

# ***COMPETITIVE SOURCING***

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## **Reasoned and Responsible Public-Private Competition**

*Agency Activities*  
*A Supplement to the July 2003 Report*



SEPTEMBER 2003

*Executive Office of the President*  
*Office of Management and Budget*

## **Reasoned and Responsible Public-Private Competition: Agency Activities**

In the summer of 2001, OMB introduced the President's Management Agenda (PMA), a part of which called upon agencies to use competition as a viable management practice to determine the best and most cost-effective provider of commercial activities currently performed by their employees. Since then, agencies have made important progress in implementing the practice of competitive sourcing as a resource management tool for improving mission performance and decreasing costs for taxpayers.

When the PMA was first announced, few, if any, agencies other than the Department of Defense (DOD) had a significant history of using competitive sourcing. As a result, in the past, most in-house providers of commercial services were not motivated to improve their organizations as they likely would have been if faced with competition. Today, the picture is far different. Civilian agencies across government are now positioned to improve many of their day-to-day operations through the strategic application of public-private competition. This capability is the result of:

- Customized plans developed by each agency to identify where public-private competition will be most beneficial to the agency's unique mission and workforce mix;
- Dedicated high-level management oversight within each agency to promote sound and accountable decision making; and
- Improved processes for the fair and efficient conduct of a public-private competition and sufficient oversight to ensure promised results are delivered.

In July, the Office of Management and Budget (OMB) issued a report describing how this three-part strategy contributes to reasoned and responsible actions. That report highlighted activities at five agencies to illustrate the different types of activities and extent to which public-private competition is being, or has been, applied.

This supplement to the July OMB report provides additional information on agency competitive sourcing actions, including a government workforce summary and competition plan profile for agencies tracked under the PMA.<sup>1</sup> This supplement also reviews how recent changes to OMB's Circular A-76 (which provides guidance on the use of public-private competition) promotes more accountable and results-oriented actions.

## **I. Agency efforts**

### **A. Mechanisms for ensuring effective use of competitive sourcing**

Agencies are taking a number of steps to ensure sound planning and effective use of public-private competition. These steps include the following:

1. *Appointment of Competitive Sourcing Officials.* Agencies are centralizing oversight responsibility, as called for by Circular A-76, by appointing an agency competitive sourcing official (CSO). The CSO is responsible for competitive sourcing activities within the agency. Centralized oversight will promote fairness and trust in the process and will facilitate the sharing of best practices.

2. *Reasoned classification of agency workforces.* Agencies recognize that the development of workforce inventories, as called for by the Federal Activities Inventory Reform (FAIR) Act and OMB Circular A-76, is an important first step in the process of figuring out where competition may be applied. Through the reasoned classification of their workforce, agencies immediately eliminate from consideration for competition any activities that are inherently governmental. They further differentiate commercial activities that may be suitable for competition from those that should not be made available for comparison with the private sector.

Challenges to workforce classification decisions are allowed to promote transparency and accountability. The FAIR Act permits interested parties to administratively challenge the classification of an activity as inherently governmental or commercial. In addition, recent revisions to OMB Circular A-76 permit interested parties to administratively challenge the reason codes agencies use to identify whether a commercial activity is suitable for performance by the private sector.<sup>2</sup>

Table 1 in Attachment A provides summary workforce inventory information for the PMA agencies. This table indicates that agencies have drawn different conclusions, consistent with their unique missions, regarding the extent to which commercial activities should be made available for competition. While the majority of agencies identified somewhere between 10 to 40 percent of their total workforce inventory as available for competition, several agencies reported more than 50 percent while a few identified less than 5 percent as available for competition.

3. *Cross-functional participation in competitive sourcing decision making.* Agencies are making efforts to ensure competitive sourcing strategies reflect the needs and interests of all affected functional areas. Agencies are enlisting the expertise from program, human resources, acquisition, budget, and legal offices to determine the most appropriate competitive sourcing strategies and actions for the agency. This cross-functional support facilitates effective communication and a broad-based understanding of competitive sourcing actions within the agency.

### **Integrated decision-making is key for FDA competitive sourcing efforts**

Before commercial activities are selected for competitive sourcing analysis at the Food and Drug Administration (FDA), a steering committee of center executive officers and directors of real property and acquisition, human resources, information technology, facilities, and equal employment opportunity meet to analyze the benefits and drawbacks of competing commercial activities currently performed by FDA employees. Final steering committee approval must be obtained before a competition is initiated. An employees' union representative participates on the steering committee (as a non-voting member), but does not participate in deliberations regarding the agency's bid.

Involvement of human resources professionals is key to ensuring that competitive sourcing is applied consistent with each agency's strategic workforce planning.<sup>3</sup> Agencies are working to ensure that competitive sourcing plans are consistent with and support agency efforts under the President's Strategic Management of Human Capital Initiative. The Competitive Sourcing Workgroup of the Federal Acquisition Council (FAC) has identified a number of factors related to human capital that should be looked at as part of all competitive sourcing reviews. These factors include projected employee attrition, recruitment, and retention.

If a commercial activity is identified for public-private competition, the government workforce must be equipped to compete effectively. Although government employees are highly competitive, they may lack the private sector's expertise and routine experience in competing for work. The revised Circular requires agencies to provide officials who are responsible for developing the agency tender with the necessary resources -- e.g., skilled manpower, funding -- to develop a competitive agency tender.<sup>4</sup> The Circular further requires that a human resource advisor be appointed to interface with government employees regarding employee and labor relations issues, and to assist the agency tender official in developing a competitive tender. Agency briefings to employees and employees' unions help ensure an understanding of the agency's actions.

### **Competitive sourcing decision making at IRS facilitates effective communication with affected stakeholders**

At the Internal Revenue Service (IRS), the Office of Competitive Sourcing works extensively with the IRS business units in selecting candidate commercial activities to undergo a business case analysis to support a go/no-go decision on conducting a public-private competition. Pre-decisional documents are vetted with the business units prior to a formal decision presentation with the IRS Strategy and Resources Committee, led by the Deputy Commissioner of Operations and Support. Decisions to proceed with public-private competitions are quickly communicated in writing and verbally with the business unit managers and the president of the employees' union. The union is also briefed on the final business case document. The IRS holds monthly competitive sourcing coordination group meetings, that the union is a member of, to discuss progress for each competition and to discuss other related competitive sourcing issues. IRS expects these multi-directional forms of communications to facilitate important operational improvements. The IRS Competitive Sourcing Office has identified millions of dollars in savings and performance improvements, irrespective of which sector wins the competition for the work. The first of IRS' initiatives, Area Distribution Centers, is currently out for bid.

4. *Evaluation of benefits and drawbacks of competition.* Agencies are making concerted efforts to weigh the benefits and drawbacks of public-private competition as a tool to improve their performance -- e.g., to eliminate operational redundancies and inconsistencies and to achieve greater productivity, efficiency, and functional effectiveness. In deciding whether competitive sourcing is the best means to achieve these improvements, agencies weigh potential performance improvements and expected cost savings against the investment costs and risks associated with performing the competition.

Agencies are at different stages in their implementation of competitive sourcing. Factors that agencies are generally considering in their analyses include: the availability of private sector service providers; the agency's capacity to conduct competitions and ability to administer a contract; the effect of a potential outsourcing on the agency's future ability to manage its activities; the effect of competition on agency-related activities; and the potential impact on relationships with non-federal partners. The size and nature of the commercial activity will also be considered. The benefits of competition may be outweighed by costs where an activity involves a very small number of full-time-equivalent employees (FTEs) or positions performing a large mixture of activities. The timing for competition will also be taken into account. Agencies may wish to gain experience with competitive sourcing using smaller or less complex activities before pursuing a larger or more complex competition. Agencies may also determine that pursuit of competition is premature and that a better means to improve the operational efficiency of a commercial activity performed by government personnel is to internally reengineer prior to undertaking a public-private competition.

If an activity is to be scheduled for competition, the revised Circular requires an agency to properly plan for the announcement and commencement of the public-private competition. Preliminary planning includes: determining the scope of the activity to be competed, its baseline costs and workload availability; assessing the appropriate form of competition (streamlined versus standard); and determining the roles and responsibilities of participants in the competition process.<sup>5</sup>

#### **Education emphasizes strategic investment review**

Before considering whether commercial activities should be subject to public-private competition, the Department of Education first maps out the best way to accomplish its primary business processes. As part of this process, Education defines quality, service, time, cost, and risk metrics for each business process. Education then identifies both weaknesses in current processes and best practices for conducting similar business processes from organizations within and outside of government. Teams of career employees, assisted by a contractor, develop business cases to articulate how the business process can be reengineered to yield tangible quality, service, time, cost, and risk benefits and show the potential of competition to achieve these benefits. The business cases are presented to the Department's Executive Management Team, chaired by the Deputy Secretary and staffed by the Department's most senior officials. To date, Education has reviewed nine business functions and identified four that are suitable for competition, including payment processing and three human resources activities.

In short, by the time a public-private competition is publicly announced, an agency will have performed an evaluation commensurate with the size and complexity of the activity or activities under review to support its decision to conduct a public-private competition.

## **B. Applying competitive sourcing to agency activities**

The review efforts discussed above have enabled civilian agencies to identify a variety of activities where they believe competitive sourcing can reduce costs or improve performance, just as DOD has been finding for many years. Examples of the types of activities where civilian agencies are already applying, or have already applied, competitive sourcing include:

- *graphics activities* at the Department of Energy;
- *archaeological services* (in the southeastern United States) at the Department of the Interior;
- *office automation support* for the Department of Commerce;
- *library services and graphics arts* at the Department of Health and Human Services;
- *order fulfillment, inventory management, logistics and warehousing for IRS publications* at the Department of the Treasury;
- *immigration information services, marine navigational aides, and public works* at the Department of Homeland Security;
- *human resources and payment processing* at Education;
- *nationwide test administration* at the Office of Personnel Management;
- *automotive maintenance and repair activities* at the Department of Justice;
- *maintenance and light construction activities* at the Department of Agriculture;
- *information technology, vessel maintenance, and the Federal Aviation Administration's automated flight service stations* at the Department of Transportation.

Table 2 in Attachment A provides competition plan profiles for the agencies tracked under the PMA. The table illustrates even more clearly than the sampling provided in OMB's July report that public-private competition is being applied to different types of activities and in different degrees. This conclusion is a reflection of the fact that no two agencies are alike and competitive sourcing strategies are being shaped by agencies to meet unique mission needs. Table 2 also indicates that agencies are generally focusing use of competition on services that are commonly available and routinely performed in the marketplace -- i.e., where there are likely to be capable and highly competitive private sector contractors worthy of comparison to agency providers.

## **II. Measuring agency progress**

As stated in the July 2003 report, OMB has eliminated government-wide goals for competitive sourcing. Instead, attention will center on competition plans that agencies have customized, in consultation with OMB, to reflect their own mission and workforce mix.

Elimination of government-wide goals does not signal a retreat from the government's commitment to use competition to improve performance, decrease operational costs, and achieve efficiencies in managing the government's requirements. OMB remains confident that public-private competition will enable agencies to become better stewards of the public's money and provide our citizens with significantly better service. Competition motivates incumbent providers to become more resourceful and efficient and private sector contractors to offer cost-effective quality solutions. Numerous reports, cited in the July OMB report, have documented that public-private competition improves service delivery and decreases costs, anywhere from 10 to 40 percent on average, regardless of who wins the competition.

**Public-private competition yields performance improvements  
& operational cost savings to provide base operating support at Offutt AFB**

In March 2002, a public-private competition of base operating support activities at Offutt Air Force Base resulted in a decision favoring the government's most efficient organization (MEO). The MEO was based on a 58 percent reduction in manpower costs at an annual savings of approximately \$46 million. The activities competed in this competition included such support activities as civil engineering, aircraft maintenance, supply, transportation, base communications, and personnel services. Repair turnaround time for jet engine overhaul has been cut from 68 days to 28 days (over a 50 percent improvement in performance) and operational costs for this activity have been halved. Based on this competition, Offutt AFB won the President's Quality Award for competitive sourcing in 2002.

At the same time, OMB appreciates that competitive sourcing actions must be implemented in a responsible manner in order to be effective. By eliminating government-wide goals, OMB hopes to dispel any misunderstanding or perception that competition should be applied in a one-size-fits-all manner to all agency commercial activities. Even those who have had the greatest success with competitive sourcing would readily acknowledge that public-private competition is not appropriate for all commercial activities. Focusing on the plans agencies have developed will reinforce the tailored approach to competition that is key for the successful use of competitive sourcing.

No agency is planning to compete all of its commercial activities. However, an agency will be expected to lay out a reasonable plan (e.g., appropriately sequenced and timed) for competing the activities that, after considered analysis, it has concluded are suitable for competition. This plan will constitute the agency's "green" plan on the management scorecard used to measure agency progress and status on PMA initiatives. Agencies continue to have "yellow" plans that serve as an intermediate step to green.

Table 2 identifies the number of positions that the agencies and OMB agreed would be included in a "yellow" plan. A few agencies have already achieved yellow status. All positions in the yellow plan need not have been competed in order to earn a yellow status. Nor must an agency have competed all positions in a green plan to receive a green status. In addition, there are no predetermined times for moving from red to yellow or yellow to green. Timeframes will be based on an agency's analysis of its mission and workforce mix and other factors. To review the yellow and green status criteria, as revised by the July 2003 report, see Attachment B.

### **III. Benefits of the revised Circular A-76**

This past May, OMB issued significant revisions to OMB Circular A-76. The revisions, which were widely vetted with the public, are designed to improve the efficiency and effectiveness of the public-private competition process so that agencies may improve program performance to citizens and lower costs for taxpayers. A summary of the differences between the "old" and the "new" Circular are set forth at Attachment C.<sup>6</sup> Since the revisions were published, the General Accounting Office has stated that the revised Circular should result in better transparency, increased savings, improved performance, and greater accountability.<sup>7</sup> DoD, which has the most experience with competitive sourcing, testified that the new Circular offers "a fresh start with employees, industry, and managers of the competitive sourcing program."<sup>8</sup>

Of particular importance, the revised Circular should substantially enhance an agency's ability to use competitive sourcing in a reasoned and responsible manner. Some of these changes are mentioned above, such as a greater focus on ensuring our workforce can effectively compete for activities they perform and increased emphasis on preliminary planning to lay the groundwork for public-private competition. Revisions in the Circular are also intended to promote and improve public trust in sourcing decisions. Features that were recently introduced by the revised Circular include the following:

a. *Emphasis on best results for the citizen.* The revised Circular eliminates a long-standing policy that discouraged the government from competing with the private sector, even though the government might be able to provide better value to the taxpayer. This change is not intended to denigrate the important role played by the private sector. It is simply meant to reinforce the Circular's main function of providing policies and procedures to determine the best service provider -- irrespective of the sector the provider represents.

b. *Elimination of direct conversions.* During the development of revisions to the Circular, some public commenters complained that the traditional authority to convert activities with 10 or fewer positions directly to private sector performance ignored consideration of the agency as a provider, even if a government organization could provide the service more efficiently and at reduced cost to the taxpayer. In response to these concerns, the revised Circular eliminates direct conversions.

In place of direct conversions, the Circular provides a versatile streamlined competition process for agencies to efficiently consider the capabilities of both the public and private sectors. Equally important, the Circular incorporates mechanisms to ensure that agencies act as responsible stewards when exercising their flexibilities. In particular, agencies must publicly announce both the start of a streamlined competition and the performance decision made by the agency. In addition, agencies must document cost calculations and comparisons on a standardized streamlined competition form. The official who documents the cost estimate for agency performance must be different from the one who documents the cost estimates for performance by either the private sector or a public reimbursable source. Finally, the agency must certify that the performance decision is cost-effective.

**Circular's new streamlined competition process  
expected to yield significant savings for NPS**

The National Park Service's (NPS) successful application of new streamlined competition procedures are expected to yield significant cost savings for the provision of archaeological services at the Southeastern Archeological Center in Tallahassee, Florida. Under the old rules for a streamlined competition, agencies could bid only their existing organization. By contrast, the new rules permit -- and, in fact, encourage -- agencies to become more efficient. Taking advantage of this opportunity, NPS' in-house team reorganized itself into a most efficient organization and eliminated seasonal and temporary positions. After comparing personnel costs, material and supply costs, overhead costs, and other costs of in-house performance to the cost of private sector performance, the agency's contracting officer determined that the MEO represented the more cost-effective option. As required by the new Circular, NPS will track actual savings to ensure benefits are realized.

*c. Establishment of firewalls.* The revised Circular establishes new rules to avoid the appearance of a conflict of interest. The revised Circular separates the team formed to write the performance work statement from the team formed to develop the MEO. In addition, the MEO team, directly affected personnel and their representatives, and any individual with knowledge of the MEO or agency cost estimate in the agency tender will not be permitted to be advisors to, or members of, the source selection evaluation board.

*d. Post-competition accountability.* Under the Circular prior to its revision, post-competition reviews were required only for 20 percent of the functions performed by the government following a cost comparison. As a result, even where competition has been used to transform a public provider into a high-value service provider, insufficient steps have been taken to ensure this potential translates into positive results. Under the revised Circular, a solicitation will require offers and tenders to include a quality control plan for self-inspection, and the performance of the selected provider -- public or private -- will be measured based on a quality assurance surveillance plan. Performance agreements with agency providers will be documented in letters of obligation.

#### IV. Next steps

Efforts are ongoing to ensure the competitive sourcing initiative moves forward in a considered and responsible manner. Steps to achieve long-term success emphasize effective communications within agencies, between agencies, and with interested stakeholders in the public and private sectors, especially members of Congress. Steps include the following:

a. *Review of management practices.* With the assistance of the FAC, OMB will review agency-unique competitive sourcing implementation challenges and strategies to ensure management structures can effectively address these challenges. Lessons learned and best practices for addressing common issues will also be shared. As a first step, the FAC will issue a *Managers' Guide to Competitive Sourcing*. The guide will reinforce the Administration's vision for competitive sourcing and provide general guidance to agency managers to facilitate a reasoned and responsible approach to competitive sourcing.

b. *Tracking performance.* OMB will continue to work with agencies to define data elements, such as savings and costs (including costs of conducting competitions) and appropriate applications of technology for reporting and tracking activities. Information to be collected will include (1) the incremental cost directly attributable to conducting competitions, including costs attributable to paying outside consultants and contractors; and (2) both estimated and actual savings, or a quantifiable description of improvements in service or performance derived from competitive sourcing.

OMB remains committed to the long-term success of competitive sourcing as a viable tool for improving the performance of government. These steps will help agencies to routinely use past results to inform future actions and manage competitions in the most professional manner possible. Equally important, these efforts will give Congress and our citizens the information they need to ensure public resources are being spent wisely.

#### Notes

<sup>1</sup> This report does not provide a workforce summary and competition plan profile for the Department of Homeland Security (DHS). However, DHS has prepared a workforce inventory, which OMB is reviewing, and is also developing a competition plan. As noted in the report, there are several significant competitive sourcing actions underway at DHS.

<sup>2</sup> Agency determinations regarding whether an activity is suitable for competition are reflected in "reason codes," which agencies are required to assign to each commercial activity in their inventory. For a list of reason codes, see paragraph C of Attachment A to OMB Circular A-76, as revised.

<sup>3</sup> In some cases, the CSO is also the Human Capital Strategy Manager. Such is the case at the Environmental Protection Agency.

<sup>4</sup> See paragraph A.8.a of Attachment B to the revised Circular.

<sup>5</sup> See paragraph A of Attachment B to the revised Circular.

<sup>6</sup> For additional information regarding the changes made by the revised Circular, see 64 FR 32134 (May 29, 2003).

<sup>7</sup> *COMPETITIVE SOURCING: Implementation Will Be Challenging for Federal Agencies*, GAO-03-1022T (July 24, 2003); *COMPETITIVE SOURCING: Implementation Will Be Key to Success of New Circular A-76*, GAO-03-943T (June 26, 2003).

<sup>8</sup> See Statement by Philip W. Grone, Principal Assistant Deputy Under Secretary of Defense (Installations and Environment) before the House Committee on Government Reform (June 26, 2003), available at <http://reform.house.gov/UploadedFiles/DOD%20-%20Grone%20Testimony.pdf>

## Attachment A

Table 1. OMB Estimates of Commercial Activities at Agencies Tracked under the PMA\*

Agency**	Total Workforce	Total # of FTEs Performing Commercial Activities	Total # of FTEs Performing Commercial Activities Available for Competition	% of Total Workforce Available for Competition
USDA	98,500	46,500	35,600	36
DOC	26,500	8,400	4,800	18
DOD	596,600	410,700	270,600	45
ED	4,700	3,100	2,900	62
DOE	15,100	7,800	4,700	31
EPA	17,400	600	400	2
HHS	64,900	31,400	11,200	17
HUD	9,200	8,000	3,600	39
DOI	70,200	33,900	23,000	33
DOJ	132,100	10,600	3,400	3
DOL	16,400	6,200	2,600	16
State	10,400	2,300	1,000	10
DOT	64,600	38,400	11,900	18
Treasury	148,100	27,100	18,400	12
VA	221,500	190,500	7,600	3
AID	2,000	600	300	15
Army Corps (Civil)	27,900	23,300	16,500	59
GSA	14,100	6,300	5,200	37
NASA	19,000	7,400	3,400	18
NSF	1,200	500	200	17
OPM	3,000	1,700	600	20
SBA	4,200	3,000	2,900	69
Smithsonian	4,500	1,300	0	0
SSA	63,900	11,100	4,000	6

\* The figures in this table represent a rough OMB estimate based on initial 2002 inventory submissions to OMB. These figures do not reflect workforce restructuring associated with the creation of DHS. DHS represents approximately 135,200 positions.

\*\* Agency figures may not reflect the inspectors general inventory, which may be reported separately from the rest of the agency. This is the case, for example, with USDA, DOD, EPA, HUD, DOI, DOT and SBA.

**Table 2. Profiles of Competition Plans at Agencies Tracked under the PMA**

<b>Agency</b>	<b># of Positions in Competition Plan<sup>a</sup></b>	<b>Examples of Commercial Activities included in Competition Plan<sup>b</sup></b>	<b>Examples of Commercial Activities EXCLUDED from Competition Plan<sup>c</sup></b>
USDA	5,822	<ul style="list-style-type: none"> <li>• data center activities</li> <li>• loan operations</li> <li>• administrative support</li> <li>• equipment operators</li> <li>• road maintenance</li> <li>• maintenance, repair, &amp; minor construction of real property</li> <li>• fleet management services &amp; motor vehicle maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• data collection &amp; analysis for regulatory and program management</li> <li>• program planning &amp; support for regulatory and program management</li> <li>• systems design, support, &amp; computer programming services</li> <li>• compliance operations for regulatory and program management</li> <li>• insurance analysis for regulatory and program management</li> <li>• food and drug testing and inspection services</li> </ul>
DOC	1,203	<ul style="list-style-type: none"> <li>• administrative support</li> <li>• security</li> <li>• publications</li> <li>• graphics</li> <li>• information technology services</li> </ul>	<ul style="list-style-type: none"> <li>• systems design, development, &amp; programming services</li> <li>• data processing services</li> <li>• data center operations</li> </ul>
DOD	67,800	<ul style="list-style-type: none"> <li>• administrative support</li> <li>• aircraft maintenance</li> <li>• audiovisual</li> <li>• facility operations &amp; maintenance</li> <li>• information technology</li> <li>• logistics</li> <li>• supply &amp; transportation</li> <li>• storage, warehousing, &amp; distribution</li> <li>• vehicle operations &amp; maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• inspector general audit operations</li> <li>• ordnance activities</li> <li>• basic training &amp; training of military doctrine or tactics</li> <li>• selected research &amp; development activities</li> <li>• selected activities that provide combat support &amp; combat service support</li> </ul>
ED	220	<ul style="list-style-type: none"> <li>• human resources services</li> <li>• payment processing</li> </ul>	<ul style="list-style-type: none"> <li>• management evaluations/audits for investigations</li> <li>• performance audits for investigations</li> <li>• public affairs/relations</li> </ul>
DOE	1,180	<ul style="list-style-type: none"> <li>• information technology services</li> <li>• logistics</li> <li>• financial management</li> <li>• graphics</li> <li>• human resources / training</li> <li>• headquarters civil rights review</li> </ul>	<ul style="list-style-type: none"> <li>• power marketing administrations</li> </ul>
EPA	215	<ul style="list-style-type: none"> <li>• human resources services</li> <li>• payment processing</li> <li>• risk analysis</li> </ul>	<ul style="list-style-type: none"> <li>• computing services &amp; database management</li> <li>• administrative support</li> <li>• special studies &amp; analysis</li> <li>• program monitoring &amp; evaluation</li> </ul>

Agency	# of Positions in Competition Plan	Examples of Commercial Activities included in Competition Plan	Examples of Commercial Activities EXCLUDED from Competition Plan
HHS	2,510	<ul style="list-style-type: none"> <li>• library services</li> <li>• building maintenance</li> <li>• grants administration support functions</li> <li>• graphic design</li> </ul>	<ul style="list-style-type: none"> <li>• medical &amp; dental equipment repair and maintenance</li> <li>• biomedical research</li> <li>• management &amp; support to research and development (R&amp;D)</li> <li>• basic R&amp;D</li> <li>• applied research</li> </ul>
HUD	870	<ul style="list-style-type: none"> <li>• contract administration</li> <li>• telecommunication services</li> <li>• human resources services</li> <li>• financial management</li> </ul>	<ul style="list-style-type: none"> <li>• systems design, development, &amp; programming services</li> <li>• program monitoring &amp; evaluation</li> <li>• program planning &amp; support</li> </ul>
DOI	3,041	<ul style="list-style-type: none"> <li>• maintenance, repair, &amp; minor construction of real property</li> <li>• engineering &amp; technical services</li> <li>• administrative support services</li> <li>• custodial services</li> <li>• natural resource services</li> <li>• lawn maintenance</li> <li>• motor vehicle operations</li> <li>• water data collection/analysis</li> <li>• automatic data processing systems design, development &amp; programming services</li> </ul>	<ul style="list-style-type: none"> <li>• maintenance, repair, &amp; minor construction of real property</li> <li>• general administrative support services</li> <li>• natural resource services</li> <li>• motor vehicle operations</li> <li>• voucher examination</li> <li>• historical or heraldry services</li> </ul>
DOJ	432	<ul style="list-style-type: none"> <li>• grants management</li> <li>• automotive maintenance</li> </ul>	<ul style="list-style-type: none"> <li>• prison operations and maintenance</li> </ul>
DOL	420	<ul style="list-style-type: none"> <li>• computer services</li> <li>• administrative support</li> <li>• electronics engineers</li> <li>• information technology specialists</li> </ul>	<ul style="list-style-type: none"> <li>• workers' compensation claims examiners</li> <li>• data collection and analysis services</li> </ul>
State	306	<ul style="list-style-type: none"> <li>• warehousing</li> </ul>	<ul style="list-style-type: none"> <li>• specialized skill training</li> <li>• administrative support</li> <li>• telecommunications centers</li> </ul>
DOT	3,029	<ul style="list-style-type: none"> <li>• automated flight service station services</li> <li>• vessel maintenance</li> <li>• administrative support</li> <li>• information technology</li> <li>• inventory management &amp; analysis</li> </ul>	<ul style="list-style-type: none"> <li>• air traffic controllers</li> <li>• repair &amp; maintenance of aeronautical support equipment</li> <li>• engineering &amp; technical services</li> </ul>
Treasury	4,523	<ul style="list-style-type: none"> <li>• mailroom activities</li> <li>• accounting services</li> </ul>	<ul style="list-style-type: none"> <li>• administrative support functions</li> <li>• data processing services</li> </ul>

Agency	# of Positions in Competition Plan	Examples of Commercial Activities included in Competition Plan	Examples of Commercial Activities EXCLUDED from Competition Plan
VA	2,500 <sup>d</sup>	<ul style="list-style-type: none"> <li>• property management</li> <li>• canteen services</li> </ul>	<ul style="list-style-type: none"> <li>• civilian personnel operations</li> <li>• education benefits &amp; entitlements analysis</li> <li>• systems design, development, &amp; programming services</li> <li>• clinical services</li> </ul>
AID	Plan Under Review		<ul style="list-style-type: none"> <li>• professional development training</li> <li>• program management</li> </ul>
Army Corps (Civil)	5,711 <sup>e</sup>	<ul style="list-style-type: none"> <li>• information technology</li> <li>• facility operations &amp; maintenance</li> <li>• education &amp; training</li> <li>• maintenance</li> <li>• supply &amp; transportation</li> </ul>	<ul style="list-style-type: none"> <li>• research &amp; development</li> <li>• program &amp; project management</li> <li>• personnel &amp; social services</li> <li>• operation planning &amp; control</li> <li>• legal services</li> <li>• planning production &amp; management</li> <li>• architect-engineering services</li> </ul>
GSA	734	<ul style="list-style-type: none"> <li>• information &amp; telecommunications program management</li> <li>• marketing</li> <li>• building operations &amp; maintenance</li> <li>• publication distribution</li> <li>• general management</li> <li>• financial operations</li> </ul>	<ul style="list-style-type: none"> <li>• information &amp; telecommunications program management</li> <li>• professional development training</li> <li>• building operations &amp; maintenance</li> </ul>
NASA	921	<ul style="list-style-type: none"> <li>• employee development &amp; training support</li> <li>• accounts payable &amp; receivable</li> <li>• computing &amp; communications services</li> <li>• testing</li> <li>• scientific and technological research</li> </ul>	<ul style="list-style-type: none"> <li>• product development</li> <li>• testing</li> </ul>
NSF	Plan Under Review		<ul style="list-style-type: none"> <li>• application receipt &amp; processing</li> </ul>
OPM	284	<ul style="list-style-type: none"> <li>• test administrators</li> <li>• recruitment</li> </ul>	<ul style="list-style-type: none"> <li>• manpower research &amp; analysis</li> <li>• customer services</li> <li>• benefits and entitlements services</li> </ul>
SBA	Plan Under Review		
Smithsonian	0		
SSA	1,691	<ul style="list-style-type: none"> <li>• legal services</li> <li>• personnel activities</li> <li>• data center activities</li> <li>• administrative support</li> </ul>	<ul style="list-style-type: none"> <li>• administrative management &amp; correspondence services</li> <li>• insurance analysis</li> <li>• cash &amp; debt management</li> <li>• operation planning &amp; control</li> </ul>

### Notes on Table 2

<sup>a</sup>These figures reflect the number of positions that OMB and the agencies have agreed will be included in a "yellow" competition plan. All positions in the yellow plan do not have to be competed to receive a yellow status. Nor is there a predetermined time for moving to yellow status. See Attachment B for a description of the scorecard criteria to achieve a "yellow" status.

<sup>b</sup>The listing of an activity in this column does not mean all agency positions dedicated to this activity are included in an agency's competition plan. An agency may exclude some positions of an activity from its competition plan while including other positions performing the same activity in the plan based on the agency's consideration of the suitability of public-private competition.

<sup>c</sup>This list includes activities the agency has determined are commercial but not appropriate for private sector performance. In some cases, an agency may include some positions dedicated to an activity in its competition plan while excluding others as unsuitable. In some cases, an activity that is deemed not appropriate for competition may, in future years, become appropriate for competition based on changed circumstances.

<sup>d</sup>As of October, 2002, VA had created a plan to compete 52,000 positions through a modified A-76 process. Earlier this year, VA's General Counsel issued an opinion stating that current law prohibits VA from using any of the medical care accounts or any employees paid from those accounts to perform any cost comparison studies unless such funds have been specifically appropriated for that purpose. As a result, VA has halted the competitions in the VA plan that are covered by the General Counsel's opinion. The Administration submitted a supplemental request to Congress on July 16, 2003 that would allow VA to continue the cost comparison studies in its plan.

<sup>e</sup>The total number of positions in the Corps' plan -- i.e., Civil Works and Defense combined -- is 7,492.

**Attachment B**

**Competitive Sourcing  
New Scorecard Criteria  
(as announced on July 24, 2003)**

<b>YELLOW</b>	<b>GREEN</b>
<p>An agency will earn a "yellow" status when it has:</p> <ul style="list-style-type: none"> <li>• an OMB approved "yellow" competition plan to compete commercial activities available for competition</li> <li>• completed one standard competition or publicly announced standard competitions that exceed the number of positions identified for competition in the agency's yellow competition plan</li> <li>• in the past two quarters, completed 75% of streamlined competitions in a 90-day timeframe</li> <li>• in the past two quarters, cancelled less than 20% of publicly announced standard and streamlined competitions.</li> </ul>	<p>An agency will earn a "green" status when it has:</p> <ul style="list-style-type: none"> <li>• an OMB approved "green" competition plan to compete commercial activities available for competition</li> <li>• publicly announced standard competitions in accordance with the schedule outlined in the agency "green" competition plan</li> <li>• since January 2001, completed at least 10 competitions (no minimum number of positions required per competition)</li> <li>• in the past year, completed 90% of all standard competitions in a 12-month time frame</li> <li>• in the past year, completed 95% of all streamlined competitions in a 90-day timeframe</li> <li>• in the past year, canceled fewer than 10% of publicly announced standard and streamlined competitions</li> <li>• OMB-approved justifications for all categories of commercial activities exempt from competition</li> </ul>

## Attachment C

**OMB Circular A-76:  
Comparing the Old to the New**

Issue	Old A-76	New A-76
Focus of policy	Competition cited as underlying element of policy, but preference for private sector performance.	Emphasis on <b>best results for the citizen</b> through transparent & fair competition processes (i.e., not outsourcing). Continued recognition of important role played by private sector.
Use of direct conversions & streamlined procedures	Direct conversions of work to private sector permitted, primarily for activities involving less than 10 FTE. Streamlined public-private competitions allowed.	<b>Direct conversions eliminated</b> and replaced by versatile streamlined competition process requiring consideration of both in-house and private sector providers. Agency must document actions on standard form & certify decision is cost-effective.
Basis for selecting Providers	Decisions generally made based on low cost.	Creation of "tradeoff" source selection process to allow <b>tradeoff between cost &amp; quality</b> in IT procurements &, with agency approval, other services.
Consideration of deficient offers	Guaranteed consideration of in-house offer. No guaranteed consideration of private sector offer with deficiencies.	Express right to exclude <i>either</i> in-house source <i>or</i> private sector offer if materially deficient, but agency must ensure in-house offer gets full opportunity to be considered & devote additional resources if this will enable submission of a more competitive offer.
Timeframes for conducting competitions	No mandatory timeframes for conducting competitions.	<b>12-month timeframe for standard competitions</b> with 6-month extension for complex competitions. Timeframes do not apply to preliminary planning, which is emphasized by Circular to ensure effective & considered application of competition.
Accountability	Private sector sources held accountable, but only limited post-competition accountability for in-house providers.	Centralized oversight to promote sound & accountable decision making & post-competition accountability rules for both sectors (e.g., <b>performance standards and quality assurance surveillance plans required for public &amp; private providers</b> ).
Reporting requirements	Some reporting.	Expanded reporting to measure results (e.g., <b>estimated &amp; actual cost of performance must be tracked</b> ).
Development of workforce inventories	No requirement to justify classification of activities as inherently governmental or as commercial but not suitable for competition.	<b>Increased visibility into government management.</b> Requirement to identify inherently governmental activities & justify determination. Reason codes (rationale) for govt. performance of commercial activities, or decision to make activity available for competition, may be challenged.