
S216	Housekeeping – Facilities Operations Support
X1GZ	Lease/Rental of Other Warehouse Buildings
X1LZ	Lease/Rental of Parking Facilities

Scope

In compliance with the FY 2010 Consolidated Appropriations Act, MSPB completed a thorough analysis of its FY 2024 inventory to:

- Gauge whether contracts for services are being used appropriately to support the MSPB mission
- Determine the effectiveness of MSPB's use of support contractors; and
- Identify future improvements to our service-related acquisition practices.

MSPB is submitting this report, in accordance with OMB's guidance and the GAO Report #GAO-12-1007, to present its analysis, methodologies, significant findings, accomplishments, and future actions required for continued improvements.

Analysis of FY 2024 Service Contract Inventories

MSPB continues to strengthen its financial stewardship throughout the acquisition life-cycle. The MSPB Procurement office completed the analysis of their 2024 service contract inventory assuring service contracts supported valid program requirements along with considering the balance between federal employees and service contractors.

The MSPB recognizes that the ongoing critical success of the services that the agency acquires to support its missions requires definitive processes to execute services acquisitions and ensure governance and oversight. The ongoing review processes create opportunities to engage customers early in the acquisition planning process which enables them to develop effective, result-oriented strategies that meet the need with solutions and incentives for efficient innovation throughout the acquisition process.

The MSPB conducted the inventory analysis, which included a review of the base contracts and information in the inventory, in accordance with section 743(e) to ensure that:

- Any personal service contracts are entered into and being performed in accordance with applicable laws and regulations.
- Special management attention is given, as set forth in Federal Acquisition Regulation (FAR) 37.114, to functions that are closely associated with inherently governmental functions.
- Contractor employees are not utilized to perform inherently governmental functions.
- Specific safeguards and monitoring systems are in place to ensure that work being performed by contractors has not changed or expanded during performance to become an inherently governmental function.

- Contractor employees are not utilized to perform critical functions that could affect the ability of the agency to maintain control of its mission and operations; and

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

MSPB selected three (3) product service codes (PSCs) to include in the analysis of the FY2024 Service Contract Inventory.

PSC	Product or Service Description	Dollars Obligated in FY2024	Rationale for Selecting
DF01	IT AND TELECOM - IT MANAGEMENT SUPPORT SERVICES (LABOR)	$1,141,988.72	This PSC was selected because it was one of the top 3 from the previous year and had not been assessed previously. This category represents 25.84%, the largest amount of spending on service contracts in FY24.
7A21	IT AND TELECOM - BUSINESS APPLICATION SOFTWARE (PERPETUAL LICENSE SOFTWARE)	$858,794.58	This PSC was selected because it was one of the top 3 from the previous year and had not been assessed previously. This category represents 19.43%, the 2nd largest spending on service contracts for FY24.
DD01	IT AND TELECOM - SERVICE DELIVERY SUPPORT SERVICES: ITSM, OPERATIONS CENTER, PROJECT/PM (LABOR)	$810,965.50	This PSC was selected because it was one of the top 3 from the previous year and had not been assessed previously. This category represents 18.35%, the 3rd largest spending on service contracts for FY24.

Methodology

The inventory was acquired from a report compiled by the Contract Data available in the System for Award Management. The report was created using the parameters established in P.L. 111-117.

The contracts included in the analysis were selected based on a review of the statement of work, to include contracts most likely to include performance of inherently governmental functions, critical functions, or closely associated functions, or otherwise require increased levels of management and oversight.

The inventory review methods included:

- interview program managers, budget managers, contracting officer representatives, and contracting officers.
- random sampling of service contracts.
- validate inherently governmental – performance by contractor or government.
- assess need driven by mission.
- identify opportunities to reduce duplication; and
- identify challenges and opportunities.

Contracts were assessed to determine if:

- Contractor Personnel perform duties such as providing legal advice or development, interpretations and application of regulations and statues to agency employees, determination of budget policy, guidance, and strategy or making policy decisions for the Agency.
- Contractor Personnel perform critical functions under this contract.
- Contractor Personnel are involved in such a way that could affect the ability of the agency to maintain control of its mission and operations.
- Specific safeguards and monitoring systems are in place for those contracts under which critical functions are being performed to ensure these functions do not become inherently governmental.
- Contractor Personnel perform the same or similar function(s) as agency staff or closely associated functions.

- Specific safeguards and monitoring systems are in place for those contracts under which closely associated functions are being performed to ensure these functions do not become inherently governmental.

- Contracts that have been modified to change the scope of work; were the changes within scope, and have work changed to become inherently governmental; and

- Sufficient resources are available to CORs to effectively manage and administer service contracts.

Findings

There were four (4) PSCs identified as a special interest functional area. The PSCs identified were:

R408 – Support – Professional: Program Management/Support,

R425 – Support – Professional: Engineering/Technical,

R699 Support – Administrative: Other,

R799 Support – Management: Other.

The service contracts reviewed were selected from base contracts with a price range of $150,000.00 or above, as required by P.L. 111-117. The MSPB had three (3) service contracts within the product service codes assessed that were over the $25,000 threshold. Those three (3) services contracts were above $150,000.00 as follows:

DF01 – IT and Telecom – IT Management Support Services (Labor), which was 25.84% of the total service contracts for FY 2024 at $1,141,988.72.

7A21 – It and Telecom – Business Application Software (Perpetual License Software), which was 19.43% of the total service contracts on FY 2024 at $858,794.58.

DD01 – IT and Telecom – Service Delivery Support Services: ITSM, Operations Center, Project/PM (Labor), which was 18%. of the total service contracts for FY 2024 at $810,965.50.

Of the contracts MSPB reviewed, all were deemed necessary and in direct support of the MSPB mission. MSPB Procurement staff did not identify any contracts that contained any inherently governmental functions or personal services. MSPB contracts met performance expectations and contractual requirements.

MSPB does not use 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.

Conclusion

In the reviews accomplished, MSPB has determined that contract labor is being used appropriately and effectively; contractors are not performing inherently governmental functions, safeguards and monitoring systems are in place to ensure that work being

performed does not become inherently governmental, contractors are not performing critical functions that could affect the agency's ability to maintain control of its mission and operations and there are adequate resources to effectively manage contracts.

After reviewing the Services Contract Inventory, MSPB has identified no significant weaknesses or challenges to its contracting process. Therefore, no corrective action has been taken and no plans to address future contracts are necessary. Similarly, no deficiencies were uncovered in the previous fiscal year inventory.

Responsible Officials

Michaela Klarmann Deputy Director, Financial and Administrative Management - is accountable for the development of agency policies, procedures, and training associated with OFPP Policy Letter 11-01 addressing the performance of inherently governmental and critical functions. Michaela Klarmann is also responsible for ensuring appropriate internal management attention is given to the development and analysis of service contract inventories.

FY 2025 Planned Analysis

In accordance with the Service Contract Inventory Checklist of Submissions, the U.S. Merit Systems Protection Board is submitting the identified Planned Analysis for FY 2025.

The functions are:

- 7J20 – IT and Telecom – Security and Compliance Products (Hardware and Perpetual License Software). This category was not reviewed previously and represents the largest percentage of service contracts with 60.92% of contract spending for FY 2025 at $525,071.05.
- R606 – Support – Administrative: Court Reporting. This category was reviewed previously and represents the second largest percentage of service contracts with 8.70% of service contract spending for FY2025 at $75,000.00.
- X1LZ – Lease/Rental: Parking Facilities This category was not reviewed previously and represents the third largest percentage of service contracts with 5.17% of service contract spending for FY 2025 at $44,542.80.

The codes that are of highest interest for the agency to analyze for FY 2025 are 7J20, R606, and X1LZ. None of which were identified as a special interest functional area.