

Competitive Sourcing

*“How do you lead through
competitive sourcing?”*

June 2002

Team Leader: Nick Van Driel
Contact: Carol Aten and Kathy Clement

Competitive Sourcing Issues

What organization and management actions should be taken to make the competitive sourcing requirement as successful as possible—minimum disruption, best outcome, etc.?

During the week, you may want to do some information gathering on what has been done thus far and Carol will bring the names and phone numbers of a couple of resource people when she comes on Monday afternoon.

We would particularly like for you to focus on things that relate to how we handle impacts on the workforce, e.g.:

what actions should management employ?

what issues might we be addressing better?

what considerations and approaches should be used for employee involvement—treated fairly, opportunity for involvement, communications, etc.?

how can we help employees trust management?

if we have to change our strategy because of cost considerations or direction from DOI, how do we make changes without losing trust?

what can we do to create the right environment and what should that environment be?

You need to assume that the FAIR inventory and the OMB mandates - the external drivers - are givens. We can't change these things. We want you to focus on are the things we can change - our actions, our behaviors, our environment. This is a pretty broad, open-ended question, but we would like to come away with some specific ideas about things we should do or do better.

Team Leader: Nick Van Driel

Contact: Carol Aten

COMPETITIVE SOURCING

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DOI “GETTING TO GREEN” SCORECARD FOR COMPETITIVE SOURCING

BUREAU: U.S. Geological Survey

RATING PERIOD: Second Quarter FY 2002

<p><u>COMPOSITE SCORE (Average of 1-8):</u></p> <p align="center"><u>6</u></p>
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<u>SCORECARD CRITERIA</u>	<u>COMPONENT SCORE</u>
1. FAIR Act Inventory Preparation	7
2. Study/Direct Conversion Plans	6
3. Bureau/Office Level Commercial Activities Team	10
4. Training in Competitive Sourcing Principles and/or Methodology	6.5
5. Competitive Sourcing Program Leadership	7
6. Study Plan Implementation Teams and Study Action Plans	3
7. Action Plan Implementation	3
8. Post Implementation Review	N/A
9. Center for Competitive Sourcing Excellence/ PAM— this is an opportunity to rate PMB on its performance. Do not include this score in the composite score.	4

(NOTE: Criteria/metrics evaluates Competitive Sourcing Program, not necessarily individual studies;
Red = 1-3; Yellow = 4-6; Green = 7-9; Best Practice = 10)

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>1) FAIR Act Inventory Preparation</p> <p>FAIR Act Inventory accurately identifies all commercial activities</p>	<p>1-3 - Bureau/Office FAIR Act inventory omits substantial portions of its commercial activities or incorrectly identifies these commercial activities as inherently governmental. Final FY 02 report delivered over one month late.</p> <p>4-6 – Bureau/Office FAIR Act Inventory accurately reports most of its commercial activities and/or requires some adjustments of its inherently governmental classification of functions. Final FY 02 report delivered over one week late, but within one month of the deadline.</p> <p>7-9 – Bureau/Office FAIR Act Inventory accurately reports all of its commercial activities. Final FY 02 report delivered on time.</p> <p>10 - Bureau/Office has established an auditable practice/procedure for identifying its commercial activities and inherently governmental functions linked to its financial management, personnel management, and/or other relevant management information systems.</p>	<p>7 – USGS developed a web based inventory collection system with links and pull down menu guidance and instructions for the inventory preparers. Inventory accurately reports all its commercial activities. The Final FY 02 report was delivered on time.</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>2) Study/Direct Conversion Plans</p> <p>Plans for studies and direct conversions incorporate workforce planning, strategic view of the mission. Study plans are realistic and can be accomplished with Bureau/Office resources dedicated to the study(s). Study plans package functions logically and cohesively and reflect an appropriate mix of full studies, simplified cost comparisons, and direct conversions a Bureau/office will undertake in a given fiscal year.</p>	<p>1-3 – Study plans do not consider relevant workforce planning initiatives. Study plans are neither focused on strategic view of the Bureau/Office’s mission, nor on the mission of the organization undergoing competitive sourcing review. Study plans have not been developed or are not realistic. Study plans do not package functions logically/cohesively, nor do they reflect an appropriate mix of full studies, streamlined cost comparisons, and direct conversions. Studies, streamlined cost comparisons, or direct conversions are not appropriately resourced.</p> <p>4-6 – Study plans incorporate some relevant workforce planning initiatives, but not the initiatives that are key to the function(s)/ organizations under competitive sourcing review. Study plans reflect a short-term focus of the strategic view of the Bureau/Office’s mission, or of the mission of the organization undergoing competitive sourcing review. Study plans are realistic and are appropriately resourced, but do not package functions logically/cohesively. Study plans do not reflect an appropriate mix of full studies, streamlined cost comparisons, and direct conversions.</p> <p>7-9 – Study plans incorporate all relevant workforce-planning initiatives and are focused on the long-term strategic view of the Bureau/Office’s mission, and on the mission of the organization undergoing competitive sourcing review. Study plans are realistic, appropriately resourced, package functions logically/cohesively, and reflect an appropriate mix of full studies, streamlined cost comparisons, and direct conversions.</p> <p>10 – Bureau/Office has linked their competitive sourcing plan with their workforce planning initiatives. Bureau/Office sourcing plan is based on the Bureau/Office’s strategic view of its mission; individual study plans reflect the Bureau/Office’s strategic view, and the mission of the organization under competitive sourcing review. Bureau/Office has a reasoned approach to packaging functions for study/direct conversion, and has dedicated resources to all studies and direct conversions.</p>	<p>6– Study plans incorporate relevant workforce-planning initiatives and, where strategic directions have been identified, are focused on the long-term strategic view of the Bureau/Office’s mission, and on the mission of the organization undergoing competitive sourcing review. Study plans are being developed to package functions logically/cohesively. Resources have not been identified.</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>3) Bureau/Office Level Commercial Activities Team</p> <p>Establish Bureau/Office Level Commercial Activities Team</p>	<p>1-3 – No Commercial Activities Team established. Bureau/Office continues to deliberate on team composition.</p> <p>4-6 – Commercial Activities Team is established but has not yet met.</p> <p>7-9 – Commercial Activities Team has met and is working on Bureau/Office competitive sourcing plan.</p> <p>10 - Bureau/Office has formed a Commercial Activities Team comprised of regular and ad hoc members from functional areas proposed for study and other stakeholder groups. Team meets regularly.</p>	<p>10 – Team has been established since January and meets weekly. Sub teams have been formed to address specific competitive sourcing issues.</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>4) Training in Competitive Sourcing Principles and/or Methodology</p> <p>Provide initial and refresher training to Bureau/Office Commercial Activities Team, functional study team members, and ad hoc study team members on the mechanics and principles of competitive sourcing under the aegis of OMB Circular A-76.</p>	<p>1-3 – Bureau/Office Commercial Activities Team members and functional study team members are not trained. Bureau/Office is compiling list of training providers.</p> <p>4-6 – Training provider has been identified. Commercial Activities Team and study team members are scheduled for training.</p> <p>7-9 – All Commercial Activities Team and study team members are trained. Training is timely and is provided when needed.</p> <p>10 – Bureau/Office routinely provides training/refresher courses on competitive sourcing mechanics/principles as required. Bureau/Office has established a procedure for identifying employees requiring training in competitive sourcing.</p>	<p>6.5- All Commercial Activities Team members have attended A-76 training. Training has been scheduled for study team members. On-going training schedule is being established.</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>5) Competitive Sourcing Program Leadership</p> <p>Secure Bureau/Office leadership commitment to Department Competitive Sourcing goals/objectives, as well as human resource strategies meant to minimize impacts to employees and mission.</p>	<p>1-3 – Bureau/Office leaders have made no effort to initiate structure, or to define their role or the role of their subordinates in the Competitive Sourcing Program. Human resource issues and efforts are disassociated from competitive sourcing plan development and implementation.</p> <p>4-6 – Bureau/Office leaders are involved in the Competitive Sourcing Program; focused only on deviations from program rules/standards. Workforce planning considers the near term goals of competitive sourcing and focuses on immediate employee and mission impacts.</p> <p>7-9 – Bureau/Office leadership is committed to the success of the Competitive Sourcing Program. Bureau/Office leaders have defined roles in furthering program goals/objectives. Workforce planning considers the long term impacts of current 50% competitive sourcing study target on employees while maintaining operational capability to perform current and expected mission requirements.</p> <p>10 – Bureau/Office leaders actively participate in the implementation of workforce planning and competitive sourcing actions, providing leadership and oversight for progress reviews and ensuring success of the initiatives within the context of human resource strategies, bureau mission and strategic plans.</p>	<p>7- Leadership is committed and takes an active interest in the success of the competitive sourcing program. Workforce planning for long-term change is on-going but not yet complete</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>6) Study Plan Implementation Teams and Study Action Plans</p> <p>Establish functional Study Plan Implementation Team(s) as required to address function(s) under review. Develop study action plans, including study approach, strategy, and milestones leading to completion. The study action plan identifies specific officials responsible for these steps and a timeline for steps to complete the task. (Note: the study action plan is different from the timelines/ procedures for conducting the actual A-76 study, e.g., developing the PWS, QASP, acquisition plan, MEO, technical performance plan, transition plan, and in-house (govt) cost estimate. The study action plan addresses who will be responsible for these steps and how these steps will be carried out.)</p>	<p>1-3 – No team(s) established. Bureau/Office continues to deliberate on team composition.</p> <p>4-6 - Team(s) has drafted the study action plan and is vetting the action plan with all appropriate stakeholders.</p> <p>7-9 - Study Action Plan is completed and is awaiting approval, or has been approved.</p> <p>10 - Bureau/Office has formed a Study Plan Implementation Team(s). Team(s) meets regularly. Bureau/Office has a process in place for developing study action plans that can be used for any study.</p>	<p>3 - Study Action Plan is in draft (USGS Competitive Sourcing Handbook). Study Plans teams are being formed. Estimated completion of plan and teams is May 31.</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>7) Action Plan Implementation</p> <p>Implement action plan. Monitor study progress; monitor direct conversions. Execute remediation plan for controlling milestone slippage.</p>	<p>1-3 - Plan implementation has not begun but a scheduled start date has been set. <u>OR</u> Projected study or direct conversion completion is over 3 months behind schedule. No remediation plan is in place to bring study/direct conversion back on track. Events contributing to study/direct conversion delay are within the study team's or Bureau/Office's ability to control.</p> <p>4-6 - Early action plan implementation steps have begun. <u>OR</u> Projected study or direct conversion completion is 2 months behind schedule. Remediation plan is being developed to bring study/direct conversion back on track. Some events contributing to study/direct conversion delay are not within the study team's or Bureau/Office's ability to control.</p> <p>7-9 - Plan Implementation is well underway or completed. <u>OR</u> Projected study or direct conversion completion is no more than one month behind schedule. Remediation plan is in place to bring study/direct conversion back on track. Events contributing to study/direct conversion delay are not within the study team's or Bureau/Office's ability to control.</p> <p>10 - Bureau/Office has an established milestone management tracking system and study remediation plan. Bureau/Office can effectively control study/direct conversion milestone slippage. Bureau/Office has completed studies/direct conversions and a percentage of the goal is met.</p>	<p>3 - Study teams have not yet developed implementation plans. Early action plan implementation steps have begun. Studies have not begun. Delay in start of study process is out of Bureau's control. Direct conversions on target/completed as applicable.</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>8) Post Implementation Review</p> <p>Monitor implementation of study results and direct conversions. Assess whether provision of service for functions that underwent competitive sourcing review remains cost effective subsequent to implementation of study outcome or direct conversion. Assess whether outcomes projected to result from the competitive sourcing review have indeed been achieved. Execute remediation plan for controlling cost growth. (Note: Criteria do not apply unless Bureau/Office has completed at least one study or direct conversion).</p>	<p>1-3 - Bureau/Office is not monitoring implementation of study results or direct conversion. Cost of providing service exceeds study projections by more than 25 percent <u>AND</u> there are no valid reasons for cost growth. No remediation plan is in place to control cost growth. Event(s) contributing to cost growth are within the Bureau/Office's ability to control. Bureau/Office determine whether anticipated outcomes of the competitive sourcing review have been achieved.</p> <p>4-6 - Bureau/Office monitors implementation of study or direct or direct conversion. Cost of providing service exceeds study projections by 10 percent <u>AND</u> there are some valid reasons for cost growth. Remediation plan to control cost growth is being developed, or is developed but not implemented. Some event(s) contributing to cost growth are not within the Bureau/ Office's ability to control. Bureau/Office has achieved some anticipated outcomes of the competitive sourcing review.</p> <p>7-9 – Bureau/Office monitors implementation of study results or direct conversion. Cost of providing service does not exceed study projections by more than 10 percent <u>AND</u> there are valid reasons for cost growth. Remediation plan to control cost growth is in place. Event(s) contributing to cost growth are not within the Bureau/Office's ability to control. Bureau/Office has achieved all anticipated outcomes of the competitive sourcing review.</p> <p>10 – Bureau/Office has integrated post-implementation review into its operational plan. Bureau/Office can effectively control cost growth. Bureau/Office has a process for determining the degree to which anticipated outcomes of a competitive sourcing review have been achieved.</p>	<p>N/A - Not applicable, no results yet to monitor. Post-implementation review is included in the draft USGS Competitive Sourcing Handbook.</p>

CRITERION & DESCRIPTION	METRIC	BUREAU SELF RATING
<p>9) Center for Competitive Sourcing Excellence / Office of Acquisition and Property Management (PAM)</p> <p>Serves as the Department's central hub to ensure a consistent and corporate approach to competitive sourcing by Bureau and offices. Works to identify and pilot alternative competitive sourcing strategies and methodologies.</p>	<p>1-3 – Center/PAM guidance is not timely and is limited to rote repetition of source guidance. Guidance fails to provide a framework that can be used by all offices on a consistent and easily implemented manner. Associated departmental offices initiate actions independent of Center. No cost comparison guidance provided to Bureaus.</p> <p>4-6 – Center/PAM guidance is coordinated with Bureaus. Guidance provides supplemental direction tailored to DOI requirements. Center coordinates with other departmental offices. Center provides assistance of a general nature to Bureaus. Competition alternatives focus on less complex commercial activities with 10 or fewer personnel.</p> <p>7-9 – Center/PAM interacts routinely and regularly with bureaus, providing guidance, direction, and advice on competitive sourcing and FAIR Act issues, and interpretations of OMB policies and directives.</p> <p>10 – Center/PAM practices are recognized by outside sources. OMB gives DOI green on both plan and status. DOI bureaus regularly receive consultation, advice, and guidance from Center officials.</p>	<p>4 - Center/PAM guidance is coordinated with Bureaus. Guidance provides supplemental direction tailored to DOI requirements. Center provides assistance of a general nature to Bureaus. Competition alternatives focus on less complex commercial activities with 10 or fewer personnel.</p>

Competitive Sourcing: Basic Information and Timeline for USGS Employees

Background

The concept of competitive sourcing of commercial activities did not originate with USGS management. We are responding to directives and laws put in place as early as the mid-1950s by the Executive Branch and Congress that apply to all Federal government agencies. In addition, President Bush's Management Agenda (August 2001) includes competitive sourcing as a priority, and the Department strongly supports this agenda.

What is Competitive Sourcing?

Competitive sourcing is a process designed to create a more effective organization. It ensures that activities defined as commercial in nature are not routinely performed by Federal employees, but are fairly competed to ensure the greatest cost-efficiency for the taxpayer. Activities currently performed by Federal employees but that are considered commercial are competed; Federal employees bid on the work in the same way that an outside contractor does, and the work is awarded to the most cost-effective provider. It is not automatically assumed that the private sector can perform the functions more effectively. Federal employees are an equal competitor.

Important Distinctions about Competitive Sourcing

Competitive sourcing is:

- not about reducing the number of Federal employees; it is about achieving the best service for the best cost.
- neither contracting out nor outsourcing; but it may result in functions being performed by outside contractors.
- not downsizing; but, it may result in loss of positions.
- not privatization. The activities will be kept in-house regardless of who wins the competition.

Commercial Functions within USGS

In compliance with the requirements of the FAIR Act, USGS inventory teams have identified the functions within the USGS that are considered commercial in nature. These functions are listed in the FAIR Act Inventory. According to the FY2001 inventory, there are 2,428 positions in USGS considered commercial in nature.

How soon will these commercial positions be competed?

The Office of Management and Budget (OMB) stipulates a timeline for competing our commercial positions:

<u>FY</u>	<u>Percent of positions to be competed</u>	<u>Based on...</u>
2002	5%	FY 2000 inventory
2003	10%	FY 2001 inventory

The USGS, in an effort to make more strategically sound decisions for USGS employees and our mission, combined the FY 2002 and FY 2003 goals. We will competitively source 15 percent of the 2,428 positions (approximately 371 positions) by FY 2003. By FY 2007, the USGS may be required to compete or convert up to 50 percent of our commercial positions. (Note that the figure 371 is based on a composite of percentages from two different inventories, thus it does NOT equate to 15 percent of 2,428 positions.)

To determine which 371 positions of the 2,428 will undergo competitive sourcing by FY 2003, the following criteria were used:

- The function must be well-defined within USGS
- Commercial providers are available to perform the work
- Employees are able to compete fairly

Preparing for Competition

Competitive sourcing gives employees a voice in reorganizing their work to reduce costs and eliminate tasks that are obsolete or no longer needed. Employees will design a high-performance, cost-effective workgroup, known as the Most Efficient Organization (MEO). The MEO then competes with outside contractors to perform the work.

We will make every effort to help the in-house employees be as competitive as possible, including hiring consultants to assist in developing the MEO.

In-house employees have certain advantages over outside contractors, including:

- More direct knowledge of the function to be performed
- Outside contractors must beat the in-house bid by 10 percent or more
- Outside contractors must factor in profit in determining their bid

When Will We Know the Results?

The first round of competitive sourcing is scheduled to begin April 2002, with a winner announced in September 2003. During this time, additional rounds will begin and continue beyond September 2003.

2. Competitive Sourcing

"Government should be market-based—we should not be afraid of competition, innovation, and choice. I will open government to the discipline of competition."

Governor George W. Bush

THE PROBLEM

- Nearly half of all federal employees perform tasks that are readily available in the commercial marketplace—tasks like data collection, administrative support, and payroll services. Historically, the government has realized cost savings in a range of 20 to 50 percent when federal and private sector service providers compete to perform these functions. Unfortunately, competition between public and private sources remains an unfulfilled management promise. By rarely subjecting commercial tasks performed by the government to competition, agencies have insulated themselves from the pressures that produce quality service at reasonable cost.
- Because agencies do not maintain adequate records on work performed in-house, they have often taken three to four years to define the jobs being considered for competition.
- To compare the cost of in-house performance to private sector performance, detailed estimates of the full cost of government performance to the taxpayer have to be calculated. The development of these estimates has devolved into a contentious and rigid exercise in precision.

THE INITIATIVES

To achieve efficient and effective competition between public and private sources, the Administration has committed itself to simplifying and improving the procedures for evaluating public and private sources, to better publicizing the activities subject to competition, and to ensuring senior level agency attention to the promotion of competition.

- In accordance with the Federal Activities Inventory Reform (FAIR) Act, agencies are assessing the susceptibility to competition of the activities their workforces are performing. After review by OMB, the agencies will provide their inventories to Congress and make them available to the public. Interested parties may challenge the omission or inclusion of any particular activity.

- Agencies are developing specific performance plans to meet the 2002 goal of completing public-private or direct conversion competition on not less than five percent of the full-time equivalent employees listed on the FAIR Act inventories. The performance target will increase by 10 percent in 2003.
- The Administration will adopt procedures to improve and expand competition. As a first step, OMB has proposed that reimbursable (fee-for-service) work involving performance by a federal agency be recompeted every three to five years, similar to standard contract review, renewal, or solicitation procedures.
- The Administration will seek to implement findings of the Commercial Activities Panel, a commission created by Congress to examine the policies and procedures governing public-private competition.
- Finally, the Administration is pursuing administrative and legislative actions to incorporate the full costs of agency work into the daily budget and acquisition process. This will eliminate the complex, after-the-fact calculation of public-sector costs.

THE EXPECTED RESULTS

Increased competition consistently generates significant savings and noticeable performance improvements.

- Recent competitions under OMB Circular A-76¹ have resulted in savings of more than 20 percent for work that stays in-house and more than 30 percent for work outsourced to the private sector.
- From 1995 through 2000, the Department of Defense completed over 550 A-76 initiatives, which resulted in an average 34 percent reduction in cost. DoD expects to achieve \$11.7 billion in savings as a result of A-76 competition between 1997 and 2005.
- Numerous studies conducted by the GAO, the Center for Naval Analyses, and others confirm the magnitude of these savings.
- Competition promotes innovation, efficiency, and greater effectiveness. For many activities, citizens do not care whether the private or public sector provides the service or administers the program. The process of competition provides an imperative for the public sector to focus on continuous improvement and removing roadblocks to greater efficiency.
- By focusing on desired results and outcomes, the objective becomes identifying the most efficient means to accomplish the task.

¹ Public-private competition is governed by OMB Circular A-76. The Circular establishes federal policy for determining whether commercial activities should be provided through contract with commercial sources, use of in-house government personnel, or through interservice support agreements with other federal agencies.

Improving Government Performance

"Government likes to begin things—to declare grand new programs and causes and national objectives. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises. In my Administration, that will be the standard from the farthest regional office of government to the highest office of the land."

Governor George W. Bush

To reform government, we must rethink government.

The need for reform is urgent. The General Accounting Office (GAO) "high-risk" list identifies areas throughout the federal government that are most vulnerable to fraud, waste, and abuse. Ten years ago, the GAO found eight such areas. Today it lists 22. Perhaps as significant, government programs too often deliver inadequate service at excessive cost.

New programs are frequently created with little review or assessment of the already-existing programs to address the same perceived problem. Over time, numerous programs with overlapping missions and competing agendas grow up alongside one another—wasting money and baffling citizens.

"Congress and the new administration face an array of challenges and opportunities to enhance performance and assure the accountability of the federal government. Increased globalization, rapid technological advances, shifting demographics, changing security threats, and various quality of life considerations are prompting fundamental changes in the environment in which the government operates. We should seize the opportunity to address today's challenges while preparing for tomorrow."

Comptroller General David M. Walker

Though reform is badly needed, the obstacles are daunting—as previous generations of would be reformers have repeatedly discovered. The work of reform is continually overwhelmed by the constant multiplication of hopeful new government programs, each of whose authors is certain that this particular idea will avoid the managerial problems to which all previous government programs have succumbed. Congress, the Executive Branch, and the media have all shown far greater interest in the launch of new initiatives than in following up to see if anything useful ever occurred.

So while the government needs to reform its operations—how it goes about its business and how it treats the people it serves, it also needs to rethink its purpose—how it defines what business is and what services it should provide.

The President's vision for government reform is guided by three principles. Government should be:

- Citizen-centered, not bureaucracy-centered;
- Results-oriented;
- Market-based, actively promoting rather than stifling innovation through competition.

The President has called for a government that is active but limited, that focuses on priorities and does them well. That same spirit should be brought to the work of reform. Rather than pursue an array of management initiatives, we have elected to identify the government's most glaring problems—and solve them. The President's Management Agenda is a starting point for management reform.

- The Agenda contains five government-wide and nine agency-specific goals to improve federal management and deliver results that matter to the American people.
- It reflects the Administration's commitment to achieve immediate, concrete, and measurable results in the near term.
- It focuses on remedies to problems generally agreed to be serious, and commits to implement them fully.
- The goals in this Agenda are being undertaken *in advance of*, not *instead of* other needed management improvements.
- Additional goals will be undertaken, as tangible improvements are made in this initial set of initiatives.

A COHERENT AND COORDINATED PLAN

The five government-wide goals are mutually reinforcing. For example,

- Workforce planning and restructuring undertaken as part of *Strategic Management of Human Capital* will be defined in terms of each agency's mission, goals, and objectives—a key element of *Budget and Performance Integration*.
- Agency restructuring is expected to incorporate organizational and staffing changes resulting from *Competitive Sourcing and Expanded E-government*.
- Likewise, efforts toward *Budget and Performance Integration* will reflect improved program performance and savings achieved from *Competitive Sourcing* and will benefit from financial and cost accounting and information systems which are part of efforts in *Improved Financial Management*.

IMPLEMENTING THE PLAN

The President has not only set an initial agenda, but is already implementing this plan.

- In July, the President directed Cabinet Secretaries and agency heads to designate a “chief operating officer” to have responsibility for day-to-day operations of departments and agencies.
- At the same time, the President re-established the President’s Management Council (PMC) consisting of the chief operating officers. The PMC provides an integrating mechanism for policy implementation within agencies and across government. Importantly, the PMC is a way for the departments and agencies to support the President’s government-wide priorities and to build a community of management leadership that learns, solves problems, and innovates together.
- First results have already been achieved in several reform categories. See *Competitive Sourcing*, *Privatization of Military Housing*, and *Elimination of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management* for examples.

Typically the department’s No. 2 official, its “chief operating officer,” has agency-wide authority and reports directly to the agency head. This assignment places “management” with Presidential appointed officials, primarily at the deputy secretary level, where policy and management meet.

FREEDOM TO MANAGE

Federal managers are greatly limited in how they can use available financial and human resources to manage programs; they lack much of the discretion given to their private sector counterparts to do what it takes to get the job done. Red tape still hinders the efficient operation of government organizations; excessive control and approval mechanisms afflict bureaucratic processes. Micro-management from various sources—Congressional, departmental, and bureau—imposes unnecessary operational rigidity.

The Administration will sponsor a three-part Freedom to Manage initiative to clear statutory impediments to efficient management:

- *Statutory cleanup.* As part of the 2003 budget process, OMB has asked departments and agencies to identify statutory impediments to good management. Agencies are reviewing government-wide statutory provisions which, if repealed, would remove barriers to efficient management.
- *Fast-track authority.* We will propose legislation to establish a procedure under which heads of departments and agencies could identify structural barriers imposed by law, and Congress would quickly and decisively consider and act to remove those obstacles.

- *Managerial flexibility and authority.* OMB will package affirmative legislation comprising proposals to free managers in areas such as personnel, budgeting, and property disposal.

- For years NASA was expressly prohibited by statute from relocating aircraft based east of the Mississippi River to the Dryden Flight Research Center in California for the purpose of the consolidation of such aircraft.
- The 2001 Defense Appropriations Act requires the U.S. military installations in Kaiserslauten, Germany to use U.S. coal as their energy source for heat. The same provision allows U.S. bases at Landstuhl and Ramstein to acquire their heat energy from any source, but they must consider U.S. coal as an energy source in making their selection. The provision restricts use of the most economical energy source and imposes higher costs on the Defense Department as a result.
- The Department of Agriculture is prohibited by statute from closing or relocating a state Rural Development Office.

As the barriers to more efficient management are removed, we will expect higher performance. With Freedom to Manage will come clear expectations of improved performance and accountability.

A SHARED RESPONSIBILITY

All too often Congress is a part of the government's managerial problems. Many members find it more rewarding to announce a new program rather than to fix (or terminate) an existing one that is failing. The Congressional practice of "earmarking" special projects in appropriations bills has exploded—growing more than six-fold in the last four years. Excessive earmarks lead to wasteful spending and hogtie executive decision-making, making it more difficult for agencies to fund higher priorities and accomplish larger goals as needed funds are diverted.

The President has made solving these problems a top priority. Congress can help in a number of important ways, among them:

- actively supporting government management reforms;
- using its oversight powers to insist that agencies fix their problems;
- providing the investments and the tools necessary;
- helping agencies remove barriers to change; and
- not placing limitations on reform efforts.

THE EXPECTED LONG-TERM RESULTS

The impetus for government reform comes, in part, as a reaction to chronic poor performance and continuing disclosure of intolerable waste. Agencies will take a disciplined and focused approach to address these long-standing and substantial challenges and begin the steps necessary to become high performing organizations in which:

- hierarchical, “command and control” bureaucracies will become flatter and more responsive;
- emphasis on process will be replaced by a focus on results;
- organizations burdened with overlapping functions, inefficiencies, and turf battles will function more harmoniously; and
- agencies will strengthen and make the most of the knowledge, skills, and abilities of their people; in order to meet the needs and expectations of their ultimate clients—the American people.

A MANAGEABLE GOVERNMENT

The most difficult, but most important, job of a good leader is to ask tough questions about the institution: Is this program needed? Is it a wise use of the organization’s finite resources? Could those resources be used better elsewhere? These are questions that the structure and incentives of government do not encourage. We need to:

- *Shift the burden of proof.* Today, those who propose to shift priorities or adjust funding levels are expected to demonstrate that a program or activity should be changed. It is time, instead, that program proponents bear the burden of proof to demonstrate that the programs they advocate actually accomplish their goals, and do so better than alternative ways of spending the same money.
- *Focus on the “base” not the “increment.”* Policy and budget debates focus on the marginal increase (or cut) in a program—failing to look at whether the program as a whole (the base) is working or achieving anything worthwhile. We need to reverse the presumption that this year’s funding level is the starting point for considering next year’s funding level.
- *Focus on results.* A mere desire to address a problem is not a sufficient justification for spending the public’s money. Performance-based budgeting would mean that money would be allocated not just on the basis of perceived needs, but also on the basis of what is actually being accomplished.
- *Impose consequences.* Underperforming agencies are sometimes given incentives to improve, but rarely face consequences for persistent failure. This all-carrot-no-stick approach is unlikely to elicit improvement from troubled organizations. Instead, we should identify mismanaged, wasteful or duplicative government programs, with an eye to cutting their funding, redesigning them, or eliminating them altogether.

-
- *Demand evidence.* Many agencies and programs lack rigorous data or evaluations to show that they work. Such evidence should be a prerequisite to continued funding.

Over the past three decades, reform initiatives have come and gone. Some genuine improvements have been made. But the record on the whole has been a disappointing one. That must change—and this report is a primer on how that change can be achieved.

Competitive Sourcing at USGS

Competitive Sourcing Rollout Meetings
April 25, 26 and 29, 2002

Kathryn R. Clement Deputy Director
Scott G. Morton Chair, Competitive Sourcing Team

Background

- External Drivers
 - President's Management Agenda
 - OMB Mandates
 - DOI Approach
- USGS Approach
 - Focus on Competition
 - Management Support

2

What is Competitive Sourcing?

- Commercial activities should be performed by the private sector
- Competition promotes better performance at lower cost
- Inherently governmental activities must be performed by Federal employees

3

FAIR Act

Federal Activities Inventory Reform Act

- Requires Federal agencies to document and report inventory of commercial functions
- Inventory is reported as full time equivalents (FTE)
- Requires subjecting functions to competition, NOT reducing FTE

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FAIR Inventory FY 2001

7,045 Inherently Governmental
2,428 Commercial
9,473 Total FTE

364 15% of Commercial FTE
1,214 50% of Commercial FTE

5

FTE and Position

- Inventory Based on FTE
 - FTE assigned to function codes
 - Sourcing plan based on function selection
 - MEO development not tied to existing structure
 - Personnel rules determine position eligibility
-
- If Contractor Selected –
Right of First Refusal applies

6

OMB Circular A-76

- 'Performance of Commercial Activities' - Guideline issued by Office of Management and Budget
- Supplemental Handbook
- Defines consistent, structured process
- Requires subjecting functions to competition, *not* reducing FTE
- Does *not* assume contract performance is superior

7

Inherently Governmental

Defined

“...a function that is so intimately related to the public interest as to mandate performance by Government employees.”

•

Inherently Governmental

Common Examples

- Management of Federal programs
- Direction of national defense
- Value judgments for programs
- Commitment of Government funds
- Direction of Federal employees
- Regulation of industry

•

Commercial Activity

Common Examples

- **IT Services**
- **Finance and Payroll Services**
- **Supply Services**
- **Laboratory Testing Services**
- **Facilities Maintenance**

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Cost Comparison Studies

- **Full Cost Comparison Study**
 - **Public sector competes against private**
 - **Greater the competition, greater the savings**
 - **Functions greater than 10 FTE**
- **Streamlined Cost Comparison Study**

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Direct Conversions

- **Direct Conversions without Cost Analysis**
 - **Management decision**
 - **Private sector competition only**
 - **Limited application and less savings**
 - **Functions of 10 or fewer FTE**
- **'Small Study' Process**

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Sourcing Plan FY 2002-03

221	Visual Information
39	Buildings and Grounds Maintenance
38	Warehousing
28	Print Plant
326	Cost Comparison Studies
58	Direct Conversions
384	Total Plan

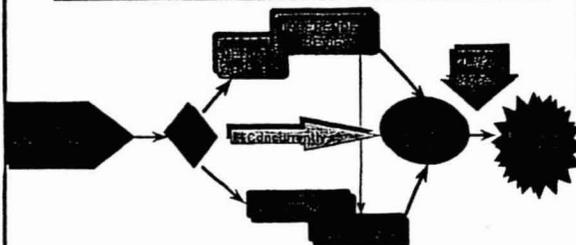
13

Process Steps

- Scoping
- Performance Work Statement Development
- Solicitation
- Management Plan/MEO Development
- Source Selection/Cost Comparison
- Appeals Process
- Transition

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Competitive Sourcing Study



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Scoping

Action plan for each study defining boundaries, sourcing method and management decisions

- 30-45 day process
- Validates functional inventory

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Performance Work Statement

Detailed document specifying all outcomes to be achieved and/or tasks to be performed

- 90 day process
- Includes quality assurance surveillance plan

17

Management Plan

Develop in-house response to Perform Work Statement and solicitation

- 120 day+ process
- Includes Most Efficient Organization (MEO), In-House Cost Estimate, Technical Performance Plan and Transition Plan

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Incumbency Advantage

- **MEO is designed by Federal employees**
- **Profit in private sector**
- **Incumbent bid must be beat by 10% or more**
- **MEO bid selected in 52% of competitions**

However ...

- **Private sector knows how to prepare bids**

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Our Commitment to You

- **Communication**
- **Education and Training**
- **Professional Assistance for Bid Preparation**
- **Personnel Services**

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Competitive Sourcing Team

- **Educate and communicate with USGS employees and managers**
- **Develop USGS policies and procedures for Competitive Sourcing**
- **Initiate and monitor conduct of Competitive Sourcing studies and direct conversions**
- **Coordinate with Department Competitive Sourcing Center of Excellence**

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For More Information ...

- **USGS Competitive Sourcing Website**
- **Competitive Sourcing Team**

Scott Morton (Chair)	(703) 648-7373
Ted Saunders (Vice-Chair)	(703) 648-4610
Cyndee Matus (WR Rep)	(520) 670-5506
Rich Winston (CR Rep)	(303) 236-9595
Tim Calkins (ER Rep)	(703) 648-7209

- **e-Mail**
competitive_sourcing@usgs.gov

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In Reply Refer To:
Mail Stop 101

MEMORANDUM

March 15, 2002

To: Michael Del-Colle
Director, Center for Competitive Sourcing Excellence

From: Kathryn Clement
Deputy Director, U.S. Geological Survey

Subject: Competitive Sourcing Plan

The U.S. Geological Survey (USGS) is hereby updating its Competitive Sourcing Plan originally submitted to you on January 9, 2002. Revisions to the plan have been made pursuant to the USGS strategic vision for workforce planning and competitive sourcing.

Please find attached a table detailing the revised USGS competitive sourcing plan for fiscal year (FY) 2002 and 2003. As requested, the following information is provided for each proposed competitive sourcing effort: function to be studied, location, number of full-time equivalents (FTE) involved, notification dates for affected unions and the public, and the proposed method of sourcing. The following considerations will affect USGS implementation of the proposed plan:

- Mandated targets for FY 2002 will not be met under the proposed strategy. Through direct conversion, USGS will meet approximately 45% of the FY 2002 target.
- Proposed plan exceeds the calculated target mandated by the Office of Management and Budget (OMB), recognizing that development of any associated Performance Work Statement (PWS) may result in adjustments to the net affected FTE depending on how a function is ultimately defined. USGS intends to retain maximum flexibility in defining the scope of the function once the PWS development phase begins.
- Buildings and Grounds Maintenance and Visual Information have been proposed as full A-76 studies. Given the wide geographic dispersion of these functions, USGS may elect to adjust this strategy to accommodate direct conversions and/or cooperative sourcing opportunities with other bureaus.

Michael Del-Colle

2

Questions regarding our competitive sourcing activities should be directed to Scott G. Morton at (703) 648-7373.

Attachment

Copy to: Debra Sonderman, Director, Office of Acquisition and Property Management
Scott Cameron, Deputy A/S--Performance Management
Tom Weimer, Deputy A/S--Water and Science
Scott Morton, Chief, Acquisition and Grants
Ted Saunders, Office of Strategic Planning and Analysis

U.S. Geological Survey
Proposed Competitive Sourcing Plan
Fiscal Years 2002-2003

<u>Function/Location</u>	<u>FTE</u>	<u>Notification to</u>		<u>Method</u>
		<u>Union</u>	<u>Public</u>	
Building and Grounds Maintenance				
Throughout U.S.	39	*	**	full A-76 study
Laurel, MD	1	--	--	direct conversion
Warehousing				
Reston, VA; Lakewood, CO; Menlo Park, CA; Redwood City, CA; Rolla, MO; Bay St. Louis, MS; Anchorage, AK	38	*	**	full A-76 study
Printing, Publications and Information Dissemination				
Visual Information Reston, VA; Lakewood, CO; Menlo Park, CA; Throughout U.S.	221	*	**	full A-76 study
Print Plant Reston, VA	28	*	**	full A-76 study
Albuquerque, NM	1	--	--	direct conversion
Information Technology Services				
Albuquerque, NM	2	--	--	direct conversion
'Throughput Laboratory Analysis' Functions				
Water Data Collection/Analysis Sacramento, CA	14	--	--	direct conversion
Education and Training				
Lakewood, CO	1	--	--	direct conversion
Force Management and General Support				
Reston, VA	1	--	--	direct conversion

Installation Services				
Lakewood, CO	1	--	--	direct conversion
Procurement				
Menlo Park, CA	4	--	--	direct conversion
Spokane, WA	3	--	--	direct conversion
Recurring Testing and Inspection Services				
Reston, VA	1	--	--	direct conversion
Research, Development, Test and Evaluation				
Albuquerque, NM	2	--	--	direct conversion
Gainesville, FL	1	--	--	direct conversion
Menlo Park, CA	7	--	--	direct conversion
Reno, NV	1	--	--	direct conversion
Reston, VA	10	--	--	direct conversion
St. Petersburg, FL	1	--	--	direct conversion
Woods Hole, MA	2	--	--	direct conversion
Total USGS Plan	379			

* Notification in concert with DOI Communications Strategy

**Notification 30-45 days after employee information release date

MANAGERS, TEAM AND PROJECT LEADERS: PLEASE ENSURE THAT EMPLOYEES WITHOUT ACCESS TO EMAIL RECEIVE A COPY OF THIS TRANSMISSION.

In Reply Refer To:
Mail Stop 100

MEMORANDUM

April 11, 2002

To: All USGS Employees

From: Charles G. Groat (signed Chip Groat)
Director

Subject: U.S. Geological Survey Competitive Sourcing Plan for Fiscal Years 2002 and 2003

The purpose of this memorandum is to announce that the U.S. Geological Survey (USGS) Competitive Sourcing Plan for Fiscal Years (FY) 2002 and 2003 has been approved by the Department of the Interior (DOI). The Competitive Sourcing Plan identifies those commercial activities currently being performed in-house by government employees that will be subject to competition with or conversion to the private sector.

The USGS is required by DOI to comply with sourcing targets mandated by the Office of Management and Budget (OMB). Under the OMB mandate, the USGS must compete or directly convert 15 percent of its commercial inventory of full time equivalent (FTE) positions by the end of FY 2003. This is the first step in a multi-year process directed by OMB for all Federal agencies to study or convert up to 50 percent of their commercial inventories. Determination of our commercial inventory was accomplished under the mandates of the Federal Activities Inventory Reform (FAIR) Act of 1998.

In previous memoranda from the Secretary of the DOI and the Assistant Secretary for Policy, Management and Budget, you were informed of DOI activities relative to competitive sourcing, an initiative that is part of the President's Management Agenda. Competitive sourcing is the process by which commercial activities currently performed by government agencies are evaluated and, where appropriate, offered for study through a structured process in which both the private sector and the Federal performer can compete fairly.

The President's Management Agenda recognizes competition as a key to cost-effective performance within the Federal sector. Evaluating our way of doing business within the competitive private sector marketplace will require that we consider ourselves not just as

valuable providers of science, but as an agency that delivers the best cost value to taxpayers for our services.

Competitive sourcing is not about eliminating government jobs through outsourcing to the private sector. The goal of competitive sourcing is to ensure that our customers, stakeholders and citizens are provided services at the best possible value, distinguishing it from past government reforms that have focused specifically on downsizing or outsourcing without regard for the overall effects of those choices on performance.

This process we are embarking on together is a complicated one. The Executive Leadership Team and I recognize that there will be wide-ranging impacts, no matter the eventual outcome, impacting not only the effectiveness of the organizations under study, but also the careers and personal lives of affected employees and their colleagues. Be assured that we do not take this action lightly, and we are committed to act responsibly and provide to you and your employees every practicable resource available.

Management is committed to the following:

- Communicating with all employees, in a timely fashion, throughout all stages of the competitive sourcing process;
- Giving all employees an opportunity to voice concerns, ask questions, and receive prompt, knowledgeable responses;
- Providing education, training and other appropriate resources (including external expert consultants) to assist the in-house activities compete at their best;
- Committing staff resources to assure a fair, effective and transparent competitive sourcing program; and,
- Supporting employees to the maximum extent practicable in transition and other personnel services that may be required, depending on sourcing outcomes.

USGS Competitive Sourcing Plan

Functions identified in the USGS Competitive Sourcing Plan that will be subjected to competitive study, in whole or in part, include the following:

Function/Location	FTE	Method
Building and Grounds Maintenance Throughout U.S.	39	Competition
Warehousing Reston, VA; Lakewood, CO; Menlo Park, CA; Redwood City, CA; Rolla, MO; Bay St. Louis, MS; Anchorage, AK	38	Competition

Printing, Publications and Information
Dissemination

Visual Information Reston, VA; Lakewood, CO; Menlo Park, CA; Throughout U.S.	221	Competition
Print Plant Reston, VA	28	Competition

USGS is emphasizing the use of competition, rather than direct conversion, to give us the greatest chance of ensuring a more efficient organization in the end and allowing our employees to participate in the process.

Detailed information on the organizational units and locations involved is available on the USGS Competitive Sourcing Website (see Information Resources, below) under the link "USGS Competitive Sourcing Plan for FY 2002 and 2003 - Inventory Detail."

The exact number of studies to be conducted and the final FTE involved will depend upon the detailed definition of the study parameters accomplished in the first step of the competitive sourcing process known as "scoping." Complete details of the entire competitive sourcing process can be found in the USGS Competitive Sourcing Website.

Based on its FY 2000 and 2001 inventories, USGS is required to compete or directly convert 371 FTE. The plan detailed above accounts for 326 of those positions, with the remaining FTE credited based on direct conversions of unencumbered positions accomplished in FY 2001.

Rationale for Selection

Functions included in the USGS Competitive Sourcing Plan were chosen, based on the following criteria:

- USGS mission and strategic objectives are supported;
- Commercial providers are available to compete to perform the work;
- Functions are well-defined within the USGS; and,
- Employees have the greatest opportunity to compete fairly with the private sector.

USGS in-house functions are capable of competing with outside providers, and we will do whatever practicable to help employees compete at their best. In-house functions typically have advantages over private sector performers, including a thorough knowledge of the function under study, an understanding of the internal operation of the Federal agency and evaluation standards mandated in the competitive study process that require an outside performer to beat in-house costs estimates by more than 10 percent.

Effects on the Workforce

Regardless of who is selected to deliver the services, some positions may be lost. We are committed to considering a number of transition opportunities and services for displaced employees. As appropriate, these include internal placement, priority consideration, retraining, career transition services, early outs, and targeted buyouts (depending on

authorities provided to USGS by the Department and the Office of Personnel Management). A reduction-in-force (RIF) would be considered only as a last resort, though it cannot be discounted as a possibility.

How you as an individual may be affected by competitive sourcing depends on several factors, including who is ultimately selected to perform the work, as well as the number and type of positions necessary to perform the work. Possible outcomes, as a result of competitive sourcing studies, are:

- The in-house function is adjusted only slightly and is selected to perform the work. There is no significant effect on the workforce.
- A redesigned, in-house function is selected to perform the work. The number of positions may decrease or the types of positions may be significantly different from current positions and some incumbents may not qualify. If so, we will consider the transition opportunities noted above.
- A private sector contractor is selected to perform the activity. Those USGS employees who are displaced and who are qualified for available job openings as a result of the award will be given first consideration for the jobs by the contractor (provided all application conditions are met). Again, we will consider the transition opportunities noted above.

Information Resources

To help you better understand competitive sourcing, a number of information sources are available for your use:

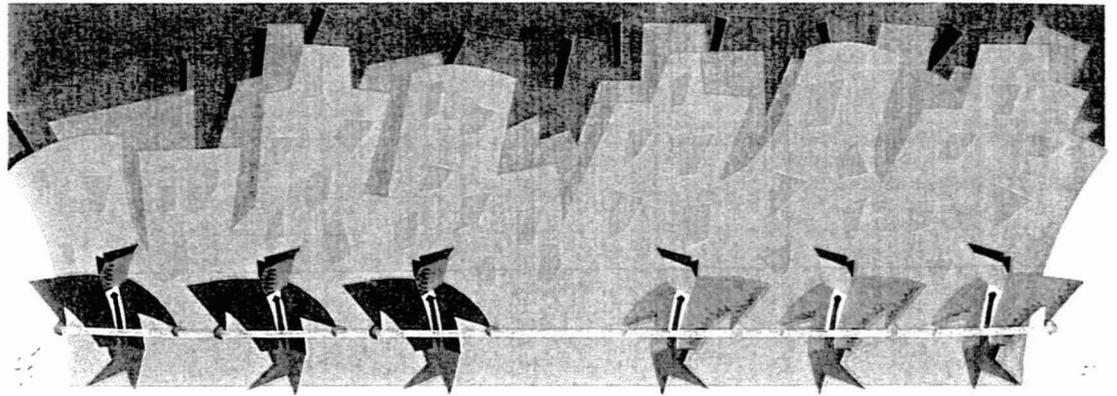
- The USGS Competitive Sourcing Website is located at <http://www.usgs.gov:8888/OUTREACH/InternalComm/CompSource/index.html>. Here you will find all primary documents released by USGS on competitive sourcing, a list of members of the Competitive Sourcing Team, basic facts about competitive sourcing in the USGS, frequently asked questions, and links to other information.
- The Department of the Interior Competitive Sourcing Web site is located at <http://www.doi.gov/pam/competitivesourcing>
- A Call Center, at (703) 648-7000, will be operational on April 11 and 12, 2002, from 9:00 a.m. to 7:00 p.m. EDT, to answer your questions.
- Questions and comments can be e-mailed to competitive_sourcing@usgs.gov. The Competitive Sourcing Team will respond within one working day whenever possible.
- Competitive sourcing rollout meetings will be held as follows: April 25 - Menlo Park, April 26 - Lakewood, and April 29 - Reston. Over the next several days, all potentially affected employees will be invited to attend one of these sessions, either in person or via telecon, by their supervisor or manager.

Hiring Decisions

USGS must assure that personnel actions initiated in any of the function areas listed for study are coordinated with the overall strategic vision for competitive sourcing.

Managers are hereby directed to provide advance notification through their servicing Personnel Office of any personnel actions contemplated in these functional areas.

Finally, be assured that I am committed to doing whatever practicable to keep you fully informed during this process and to listen to your concerns and answer your questions. I have every confidence that USGS employees will effectively demonstrate their expertise in the functions studied during this process and will offer competitive solutions to our citizens, customers and stakeholders.



Competitive Sourcing

*“How do you lead through
competitive sourcing?”*

