



United States  
Department of  
Agriculture

Office of the Chief  
Financial Officer

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OCFO Bulletin: 2004-001

Date: May 11, 2004

To: Agency Heads  
Staff Office Directors

Subject: Guidance for Determining the Feasibility of Conducting Competitive  
Sourcing Competitions

### PURPOSE

This bulletin provides guidance in determining the feasibility of conducting public-private competitions in accordance with the Office of Management and Budget (OMB) Circular No. A-76, Performance of Commercial Activities. If your agency has identified mission functions that may be viable candidates for competitive sourcing, you should decide whether to conduct such competitions. This will ensure success and maximize savings.

### RESPONSIBILITIES

Agency Heads and Staff Office Directors are responsible for conducting competitive sourcing competitions. The American people should receive maximum value for their tax dollars when commercial activities are subject to competition. Thus, Agency Heads and Staff Office Directors must ensure the quality and integrity of the analysis conducted for determining feasibility.

### PROCEDURES

The following provides a brief description of what senior decision makers need to determine whether or not to conduct public-private competitions.

Business Needs Assessment: Evaluates the core public need that the identified mission function fulfills. The objective is to identify the key business drivers of the mission function and align them with the agency's relevant strategic goals and objectives.

Assumptions and Constraints: Provides a complete list of assumptions regarding the work performed. Typically, one would include assumptions regarding scope of the function, timelines, workload requirements, necessary technology, customers, partners, and stakeholders, funding, security, and outside support. Typical constraints are time, budget, organizational structure and physical factors.

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Market Research: Provides an analysis of the capabilities in the commercial marketplace. This determines if other sources that can satisfy the requirements of the mission function exist. Agencies should establish an inventory of commercial firms that produce, distribute and support products and/or services similar to the mission function. Agencies also should work with their contracting officers to determine the techniques and sources for conducting market research. This research must comply with Federal Acquisition Regulation (FAR) Part 10 requirements.

Current “As-Is” Assessment: Offers an “as-is” scope of current operations. This should include a discussion of current workload, customers, partners and stakeholders. It also should include the pros and cons of current operations. Typical items in an “as-is” assessment are:

- A description of workflow; human and capital resources needed to complete the function;
- An overview of how internal functions work with one another; and
- Potential effects on other USDA and non-USDA organizations should the mission function be outsourced.

Future “To-Be” Assessment: Presents a “to-be” scope of operations. For example, say your agency has been assigned a new function. It must organize a staff that will complete the job most efficiently and effectively. The agency also must make decisions based on expected workload and growth, future customers, and stakeholders. The end result should be the “most-efficient organization” model for accomplishing the mission function.

Performance Gap Analysis: Defines the gaps between the as-is and to-be scopes of operations in the key areas of business needs and processes, and workload. Performance gaps should be prioritized from most- to least-critical to ensure that contingency plans exist should funding or scheduling issues arise.

Cost/Benefit Analysis: This section is critical to making the business case for competitive sourcing. Agencies will be comparing their current “as-is” and “to-be” scopes of operations with identified alternative options. The objective is to compare the costs and benefits of all options for fulfilling the function’s technical, programmatic, compliance and management requirements. This ensures finding the most cost-effective solution.

This analysis is composed of three parts:

*Cost estimate:* Labor is usually the major cost component. Other costs that should be included are:

- Employee benefits;
- Materials and facilities to execute the function;
- Contractor expenses associated with preparing for competitive sourcing; and
- Other miscellaneous costs associated with executing the competitive-sourcing function.

*Benefits estimate:* The estimate of the overall public-value added (in dollars) of performing the mission function.

*Savings analysis:* Provides the relative “bottom-line” of each option. This includes current “as-is” and “to-be” operations performed by government employees, using consistent methodology for the comparisons. Recommended financial calculations designed for this purpose are internal rate of return and net-present value. Formulas for these calculations are available in all major spreadsheet packages.

Civil Rights Impact Assessment: Identifies and categorizes the civil-rights impact of implementing competitive sourcing in accordance with USDA Office of Civil Rights official policy guidance. This must be done to assure the civil rights of the existing workforce are protected. Any potential risk of violation should be identified explicitly for decision makers who will be reviewing the feasibility study.

Systems: Provides an overview of all capital infrastructure systems and their relationships. This includes current systems used to support the function, system-to-system interfaces and planned or in-progress system upgrades/migrations and timelines. This also identifies how the alternative options conform to the agency’s information-technology architecture standards and guidelines.

Acquisition Strategy: Determines how resource acquisition will be accomplished if the agency decides to source the function competitively. Expected performance levels should be identified. Additionally, an oversight mechanism should exist to ensure that minimum performance standards are met.

Project Lifecycle Schedule: Identifies major activities, milestones and transition timelines from the “as-is” to “to-be” system. All necessary tasks and subtasks related to the major function should be included in this section.

Requirements: Items needed to complete the function under consideration. Typically, this is an appendix to the business case. Requirements should be sufficient enough for developing a Performance Work Statement and related performance measures and incentives required by FAR Part 11. Agencies should work with their contracting officers to determine compliance with FAR Part 11 requirements.

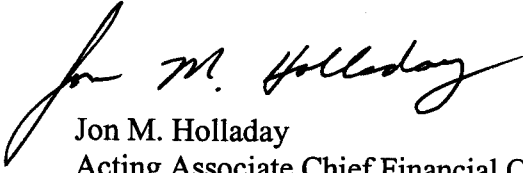
Recommendations: Recommends future course of action based on feasibility-study results. If the recommendation is to proceed with competitive sourcing, the required timelines set forth in OMB Circular No. A-76 should be identified.

## INQUIRIES

Any questions concerning this bulletin should be directed to the Office of the Chief Financial Officer, Planning and Accountability Division, Att: Ava Lee, (202) 720-1179.

EFFECTIVE DATE

This bulletin is effective immediately.



Jon M. Holladay  
Acting Associate Chief Financial Officer

cc: Deputy Administrators for Management  
Competitive Sourcing Managers

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