SEC. ___. AMENDMENTS RELATING TO SERVICE CONTRACT INVENTORY REPORTING REQUIREMENTS.

Section 743(a)(3) of Division C of the Consolidated Appropriations Act, 2010 (Public Law 111-117; 123 Stat. 3216) is amended in the matter preceding subparagraph (A)—

(1) in the first sentence, by inserting "that have a value of more than $3,000,000, including all options," in the first sentence before "awarded or extended through the exercise of an option"; and

(2) in the second sentence, by inserting "covered" before "service contract".

Section-by-Section Analysis

This provision is designed to reduce procurement reporting burdens on Federal contractors and civilian agencies by raising the applicability threshold of section 743 of Division C of the Consolidated Appropriations Act, 2010 (P.L. 111-117). Section 743 requires (i) contractors to report the total amount invoiced and the direct labor hours expended on covered contracts, (ii) civilian agencies to prepare and analyze inventories of the functions performed by their service contractors (including the total amount invoiced and direct labor hours expended), and (iii) the Office of Management and Budget to provide Congress with a summary of the agencies' analyses. Despite the good intention underlying this provision, the inventory process has produced limited value for the significant amount of effort required of contractors and related work required of agencies. By raising the applicability threshold, contractors' reporting burdens would be reduced. Additionally, the higher threshold is consistent with that in section 812 of the National Defense Authorization Act for FY 2017 for a similar requirement imposed on the Department of Defense in 10 U.S.C. 2330a. Finally, the Federal government could benefit from increased reliance on alternative approaches that are increasing insight into how agencies are using service contractors.

The purpose of the inventory is to help agencies better understand, by function, how contracted services are being used and if the mix of Federal employees and contractors for a given program is effectively balanced. Since the law was enacted, agencies have prepared inventories using a standard format and data sequence set forth in OMB guidance that has been updated periodically to highlight best practices, including recommendations made by the Government Accountability Office to improve the quality of reporting. The majority of agencies reviewed at least some work related to information technology, and many reviewed program management, professional support services and engineering and technical services. Several agencies also reviewed functions that are significant to their mission activities (e.g., the Department of Education studied debt collection services performed by its contractors and the Small Business Administration looked at credit reporting).

As part of its evaluation of paperwork burden under the Paperwork Reduction Act, the Federal Acquisition Regulatory Council determined that this reporting requirement creates almost 48,000 hours of burden annually on contractors. Despite this burden, service contract inventory data is likely to have only limited value as a general indicator, because contract reporting is currently based on the predominant service performed and requires contractors to report data that would not normally be required by the Government under firm fixed price contracts.

Since the law was enacted, a number of important steps have been taken to improve the government's ability to better understand how it is using contractor resources and consider how such resources are most effectively balanced with work performed by Federal employees. In particular:

- Agency insight into spending for common goods and services is being improved through the use of category management, a proven business practice where spending for common goods and services (including professional services) is supported by teams of subject matter experts share market intelligence specific to their category with the acquisition workforce so they can make better and more informed buying decisions to improve contracts and leverage government-wide solutions when it makes sense.

- Efforts have been taken to determine where common administrative services managed by Federal agencies might be consolidated or shared.

- Recent regulatory changes create standards for contracts to include uniform use of line items that will provide more details on what is being purchased. In addition, an ongoing migration to electronic invoicing will provide greater visibility and access to more granular data that will allow the Government to use information already reported by contractors to meet the majority of the SCI reporting requirement for prime contractors. These changes and ongoing efforts to transition to electronic invoicing will help ensure better transparency into and analysis of Federal contract pricing and purchasing activities.

- Reporting under the Digital Accountability and Transparency Act of 2014 (DATA Act) (P.L. 113-101) will provide agencies, oversight bodies, and the public the information on funds expended under all contracts.

By raising the applicability threshold to contracts over $3,000,000 to match the level Congress set for the Department of Defense, relief would be provided for tens of thousands of contracts and the many entities that perform under them and agencies would rely instead on the alternative efforts described above for more meaningful insight.

Budget Implications: There would be no budgetary impact as a result of these legislative changes because the proposal is only an authorization and would not increase the overall budget requirements of the Department or any other Federal agency.

Changes to Existing Law: The proposal would amend section 743 of Division C of the

Consolidated Appropriations Act, 2010 as follows:

SEC. 743. (a) SERVICE CONTRACT INVENTORY REQUIREMENT.—

(1) GUIDANCE.—Not later than March 1, 2010, the Director of the Office of Management and Budget shall develop and disseminate guidance to aid executive agencies in establishing systems for the collection of information required to meet the requirements of this section and to ensure consistency of inventories across agencies.

(2) REPORT.—Not later than July 31, 2010, the Director of the Office of Management and Budget shall submit a report to Congress on the status of efforts to enable executive agencies to prepare the inventories required under paragraph (3), including the development, as appropriate, of guidance, methodologies, and technical tools.

(3) INVENTORY CONTENTS.—Not later than December 31, 2010, and annually thereafter, the head of each executive agency required to submit an inventory in accordance with the Federal Activities Inventory Reform Act of 1998 (Public Law 105–270; 31 U.S.C. 501 note), other than the Department of Defense, shall submit to the Office of Management and Budget an annual inventory of service contracts **that have a value of more than $3,000,000, including all options** awarded or extended through the exercise of an option on or after April 1, 2010, for or on behalf of such agency. For each **covered** service contract, the entry for an inventory under this section shall include, for the preceding fiscal year, the following:

(A) A description of the services purchased by the executive agency and the role the services played in achieving agency objectives, regardless of whether such a purchase was made through a contract or task order.

(B) The organizational component of the executive agency administering the contract, and the organizational component of the agency whose requirements are being met through contractor performance of the service.

(C) The total dollar amount obligated for services under the contract and the funding source for the contract.

(D) The total dollar amount invoiced for services under the contract.

(E) The contract type and date of award. H. R. 3288—184

(F) The name of the contractor and place of performance.

(G) The number and work location of contractor and subcontractor employees, expressed as full-time equivalents for direct labor, compensated under the contract.

(H) Whether the contract is a personal services contract.

(I) Whether the contract was awarded on a noncompetitive basis, regardless of date of award.

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