

Competitive Sourcing under OMB Circular A-76

Purpose.

This fact sheet assists employees in understanding cost comparison studies and direct conversions under OMB Circular A-76, how they are conducted, and the affect on HHS employees.

About Competitive Sourcing.

- The longstanding policy of the federal government has been to rely on the private sector for needed commercial services. To ensure that the American people receive maximum value for their tax dollars, commercial activities should be subject to the forces of competition. OMB Circular A-76 was established to provide procedures for identifying federal inherently governmental and commercial activities, and procedures that permit the federal government to provide commercial activities after successfully demonstrating through competition that it offers superior performance and lower cost than the private sector.
- While the Department of Defense has engaged in numerous outsourcing competitions since the 1950's, competition in civilian agencies has not been as robust. And, in most years the civilian agencies did not file with OMB commercial inventories as required by the circular. In 1999, the Congress passed the Federal Activities Inventory Reform Act or FAIR Act as it commonly called. The Act requires that all federal agencies file with OMB a commercial inventory every June 30th and it requires that OMB review the agency inventories; posting of commercial inventories on agency web sites; and provides a process to challenge activities inventoried as commercial.
- Constructing the HHS FAIR Act Inventory and determining which commercial activities to compete is accomplished using a decision tree process. Ultimately, the job you do is labeled with a "function code" from a list provided by OMB. It is the work you do and not the function code that determines whether or not your position will be labeled as commercial and whether or not it will be subject to competition. In the decision tree process, inherently governmental work is identified and the remaining commercial activities are then subdivided into three (3) broad classes. One class is work, which is commercial, but a statute exempts it from competition. Another is work that is commercial, but it is so core to the functioning of the agency that it is in the government's interest to retain the in-house capability. And, then there is work, which is commercial and available for competition.
- The Competitive Sourcing initiative is focused on commercial work, which is available for competition and the concept that commercial activities should be provided by organizations, which are efficient and cost effective, be they public or private.

What is A-76?

- Competitive sourcing is commonly referred to as A-76. The notation A-76 denotes the Office of Management and Budget (OMB) circular number, which establishes Federal policy regarding the performance of commercial activities and implements the statutory requirements of the FAIR Act. The most updated Circular No. A-76 (Revised) was released on May 29, 2003.

- Competitive sourcing (A-76) methods include: Standard and Streamlined Cost Comparisons. The May 29, 2003 Circular No. A-76 (Revised) provides guidance as to how these methods may be implemented.

How HHS plans Implementation of Competitive Sourcing.

- HHS will comply with OMB circulars, directives and letters regarding competitive sourcing. In addition to Circular No. A-76, OMB has established competitive sourcing standards for success. These standards include goals for federal agencies to study 5 percent of their commercial workforce in FY 2002 and an additional 10 percent in FY 2003.
- In FY 2002 HHS began competitive sourcing studies on approved commercial activities. The Department concluded its FY 2002 competitive sourcing program with a favorable progress rating by OMB.
- HHS has applied an equal shares methodology for completing competitive sourcing studies across all operating divisions. In other words, each operating division is held to the same set of operating standards as the next.
- For the competitive sourcing studies completed to date, no HHS employee has been adversely impacted.
- HHS has worked closely with all unions representing HHS employees to ensure positive results. Through CY 2002, no grievances have been noted.
- The activities accomplished in the first year of the program underscores a high degree of department-wide labor/management cooperation.

Present FY 2003 Competitive Sourcing Program.

- The Department is proceeding with its' competitive sourcing program in accordance with current guidance.
- In order to meet OMB's FY 2003 goal, the Department must now complete public-private direct conversion competitions on 15 percent of the approved commercial workforce.
- The Department will continue to provide all relevant documentation needed to OMB to support its A-76 program.
- The Department will continue to involve respective unions as appropriate and is committed to maintaining a strong sense of labor management cooperation.

How will the A-76 studies affect my job?

- The possibility of staffing changes exists even if the competition results in the government retaining the function in-house. The government may determine that its Most Efficient Organization, i.e., the most efficient way to deliver the function, requires fewer people than are currently performing the function. The competition may also result in an employee's job being contracted out. However, should an employee's position be contracted out or otherwise eliminated as a part of a competitive sourcing study, HHS will offer the employee another position and provide the employee with the necessary training to perform his or her new duties.

- For employees adversely affected by a decision to convert to contract or inter service support agreement performance have the Right-of-First-Refusal for jobs which they are qualified that are created by the award of the conversion.

Who will conduct the studies?

Individual HHS OPDIVs will have responsibility for conducting the studies. Some HHS OPDIVs may use contractor support to assist in this effort. Cost comparison study team members may include, but are not limited to, contractor staff, experts from the functional areas being studied, personnel, and management.

More information about A-76 studies.

For additional information about the A-76 process, you may contact your Division Competitive Sourcing Program Manager as identified below:

OPDIV	PROGRAM MANAGER	PHONE NUMBER
OS	Michael Colvin	202-690-7887
AOA	Marissa Huttinger	202-357-3409
CMS	Gerald Hankin	410-786-5574
HRSA	Henry Montes	301-443-2320
SAMHSA	Patricia Bransford	301-443-3409
CDC	John Burckhardt	404-498-1503
ACF	Robert Velasco	202-401-6964
FDA	Charlene Cherry	301-827-8815
IHS	Athena Elliott	301-443-5104
PSC	Creighton Glantz	301-443-3239
AHRQ	Bruce Immerman	301-594-7176
NIH	Tim Wheelles	301-496-2832

Competitive Sourcing Program Managers may contact OGAM to assist with issues and questions as needed.