

Competitive Sourcing Overview

Topics

- Introduction
- The Office of Management and Budget (OMB)
- Competitive Sourcing Requirements
- Competition Preliminary Planning
- Interactive Exercise
- Types of Competition
- Letter of Obligation
- Post-competition Accountability
- Summary

Introduction

What is...

- Contracting out
- Outsourcing
- Privatization
- In-sourcing
- Cross-servicing
- Competitive sourcing

A structured method by which two or more service providers compete in a lowest cost or best value competition to determine which provider shall receive a performance decision to do the work

The Office of Management and Budget (OMB) Roles

- Oversees implementation of the Federal Activities Inventory Reform (FAIR) Act
- Publishes Circular A-76, Performance of Commercial Activities
 - New rules as of May 29, 2003

Competitive Sourcing Requirements Rules

- The Federal Activities Inventory Reform (FAIR) Act
 - Has been a management tool since 1998
 - Requires agencies to publish a list of commercial activities for challenge and appeal by interested parties
 - Forms the basis for an agency's determination and selection of candidates for public-private competition
- OMB Circular A-76, Performance of Commercial Activities
 - Has been a management tool since the 1950's
 - Is a regulated and structured process for conducting public-private competition
 - Requires agencies to publish lists of inherently governmental activities for challenge and appeal by interested parties

Competitive Sourcing Requirements FAIR Act and Inherently Governmental Inventories

Annually

- OMB transmits instructions to agencies for inventories' preparation
- Agencies develop their inventories and submit them to OMB by June 30
- OMB consults with agencies on the composition of inventories
- OMB posts a Federal Register notice (www.nara.gov) stating inventories are available for public review and challenge
- Agencies
 - Make their inventories publicly available
 - Transmit copies of the inventories to both houses of Congress
 - Initiate and resolve challenges and appeals
 - If needed, transmit updated inventories to OMB and Congress

Competitive Sourcing Requirements Program Management

Requires

- appointment of a Competitive Sourcing Official (CSO),
- centralized agencies' competition oversight,
- full accountability of agency officials designated to implement and comply with this [A-76] circular by establishing performance standards in annual performance evaluations,
- holding public sector service providers to the same performance standards as private sector providers,
- execution tracking of Streamlined and Standard Competitions,
- Competitive Sourcing Quarterly Reports, and
- tracking performance of service providers so that current experiences will inform and improve future agency decisions.

Competitive Sourcing Requirements

Competitive Sourcing Official (CSO)

- General Information
 - ...an assistant secretary or equivalent level official with responsibility for implementing this [A-76] circular. Except as otherwise provided by this circular, the CSO may delegate, in writing, specified responsibilities to senior-level officials in the agency or agency components.

Competitive Sourcing Requirements

Centralized Agencies' Competition Oversight

- Competitive Sourcing Official
- Departmental Competitive Sourcing Office
 - Responsible for overall management of the competitive sourcing program within the departmental organizations
 - Coordinates competitive sourcing efforts with individual agencies and bureaus
- Agency/Bureau competitive sourcing staff
 - Responsible for management of the competitive sourcing program within an agency

Competition Preliminary Planning

Agencies conduct competition pre-planning

- Identify project scope and activity groupings
- Select streamlined or standard competition method
- Assess project workload and data systems
- Determine and document activity baseline costs
- Develop and document initial project schedule
- Determine participant roles and responsibilities
- Appoint competition officials
- Inform incumbent service providers of the date that the public announcement will be made
- Announce competition in FedBizOps, www.fbo.gov

Competition Preliminary Planning

Identify project scope and activity groupings

- Review FAIR Act Inventory and identify activity(s) and full-time equivalent (FTE) positions selected for competition
- Determine project composition
 - Single or multi functional activity
 - Single or multi location activity
 - Organizational or functional
- Identify and notify customers
- Assess impact to the agency if competed
 - Ability of the activity to effectively compete
 - Availability of resources to support the competition

Competition Preliminary Planning

Select streamlined or standard competition method

- Streamlined
 - 65 or fewer FTE
 - 90-135 days to complete
- Standard
 - any number of FTE
 - 12-18 months to complete

Competition Preliminary Planning

Assess project workload and data systems

- Identify products and services
 - Who produces them
 - What are the products and services
 - When are they delivered
 - Where do they go
 - How are they produced
- Determine if sufficient reliable data are available to prepare
 - Performance Work Statement
 - Agency tender

Competition Preliminary Planning

Determine and document activity baseline costs

- Historical consumption, not budget input
- Labor and non-labor costs, including
 - Personnel
 - Facility operations and maintenance
 - Capital investment facilities and equipment
 - Supplies and equipment
 - Contract services
 - Training

Agencies shall not use agency budgetary estimates to develop Government cost estimates in a streamlined or standard competition. OMB Circular A-76

Competition Preliminary Planning

Develop and document initial project schedule

- Tasks and sub-tasks
- Start and finish dates
- Responsible person(s)
- Other considerations
 - Task slippage
 - Federal holidays
 - Staff turnover

Project management software facilitates achieving project schedules.

Competition Preliminary Planning

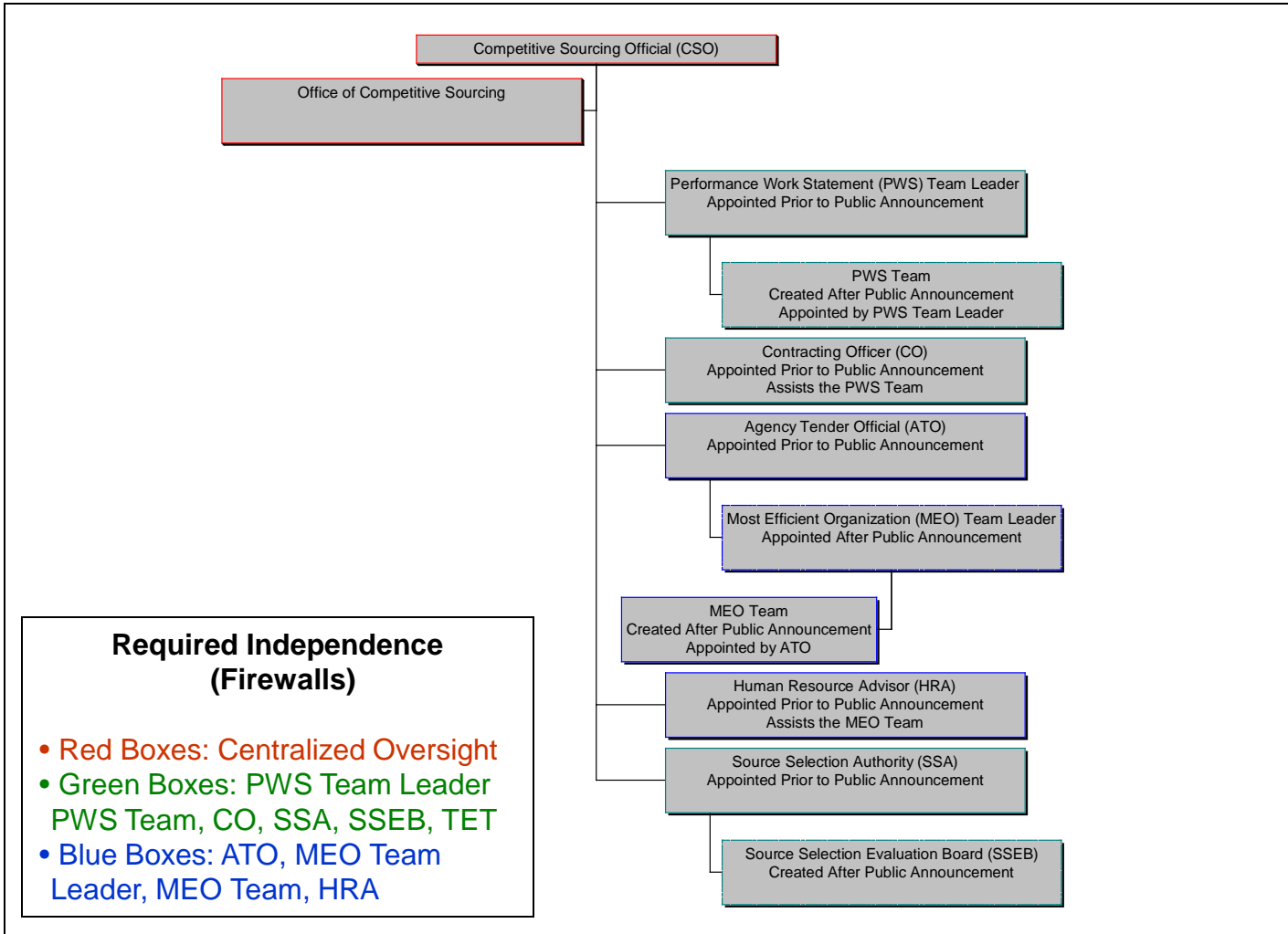
Determine participant roles and responsibilities

- Project management
- Senior management reporting
- Policy and procedure interpretation
- Competitive sourcing training
- Customer and stakeholder notification
- Employee representative participation
- Support consultant involvement

Competition Preliminary Planning

Appoint competition officials

- Performance Work Statement (PWS) Team Leader leads a team of functional experts to develop the PWS and Quality Assurance Surveillance Plan (QASP)
- Contracting Officer (CO) works with the PWS Team Leader to publish the work requirements in FedBizOps and conducts the competitive procurement process
- Agency Tender Official (ATO) leads a team of functional experts to prepare the agency's tender or bid
- Human Resource Advisor (HRA) performs employee relations assistance and assists the ATO to prepare the agency's bid
- Source Selection Authority (SSA) is responsible for making the source selection decision and appoints the Source Selection Evaluation Board (SSEB)



Performance Work Statement (PWS) Team Leader

The PWS team leader shall

- be an inherently governmental agency official;
- comply with both the FAR and this circular;
- be independent of the ATO, HRA and MEO team;
- develop the PWS and quality assurance surveillance plan;
- determine Government-furnished property (GFP);
- assist the CO in developing the solicitation; and
- assist in implementing the performance decision.

Team Designations

Performance Work Statement (PWS) Team

After public announcement, the PWS team leader shall appoint a PWS team comprised of technical and functional experts. The PWS team shall comply with the FAR and this [A-76] circular, and assist the PWS team leader with

- developing the PWS including supporting workload data, performance standards, and any information relating to the activity being competed;
- determining Government-furnished property;
- assisting in the CO's development of the solicitation;
- developing a quality assurance surveillance plan and, as required, updating this plan based on the performance decision; and
- implementing the performance decision.

Contracting Officer (CO)

- The CO shall
 - be an inherently governmental agency official;
 - comply with both the FAR and this circular;
 - be independent of the ATO, human resource advisor (HRA), and MEO team; and
 - be a member of the PWS team.
- Additionally, the CO shall notify the Agency Tender Official of the performance decision.
- For a performance decision favoring the agency, the CO shall establish an MEO letter of obligation with an official responsible for performance of the MEO.

Agency Tender Official (ATO)

The ATO shall

- be an inherently governmental agency official with decision-making authority;
- comply with this circular;
- be independent of the contracting officer (CO), source selection authority (SSA), source selection evaluation board (SSEB), and performance work statement (PWS) team;
- develop, certify, and represent the agency tender;

Agency Tender Official (ATO) (continued)

The ATO shall

- designate the most efficient organization (MEO) team after public announcement of the standard competition;
- provide the necessary resources and training to prepare a competitive agency tender; and
- be a directly interested party.

An agency shall ensure that the ATO has access to available resources (e.g., skilled manpower, funding) necessary to develop a competitive agency tender. OMB Circular A-76

Team Designations

Most Efficient Organization (MEO) Team

After public announcement, the ATO shall appoint an MEO team comprised of technical and functional experts. The MEO team shall comply with this [A-76] circular and assist the ATO in developing the agency tender.

Human Resource Advisor (HRA)

The HRA shall

- be an inherently governmental agency official and a human resource expert,
- comply with this [A-76] circular, and
- be independent of the
 - Contracting Officer,
 - Performance Work Statement team,
 - Source Selection Authority, and
 - Source Selection Evaluation Board.

Human Resource Advisor (continued)

Employee and Labor-Relations Requirements

The HRA shall, at a minimum, perform the following

- interface with directly affected employees (and their representatives) from the date of public announcement until full implementation of the performance decision,
- identify adversely affected employees,
- accomplish employee placement entitlements in accordance with 5 CFR Part 351 (reduction-in-force procedures),
- provide post-employment restrictions to employees,
- determine agency priority considerations for vacant positions and establish a reemployment priority list(s) in accordance with 5 CFR Part 330, and
- provide the Contracting Officer with a list of the agency's adversely affected employees, as required by this attachment and FAR 7.305(c) regarding the right of first refusal for a private sector performance decision.

Human Resource Advisor (continued)

MEO Team Requirements

The HRA shall assist the ATO and MEO team in developing the agency tender. During development of the agency tender, the HRA shall be responsible for

- scheduling sufficient time in competition milestones to accomplish potential human resource actions in accordance with 5 CFR Part 351 [Reduction in Force],
- advising the ATO and MEO team on position classification restrictions,
- classifying position descriptions, including exemptions based on the Fair Labor Standards Act,

Human Resource Advisor MEO Team Requirements (continued)

The HRA shall assist the ATO and MEO team in developing the agency tender. During development of the agency tender, the HRA shall be responsible for

- performing labor market analysis to determine the availability of sufficient labor to staff the MEO and implement the phase-in plan,
- assisting in the development of the agency cost estimate by providing annual salaries, wages, night differentials, and premium pay,
- assisting in the development of the timing for the phase-in plan based on MEO requirements, and
- developing an employee transition plan for the incumbent agency organization early in the standard competition process.

Human Resource Advisor (continued)

Additional Responsibilities

- Cancellation of a Streamlined or Standard Competition
 - The HRA shall notify directly affected employees and their representatives of the cancellation
- Cancellation of a Solicitation
 - The HRA shall notify directly affected employees and their representatives of the cancellation
- Performance Decision
 - The HRA shall notify directly affected employees (and their representatives) of the performance decision

Source Selection Authority (SSA)

- The SSA shall
 - be an inherently governmental agency official appointed in accordance with FAR Part 15.303 [Source Selection, Responsibilities];
 - comply with both the FAR and this circular when performing a streamlined and standard competition; and
 - be independent of the ATO, HRA, and MEO team. The SSA shall not appoint an SSEB until after public announcement.
- Additionally, The SSA shall ensure that the CO offers a debriefing to all private sector offerors, public reimbursable sources, the ATO, and directly affected Government personnel (and their representatives), in accordance with FAR 15.503

Team Designations

Source Selection Evaluation Board (SSEB)

After public announcement of a standard competition that will be a negotiated procurement, the SSA shall appoint an evaluation team (referred to as the SSEB) in accordance FAR Subpart 15.303. The SSA shall ensure that the SSEB complies with the source selection requirements of the FAR and this attachment [B]. PWS team members who are not directly affected Government personnel may participate on the SSEB.

Competition Preliminary Planning

Incumbent Service Providers' Notification

Inform any incumbent service providers of the date that the public announcement will be made

Announce Competition in FedBizOps and Initiate the Competition

The public announcement shall include, at the minimum

- the agency,
- agency component,
- location,
- type of competition (streamlined or standard),
- activity being competed,
- incumbent service providers,
- number of Government personnel performing the activity,
- name of the Competitive Sourcing Official (CSO,)
- name of the contracting officer,
- name of the Agency Tender Official (ATO), and
- projected end date of the competition.

Types of Competition Methods

- Streamlined Competition
 - 65 or fewer FTE
 - 90-135 days to complete
- Standard Competition
 - any number of FTE
 - 12-18 months to complete

Types of Competition

Advantages and Disadvantages

Competition in General

- Advantages
 - Can result in cost avoidance and hard dollar savings
 - Can help achieve human capital planning goals (e.g., integration with staffing plans)
 - Can help managers to better determine and allocate funding priorities
- Disadvantages
 - Is generally disruptive to the organization
 - Requires diversion of staff away from their routine duties
 - Will likely negatively impact already existing organizational problems

Types of Competition

Advantages and Disadvantages

Streamlined Competition

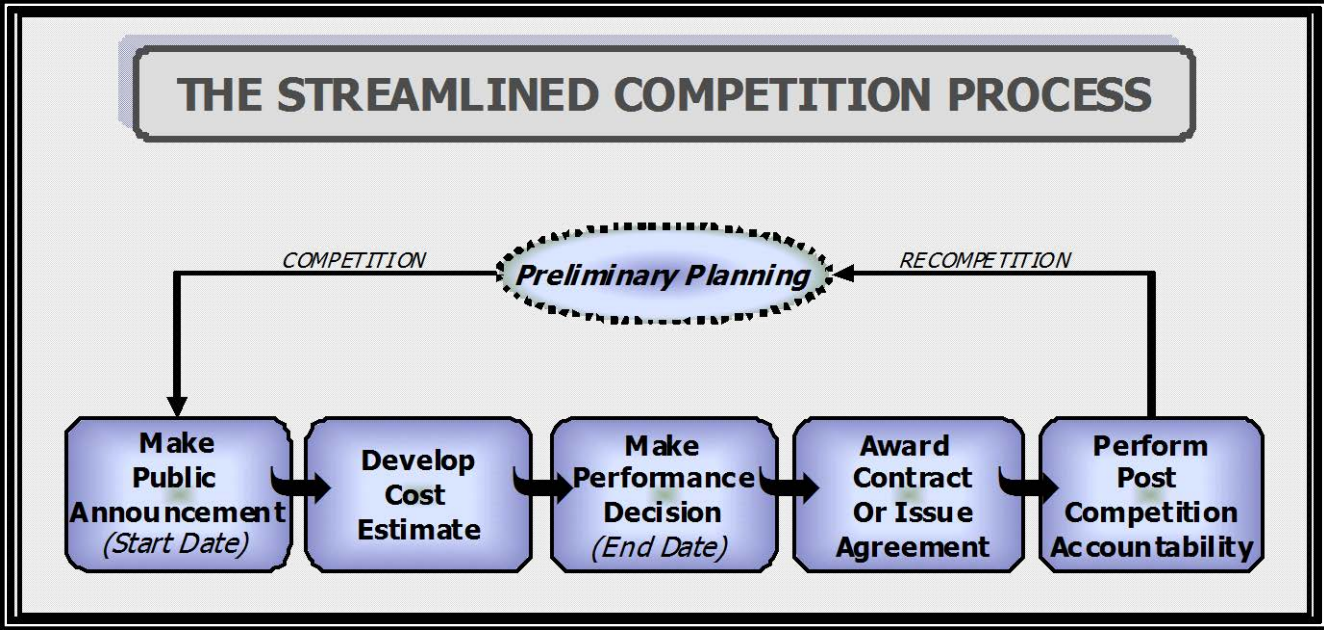
- Advantages
 - May achieve cost avoidance and hard dollar savings
 - Takes less time than a Standard Competition
 - Can be less disruptive to the organization than a Standard Competition
- Disadvantages
 - Can only be applied to activities with 65 or fewer FTE
 - Will require a follow-on private-private competition if cost comparison favors private sector or public reimbursable source performance
 - For certain agencies, no 10 percent or \$10M conversion differential

Types of Competition

Advantages and Disadvantages

- Standard Competition
 - Advantages
 - Will achieve a hard dollar savings no matter who wins
 - Will achieve a cost avoidance if agency tender prevails
 - Allows employees to participate in developing a Most Efficient Organization
 - Disadvantages
 - Often, more disruptive to the organization than a Streamlined Competition
 - Increased likelihood of staff turnover
 - Government offer may be deemed “not technically qualified”

Types of Competition

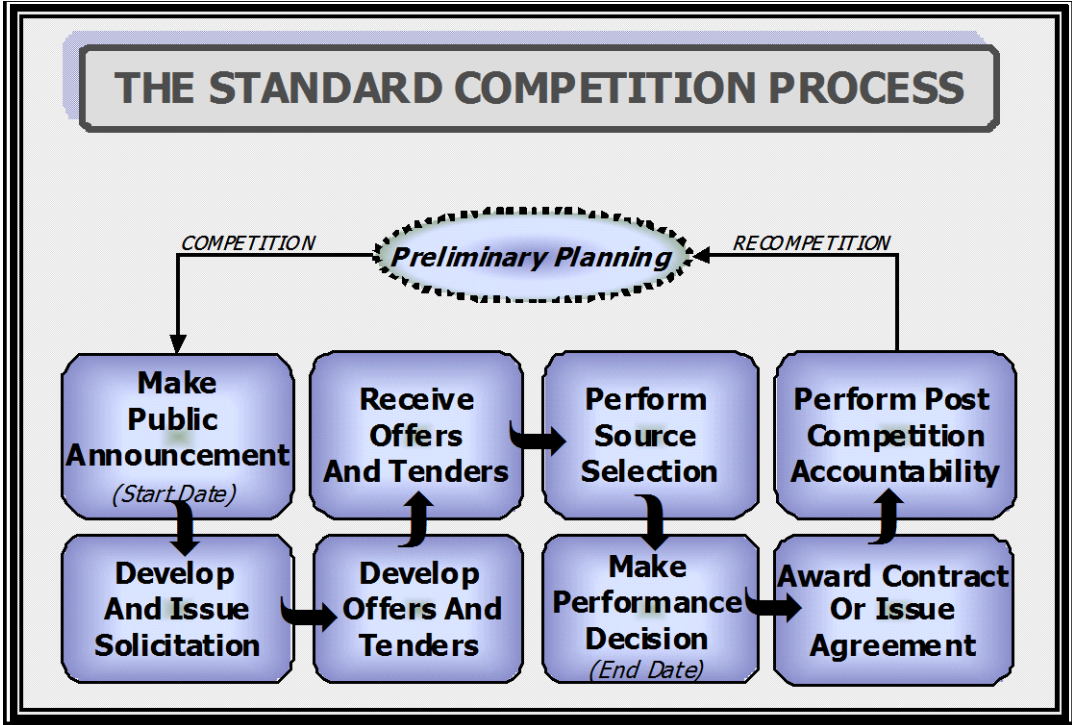


Types of Competition

Streamlined Competition

- Activities with 65 or fewer FTE
- 90-135 days to complete
- Requires FedBizOps postings
- May require issuing a solicitation
- May require development of a MEO
- Compares cost of existing organization or MEO to comparable private sector or public reimbursable source cost
- Requires issuance and conformance with a Letter of Obligation if agency tender prevails

Types of Competition



Types of Competition

Standard Competition

- 12 + 6 months to complete
 - The CSO may grant a waiver beyond 12 months if the CSO
 - expects the competition to be particularly complex;
 - signs the time limit waiver before public announcement; and
 - provides a copy of the time limit waiver to the Deputy Director for Management, OMB, before public announcement.
- Requires FedBizOps postings
- Requires issuing a solicitation
- Requires development of an agency tender
- Requires issuance and conformance with a Letter of Obligation if agency tender prevails

Letter of Obligation

- Issue an agreement for an agency tender performance decision
 - For a performance decision favoring the agency, the contracting officer shall establish an MEO letter of obligation naming an official responsible for performance of the MEO
 - The contracting officer shall incorporate appropriate portions of the solicitation and the agency tender into the MEO letter of obligation and distribute the letter to appropriate individuals including the Agency Tender Official
- Specific Information
 - Refer to handout.

Post-competition Accountability

To maintain post-competition accountability, agencies shall

- Post best practices and lessons learned
- Maintain a database to track the execution of competitions
- Submit a Competitive Sourcing Quarterly Report to OMB
- Monitor performance for all performance periods stated in the solicitation
- Implement the quality assurance surveillance plan
- Retain the solicitation and any other documentation
- Maintain the currency of the contract file, consistent with the Federal Acquisition Regulation (FAR)
- Record the actual cost of performance by performance period

Summary

Competitive sourcing is a management tool that requires

- accurate and complete inventories,
- deliberate and active program management,
- strategic thinking and planning,
- ongoing communications,
- accountability of competition officials, and
- training and education.

Acronyms

- **ATO** Agency Tender Official
- **CFR** Code of Federal Regulations
- **CO** Contracting Officer
- **CSO** Competitive Sourcing Official
- **FAIR Act** Federal Activities Inventory Reform Act
- **FAR** Federal Acquisition Regulation
- **FTE** Full-Time Equivalent
- **HRA** Human Resource Advisor
- **MEO** Most Efficient Organization
- **OMB** U.S. Office of Management and Budget
- **PMA** President's Management Agenda
- **PWS** Performance Work Statement
- **QASP** Quality Assurance Surveillance Plan
- **ROFR** Right of First Refusal
- **SCF** Standard Competition Form
- **SLCC** Streamlined Competition Form
- **SSA** Source Selection Authority
- **SSEB** Source Selection Evaluation Board