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USDA Competitive Sourcing Guidebook

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Introduction

The Department of Agriculture's (USDA) mission is to provide leadership on food, agriculture, resource and related issues based on sound public policy, the best available science, and efficient management. USDA's vision is to be recognized as a dynamic and effective organization. To execute our mission and realize our vision in today's environment of constrained budgets, it is essential that USDA improve program delivery and enhance operational productivity. Competitive sourcing provides the department with a vehicle for achieving mission requirements, realizing economies of scale and improving customer service in core competencies.

The competitive sourcing/A-76 process can assist USDA in achieving mission critical functions more effectively and efficiently while reducing infrastructure and operating costs. Competition between the public and private sector results in lower costs and increased efficiency. Recent DoD studies suggest that cost savings (up to 30 percent) are possible for these competitions. Consequently, USDA is actively seeking to improve program delivery and customer service through the competitive sourcing/A-76 process.

The Office of Management and Budget Circular Number A-76 (A-76) and its related Revised Supplemental Handbook, *Performance of Commercial Activities*, and USDA Departmental Regulation 2170-001, *Performance of Commercial Activities*, provide guidance and policy for conducting competitions. Both of these references are being updated as of October 2002.

This USDA Competitive Sourcing Guidebook is intended to provide additional guidance to enable direct conversions, streamlined, single function and multi-functional A-76 studies to be completed within the desired timeframes. This Guidebook is intended for use by all USDA mission areas/agencies when conducting competitive sourcing activities. It is a mix of recommended as well as statutory guidance. All examples in this guidebook are provided as samples and should be replaced with mission area/agency specific documents.

This guidebook organizes the A-76 study process into a series of required or recommended actions and identifies milestones throughout the process. Each action and milestone encompasses issues that must be resolved in a timely manner. To expedite the process, some actions can be conducted simultaneously. However, a significant number of actions involving procurement and contracting must be performed consecutively. To complete an A-76 study within a reasonable timeframe requires a concentrated effort, dedicated resources, and proactive leadership.

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US DEPARTMENT OF AGRICULTURE COMPETITIVE SOURCING GUIDEBOOK

CHAPTER 1

Competitive Sourcing Program Overview

The foundation of competitive sourcing is the annual inventory of federal activities (FAIR Act Inventory), in which government activities identify their functions as either inherently governmental or commercial in nature. The government's competitive sourcing/A-76 program is a structured process that requires competition between an existing government activity and private industry (or other Federal Agencies) to determine who will provide the commercial services. The process is designed to allow a fair and equitable comparison of government and contractor offers. The offeror providing the best value to the government wins the competition between contractors/other Federal Agencies and then competes with the Most Efficient Organization (MEO) of the Government.

Purpose of Competitive Sourcing

It is USDA policy to achieve economy and to enhance quality and performance through competition of commercial activities. USDA has established a Competitive Sourcing/A-76 Office to provide policy, guidance, and assistance to mission areas and agencies to accomplish their competitive sourcing goals. The purpose of this Guidebook is to assist mission areas/ agencies in the process of selecting functions for study and the conduct of various forms of studies in compliance with directions provided by the Office of Management and Budget (OMB) in Circular A-76, *Performance of Commercial Activities* and its Revised Supplemental Handbook. It applies to all Competitive Sourcing/A-76 activities through out USDA.

USDA Competitive Sourcing/A-76 Process Overview

The competitive sourcing/A-76 study process is a detailed and comprehensive set of procedures used to formulate a "make-or-buy" determination for obtaining services available from commercial sources. It is a long-standing government process that has proven to be effective in hundreds of Competitive Sourcing/A-76 studies. The following is a synopsis of the process.

In the first phase, appropriate-level senior management must be involved in selecting areas and/or functions for competitive sourcing. This process should include a long-range view of agency core processes, program delivery, and human capital issues. Once a function or set of functions is identified for review, a plan of action is developed defining the competitive sourcing approach to be taken: direct conversion, streamlined

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study (or, if appropriate, a special type of study called an express review), or full cost study.

If direct conversion is the approach selected, a Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP) are developed and forwarded to the contracting officer to begin the solicitation process. Direct conversion is appropriate for commercial activities involving 10 or fewer full time equivalents (FTEs) or an unlimited number of FTEs if the solicitation is directed to preferential procurement program contractors.

If streamlined study is the approach selected, a determination must be made on the number of FTEs to be included in the study.

- If 10 or fewer FTEs are included in the function/area, an express review can be performed. An express review is a five-step study process that requires between 40 to 80 hours of effort to complete but provides a methodology to compare commercial and in-house cost with a reasonable amount of accuracy. This process allows a small number of positions in a government organization to compete, rather than simply be converted to a commercial contract. The process meets the requirements of a cost comparison process outlined in OMB Circular A-76 Supplemental Handbook.
- If the number of FTEs is determined to be less than 65, a standard streamlined study can be performed. This approach is limited to activities that meet the following criteria: Involves possible conversion to or from in-house, contract or Inter-Service Support Agreement (ISSA) performance involving 65 FTEs or less, activities will compete largely on a labor and material cost basis, activities requiring significant capital asset purchases are not involved, and activities involved are commonly contracted by the Government and/or private sector.

If a full cost study approach is selected, a study plan is developed. Senior agency management should make a formal announcement to all affected employees and support organizations of the intent to conduct a study. This announcement is made to all affected employees and establishes the official "study start date." A Competitive Sourcing Study Team is formed of select individuals who will oversee the study and participate in the preparation of individual elements of the study. Throughout the study process, senior functional managers must keep the affected work force informed of study progress. Managers should solicit and consider the work force's suggestions on organizational improvements to ensure the Government's bid is as competitive as possible.

The study team appoints a Performance Work Statement (PWS) team to develop the performance work statement (describes the necessary work to deliver the required levels of service for accomplishing the mission) and the Quality Assurance Surveillance Plan (QASP) (describes how to monitor the performance of work statement

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requirements, whether by the Most Efficient Organization (MEO), contractor, or other Federal Agency). The Quality Assurance Surveillance Plan is not part of the solicitation and does not become a part of the contract, and may be changed to better suit the needs of the government at any time.

The performance work statement lists required services and outputs without specifying the manner or approach (the “how”) for performing them. Data is gathered on past workload levels, preferably the most recent 12 months, to project future workload requirements. Performance requirement standards are developed to ensure that an acceptable level of service is maintained. The performance work statement also includes the nature and extent of government-owned facilities, equipment, and other property available to use in accomplishing the work. Special qualifications and associated training requirements are also listed in the performance work statement to ensure the proposed work force meets all statutory requirements. After the performance work statement has been completed but before issuance as part of a formal solicitation, the mission area/agency will post it on their web site for comment by prospective service providers (including the Government’s Management Plan Development Team). If comments result in changes to the performance work statement, a revised version should be posted on the web site for additional comments.

In addition to the Performance Work Statement team, a separate team is selected to develop the Management Plan, which analyzes the existing organization and operation. This team develops the Management Plan, which is composed of: The Most Efficient Organization, the In-House Cost Estimate, the Technical Performance Plan (if applicable), the Quality Control Plan, and the Transition Plan.

The Most Efficient Organization is developed by the management plan team to perform the work defined in the Performance Work Statement. This is accomplished by identifying improvements (process, technological, organizational, etc.), designed to minimize the resources required to perform the work in the Performance Work Statement. The Most Efficient Organization is the basis upon which the In-House Cost Estimate, also known as the in-house cost proposal, is based.

The In-House Cost Estimate is the “government cost proposal” used to compare the Government’s cost of performance against the most advantageous contractor’s/other Federal Agency cost of performing the Performance Work Statement. Also, included in the In-House Cost Estimate are costs that will be incurred should the decision be to convert to contract performance and to administer that performance.

The Technical Performance Plan is an additional document to the management plan and is only required when the negotiated procurement method and tradeoff process is used to select the private industry offer that provides the best value. The Technical Performance Plan describes the Most Efficient Organization’s (MEO’s) technical approach to performing the performance work statement requirements.

The Quality Control Plan describes how the Most Efficient Organization will perform the requirements and provide quality standards of services and products at the

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lowest cost with minimal rework in accordance with the performance work statement. The personnel authorizations necessary to staff the quality control plan are included and priced in the Most Efficient Organization staffing plan.

The Transition Plan describes activities that will take place after the service provider has been decided when transitioning to either the Most Efficient Organization or Contractor/ISSA performance. It is designed to minimize disruption, adverse impacts, capitalization and start-up requirements. The Transition Plan focuses on events and tasks that will occur during the transition period: equipment turnover, personnel actions, training, inventory and procedural changes, telephone number changes, and other “housekeeping” changes caused by the transition

During development of the management plan, information security is critical, as the government’s proposal must be safeguarded until it is officially made public at the tentative decision announcement. Therefore, a non-disclosure agreement for all management plan team members is a must. Also, during this time, process improvements may be identified and can be implemented at any time contingent upon mission area/agency approval.

In the next phase, offers (bids or proposals) from prospective private sector or other non-USDA Federal Agencies are solicited based on the requirements of the Performance Work Statement. The solicitation process provides a common standard of performance to base an equitable comparison of in-house costs with commercial service providers performance costs. Either sealed bidding or negotiated contracting is used to identify the offeror who will compete against the Most Efficient Organization in the cost comparison.

- In sealed bidding contract procedures, an invitation for bid (IFB) solicits bids, and results in the selection of a responsible bidder with the lowest price.
- In negotiated contracting procedures, a request for proposal (RFP) solicits offers, from which the proposal presenting the best value, through either a trade-off process or technically acceptable/lowest cost process, will be selected. If the cost/technical tradeoff process is used, the in-house Technical Performance Plan will be evaluated to ensure that the private industry/other Federal Agency’s proposal and the in-house offer are based on the same performance outputs.

USDA agencies must arrange for an independent review of their management plan and all the associated costs to ensure the cost estimate calculations used to develop the In-House Cost Estimate are accurate and based on the work identified in the Performance Work Statement. Following the independent review, the Most Efficient Organization, In-House Cost Estimate, Technical Performance Plan (if required), Quality Control Plan and Transition Plan are submitted to the contracting officer in a sealed envelope not later than the deadline for submission of bids or proposals from private industry or other Federal Agency sources.

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After receipt of bids and selection of the offeror with the most advantageous proposal between private industry/other Federal Agencies, that offeror's cost is compared to the In-House Cost Estimate. For a contractor or other Federal Agency to be selected as more cost effective than the government's Most Efficient Organization, the cost of contract (private industry) or Inter-Service Support Agreement (Other Non USDA Federal Agency) operations must be the lesser of 10% of the Most Efficient Organization's personnel cost or \$10,000,000.00 over the period of performance. This amount is called the "conversion differential". The result of the cost comparison bid opening is announced locally and posted on the FedBizOps web site. If it is a "tentative contract decision," it is subject to a public review period that allows interested parties to examine the decision documents and appeal portions that are not in accordance with OMB Circular A-76 and Revised Supplemental Handbook procedures. After the appeals are resolved through the administrative appeals process and any Government Accounting Office protests are decided, the "final decision" is announced. If the in-house offer is determined to be more cost effective, the solicitation is canceled, and the Most Efficient Organization is implemented. If the cost comparison results in a contract decision, a "notice to proceed" is given to the selected contractor. If the cost comparison results in a decision to award to another Federal Agency, a memorandum of understanding resulting in an Inter-Service Support Agreement (ISSA) is executed.

Many tasks must be completed to transition the current in-house operation to the new operation, whether Most Efficient Organization or contract/ISSA. The Transition Plan addresses each scenario and provides procedures to ensure the transition is completed on time. Regardless of the outcome of a Competitive Sourcing/A-76 study, special care must be taken to avoid unnecessary trauma and turmoil in the organization under study.

The new operation is continually monitored to ensure that the levels of performance in the performance work statement are met. The Quality Assurance Surveillance Plan developed to monitor execution of PWS requirements provides procedures for inspecting the new operation. The QASP is provided to the Contracting Officer and the same time as the performance work statement; however, it is held until after announcement of the final award decision at which time it is provided to the Contractor/ISSA Source, if contractor/ISSA win or to the MEO Manager, if in-house win. Additional follow-on monitoring activities are conducted on a regular basis, including the maintenance of the performance work statement and post-Most Efficient Organization or contract/ISSA reviews to ensure performance and cost savings are realized.

Roles and Responsibilities

The following is a description of the roles and responsibilities to be performed at the various levels in the organization.

Department Level. The USDA Competitive Sourcing/A-76 Coordinator, the Chief Financial Officer, will define the parameters of the program, develop and maintain the USDA Competitive Sourcing Plan, develop the implementing policies, provide the guidance necessary for establishing and executing the Mission Area/Agency programs,

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monitor program execution at all levels, report status to OMB as required, and support the program and functional managers throughout the Department. A Competitive Sourcing/A-76 Program Office has been formed to accomplish Department level requirements and assist Mission Area/Agency organizations in the execution of their programs.

Mission Area/Agency Level. The Mission Area/Agency Head should designate an individual to lead and manage their A-76 processes. The decision process to organize and locate the components of the competitive sourcing/A-76 Program will be accomplished by the management of each Mission Area/Agency according to their current procedures. Mission Area/Agency competitive sourcing/A-76 programs should be structured to reflect the goals and direction of the Head of each Mission Area/Agency. All authorities and responsibilities of the Mission Area/Agency Competitive Sourcing/A-76 Program Office are as delegated by management.

Within each Mission Area/Agency, many different Officials, Boards, Panels and Teams must be organized to perform the various function and roles. Larger organizations may decide to organize two or more levels of these entities. Listed below are the general A-76 roles and responsibilities:

Executive Steering Group (ESG). Mission Areas/Agencies should use the Executive Steering Group as the mechanism for assigning all tasks in the competitive sourcing/A-76 process to the appropriate participants. If used correctly, this technique will allow for well-ordered, timely completion of commercial activity studies. Members of the ESG also:

- Serves as the advisory group to the Mission Area/Agency Head.
- Provides oversight of all study actions, and makes recommendations to the Mission Area/Agency Head.
- Approves master study schedules, changes in study scopes after announcement, and the program and individual study communications plans.
- Approves team/board/panel member recommendations from the Functional Managers responsible for studies.
- Is appointed by the Mission Area/Agency Head.

The Senior Manager:

- Serves as the chair of the Competitive Sourcing/A-76 Executive Steering Group.
- Is appointed by the Mission Area/Agency Head.
- Certifies the Most Efficient Organization, and approve the implementation of Competitive Sourcing/A-76 study results. This may not be feasible at smaller locations.

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Source Selection Authority (SSA):

- Is appointed by the ESG for the Mission Area/Agency Head.
- Receives combined Source Selection Evaluation Board and Cost Evaluation Panel recommendations.
- Makes the final source selection decision with advice from the Contracting Officer.

Source Selection Advisory Board (SSAB):

- Is appointed by the Source Selection Authority with approval of the ESG.
- Advises the Source Selection Authority on Source Selection Evaluation Board and Cost Evaluation Board recommendations.

Source Selection Evaluation Board (SSEB):

- Is appointed by the Executive Steering Group with recommendations from the Source Selection Authority.
- Approved and notified by the Contracting Officer who provides technical evaluation criteria.
- Reviews, evaluates and ranks industry technical proposals.
- Verifies that the government Management Plan is consistent with industry technical proposals.
- Writes technical evaluation reports.
- Will be limited to a small, odd number of members (five is ideal).
- Will include personnel with a functional understanding of the subject matter.

NOTE: Personnel whose positions are under study may not participate on this board. Members of the source selection evaluation board are precluded from performing activities related to the Management Study or the In-House Cost Estimate due to the potential for conflict of interest. Members must be available for a dedicated, extended period of time

Cost Evaluation Board (CEB):

- Is established by the Contracting Officer to evaluate cost/price proposals.
- Analyzes proposals for cost/risk.
- Writes cost/price evaluation reports.
- Should include a Contracting Officer, Contract Specialist and advisors with cost/price analysis expertise.

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Technical Evaluation Board (TEB):

- Is established by the Contracting Officer to evaluate the proposals for technical ability using the criteria established in Sections L and M of the solicitation.
- Writes evaluation reports to the Contracting Office for use by the Source Selection Authority.
- Should include knowledgeable personnel from the functional areas under study with sufficient expertise to evaluate an offeror's proposal. Members may not have been on the Most Efficient Organization development team.

Proposal Risk Assessment Team:

- Established by the Contracting Officer to review the technical and cost/price evaluations for overall determination of proposal risk.
- Makes recommendations to the Source Selection Authority and the Source Selection Advisory Board.

Performance Work Statement Development Team:

- Is responsible for the preparation of the Performance Work Statement, Quality Assurance Surveillance Plan, the examination of potential economic effect and the solicitation documentation required by the Contracting Officer.
- Is composed of functional experts knowledgeable in the areas under study, a Contract Specialist and a union representative.
- Have advisors composed of representatives from the Contracting Office, Human Resources, Resource Management, General Counsel/Legal Office, Information Technology Office, and union representatives.

Note: Members serving on this team cannot be members of the Most Efficient Organization Development Team. Affected employees will not be assigned as members or they give up the right of first refusal. A firewall between this team and the Management Plan Development Team (addressed below) must be established and maintained throughout the study. Members of PWS team cannot be assigned to the MEO team.

Performance Work Statement Team Leader.

- Leads the PWS Team.
- Receives guidance and direction from the ESG, program manager, study manager/COR and contracting officer.
- Facilitates meetings, coordinates and directs the work of the team members.

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- Develops, implements and tracks study schedule and milestones to ensure completion of all requirements, provides checklists and milestones to the Study Manager prior to study initiation.

Management Plan Development Team.

- Is responsible for the development of the Government's proposal prepared in response to the solicitation. This proposal is referred to as the Management Plan and describes the Most Efficient Organization that is the basis for the Government's response to the solicitation.
- Is composed of members who are knowledgeable in the functional area(s) under study.

Note: Team members are precluded from interacting with the Performance Work Statement Development Team except through the Contracting Officer.

- Will have as advisor representatives from the Contracting Office, Human Resources, Resource Management, General Counsel/Legal Office and Information Technology Office.
- Will partner with union representatives invited to participate as team members.

Note: A firewall between the MEO team and the PWS Development Team (addressed above) must be established and maintained throughout the study. Members of one team cannot be assigned to the other under any circumstances.

Competitive Sourcing/A-76 Study Team Leader.

- Leads the combined study effort to ensure development of the Performance Work Statement and the Management Plan in accordance with the approved study scope.
- Acts as the bridge between the Functional Manager, the Competitive Sourcing/A-76 Coordinator, the teams, the affected employees, any supporting consultants, and affected outside interests such as legislators, local organizations as appropriate.

Continuing Government Activity.

- Is the residual organization that manages the government functions after a service provider is chosen.

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- Is responsible for quality assurance, inherently governmental functions, out of scope functions remaining from the original organization missions, command and control, and administration of the service provider.

Most Efficient Organization Development Team Leader.

- Leads the team and acts as the bridge between the Competitive Studies Coordinator, the Study Manager/COR and the team.
- Receives guidance and direction from the program manager, study manager/COR, ESG and contracting officer.
- Facilitates meetings, coordinates and directs the work of the team members.
- Develops detailed study schedule with milestones to complete all requirements and provides to the Study Manager prior to study initiation.

Performance Work Statement Certifying Official.

- Certifies that the Performance Work Statement contains all the tasks and functions required to accomplish the mission area(s) under study to include the appropriate quality assurance measures.
- Certifies that the Performance Work Statement provides adequate workload data to evaluate service provider proposals and addresses the Government furnished and service provider furnished equipment and facilities requirements.

Most Efficient Organization Certifying Official.

- Certifies that the Government Proposal can perform all tasks and functions in the solicitation with the quantity and quality of personnel proposed in the Most Efficient Organization.
- Certifies that the Management Plan conforms to applicable A-76 guidance and the solicitation instructions, and that all costs are properly accounted for in the In-House Cost Estimate.
- May be any technically competent individual who is either organizationally independent of the function(s) under study or is at least two organizational levels above the most senior official included in the Most Efficient Organization.

Administrative Appeals Process Authority.

- Ensures that the cost items challenged in the appeal are properly accounted for in accordance with procedures and requirements described in the OMB Circular A-76 and the Revised Handbook and renders a decision on the appeal.

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- Appointed by the Mission Area/Agency Head or their designated representative.
- Are at least two organizational levels above the Most Efficient Organization Certifying official or independent of the function(s) being studied.

Independent Review Officer.

- Certifies in writing that the Government Proposal, Most Efficient Organization and all supporting documentation are in full compliance with the procedures and requirements described in the OMB Circular A-76 and Revised Supplemental Handbook.
- May be accomplished by contracted assistance.

Study Support Contractors.

- Provide support and process advice to each study team on the development of required products and support documentation as described in the contractual vehicle used.

Union Representatives.

- Represent bargaining unit employees as advisors to the Executive Steering Group, the Performance Work Statement Development Team and the Management Plan Development Team.
- Selected by the affected employees' local bargaining unit leadership selection. Labor relations works with the union to identify the union representative on the study.

The Servicing Contracting Office:

- Is responsible for the contracting aspects of the study, including development of acquisition planning documents, the solicitation for the commercial activities study including the Performance Work Statement, which is the basis for Section C, the Scope of Work, of the solicitation.
- Determines the contract type, conducts contract negotiations, manages protests and appeals, and awards the contract/ISSA if the decision after cost comparison results in a contractor/other Federal Agency win.

The Servicing Human Resources Management Officer:

- Implements personnel actions in accordance with Competitive Sourcing/A-76 Program requirements.

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- Coordinates and advise managers concerning reductions-in-force (RIFs), counsel affected employees on placement rights, manages the retraining and placement of displaced employees, prepares position descriptions for the positions identified in the management study, advises the Management Plan Development Team on position and organization structure issues.
- Monitors with the Contracting Officer the implementation of "right-of-first-refusal" offers by the contractor to affected employees, if the Competitive Sourcing/A-76 study results in a contract conversion.

The Servicing Legal Office:

- Reviews the Performance Work Statement to ensure legal sufficiency, and provides advice on legal issues affecting the conduct of Competitive Sourcing/A-76 studies.
- Advises on conflict of interest concerns and other sensitive issues that might arise.

The Servicing Internal Review Office:

- Reviews completed Competitive Sourcing/A-76 studies to ensure the in-house or contract activity is accomplishing its designated mission with monetary savings.

Functional Executive Manager.

- Recommends the study scope(s) and study team membership with the expertise to accomplish the assigned studies in accordance with the OMB A-76 references.
- Announces the study initiation and scope after approval of the mission area/agency to the work force and affected outside entities to start the approved study.
- Ensures execution of the study within the approved schedule while maintaining a steady communication with the work force.
- Implements the results of the study in accordance with the Management Plan upon receipt of the competition final decision.

Directly Affected Employees:

- Are encouraged to meet with their functional managers and servicing civilian personnel offices during the cost comparison study process. Employees should obtain an understanding of the components of the process either

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through briefings or discussions with the functional manager and servicing civilian personnel office at the local level.

- Should take advantage of periodic updates on the status of the on-going study and the various documents supporting the study, such as the Performance Work Statement and Most Efficient Organization.
- Will not normally be assigned to teams developing the Performance Work Statement or Most Efficient Organization as this will deprive them of individual rights, such as the right of first refusal, in the event of a conversion to contract operation. If Directly Affected Employees are assigned to these teams, the impact on their subsequent rights must be fully understood and they should be asked to acknowledge their understanding and willingness to serve in writing.
- Are also encouraged to understand the type of acquisition process to be used and their rights during the administrative appeal process. After a tentative cost comparison decision, directly affected employees or their representatives (such as a Union on behalf of the employees) may, when appropriate, file an appeal of the cost comparison decision.

Labor Union Representatives:

- May partner with management and directly affected employees during the course of the study to ensure that a complete Performance Work Statement and efficient Most Efficient Organization are developed.
- Should acquire an understanding of the Competitive Sourcing/A-76 process either through briefings and discussions with the functional manager or through formal training. While management retains responsibility for final management decisions during the study process, union representatives should participate in an advisory capacity during Performance Work Statement and Most Efficient Organization development on behalf of the employees they represent.

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Chapter 2

Planning and Organizing the Study

Planning and organizing a Competitive Sourcing/A-76 study requires the participation of mission area/agency senior managers and functional experts acting as a team to determine the scope of the study. First, consult your workforce and human capital plans to understand the best possible use of competitive sourcing for your mission. Second, consult the Federal Activities Inventory Report (FAIR) Act Inventory as the starting point for identifying functions for study and FTE locations within the organization. The inventory lists all mission area/agency functions by status, i.e., inherently governmental or commercial in nature. Functions classified as inherently governmental are exempt from Competitive Sourcing/A-76 review. Therefore, only functions classified in the FAIR Act inventory as commercial may be considered as candidates for study.

After reviewing the various study methods (full, streamlined, express or direct conversion) and the complexity of each for your specific organization, define and analyze the advantages and disadvantages of each. Then you can make an informed decision on what to study candidates, the sequencing of the studies and the timing of each study.

Scope of the Study

After the decision is made on what to study (but before the actual announcement), a number of steps must be taken to determine both the number of functions to be studied and the study's size (in terms of personnel impacted). Specifically, functional managers need to determine if the proposed study will be composed of a package of related functions forming a large umbrella study, or whether each of the smaller functions will be studied individually. Using an umbrella approach will allow treatment of all functions being reviewed as an integrated system of interrelated activities; this frequently presents the best opportunities for improvements. An example of this is the "whole organization study" approach. However, in using this approach ensure that all the functions are interrelated, so that contractual or management study problems do not arise. Smaller studies generally include common functions under a branch, section, office or similar organization. For planning purposes, contact the local Small and Disadvantaged Business Utilization Office and consider structuring the study to encourage small business participation in the solicitation.

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The Study Team

The size and composition of the Competitive Sourcing/A-76 Study Team will vary based on the type of study selected (streamlined, express or full cost comparison). The study team is a group of individuals appointed in writing to perform the Competitive Sourcing/A-76 study. In establishing the Study Team, it will be useful to designate additional teams so that roles are clearly defined at the start of the process. Following are examples of other teams that assist the primary study team. These teams are in addition to the teams required for full cost comparison studies, i.e., a Performance Work Statement Development Team and a separate Management Plan Development Team (required under the provisions of OMB Circular A-76 Revised Supplemental Handbook).

- Core Study Team. Composed of representatives from the mission area/agency Competitive Sourcing/A-76 Program Office, Human Relations, Legal Support Office, Contracting Office, and the Union. Team members should be available to provide support on an as needed basis in areas of their individual specialties.
 - Competitive Sourcing/A-76 Program Office representative would serve as the overall point of contact on all regulatory matters. This Office is responsible for the implementation and management of the Competitive Sourcing/A-76 program in accordance with OMB, USDA, and mission area/agency published guidance.
 - Human Relations representative would serve as the point of contact for all personnel related matters associated with the Competitive Sourcing/A-76 study. The HR representative would be responsible for ensuring that information, guidance and assistance is provided on personnel related matters. This would include actions advising the PWS and MEO Teams on position classifications and management, organizational structures and classifications of duties, Reduction In Force (RIF) procedures and how to counsel affected employees on placement rights, and retraining and placement of displaced employees. They may also serve as the liaison for local union officials, ensuring that the union is kept informed and has the opportunity to provide input on study matters.
 - Legal Office representative would provide advice on legal issues affecting the Competitive Sourcing/A-76 study. The Legal Office might assign a legal advisor to review the Performance Work Statement and other documentation to ensure legal sufficiency.
 - Contracting Office would be responsible for all contracting aspects of the Competitive Sourcing/A-76 study, including preparation of acquisition planning documents, selecting the solicitation method, issuing the solicitation, determining the contract type, obtaining wage determinations and filing wage determination forms with the Department of Labor, controlling negotiations, responding to protests and appeals, and making the contract award.

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- Local Union official or representative serves as the employee representative responsible for ensuring employee rights and entitlements are protected during the study process. The Union ensures effective communication between affected parties and the study teams. The Union representative could also indicate when proposed process changes will affect bargaining agreements. The Union official or representative should provide comments, recommendations, issues, and concerns on the Performance Work Statement, Most Efficient Organization, and Technical Performance Plan.
- Study Support Team. Consists of members from the servicing Public Works, Public Affairs, Safety, Security, Information Management, and Logistics Support Offices, as appropriate. Representatives from the customers serviced by the function(s) under study might also be considered for membership on this team. Study Support Team members are responsible for advising and coordinating activities in their areas of expertise during the preparation of the Performance Work Statement and Most Efficient Organization. As such, their input should be sought on all major study products prior to finalizing.

Under certain circumstances, actions of specific individuals may be restricted based on Competitive Sourcing/A-76 study constraints. For example, the Procurement Integrity Act prohibits government procurement officials from accepting employment with a contractor if they were involved in procurement actions with that contractor during the two-year period prior to their separation from federal service.

Management should direct that Team Member participation be a priority duty and not a secondary or collateral duty. In that regard, Team Members are responsible for fully contributing to the study process and carrying out their assignments between team meetings. If possible, to minimize conflicts, team members on the Performance Work Statement and Most Efficient Organization Teams should be assigned on a full-time basis.

The use of the team approach for accomplishing required tasks will increase synergy and allow for major gains in quality and productivity. Formally established and recognized teams are highly encouraged.

Facility Resource Requirements

The facility resource requirements of the study team are directly related to the scope of the study and the size of the study team. At a minimum, the team will require individual computers, a securable office large enough to include a conference area for discussions with subject matter experts, a copy machine, a shredding machine, the appropriate office furniture, telephones, and a facsimile machine. This facilitates the safeguarding of information throughout the study process.

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Program of Action Development

The first action of the Study Team Leader is to develop a plan of action for completing the study within the time frame and parameters established by OMB, USDA and mission area/agency guidance. The plan must be detailed and identify all required actions, the person(s) or office responsible for accomplishing the action, the action completion date (milestone) and a tracking mechanism to continuously monitor study progress.

Milestone Management

An important component in planning and executing a successful competitive sourcing/A-76 study is milestone management. The master milestone schedule provides completion times for each major requirement including appropriate review and coordination, when required. The size and complexity of each study must be taken into account when developing milestones. Senior agency management prior to study initiation must approve all study schedules.

Study Teams must program and complete each of the requirements of their study plan in accordance with the master milestone schedule. To monitor study progress, the Team Leader should meet periodically with team members to evaluate progress. When specific tasks are not being performed in accordance with scheduled times, the study team should discuss methods to accelerate the task's completion. When a consensus has been reached, the Team Leader should decide which actions must be taken to ensure the overall milestone schedule remains in effect.

Communications Plan

The functional manager, study team leader and public affairs office should develop a communications plan jointly. The communications plan will be the framework for coordinated communications between the leadership, the workforce, customers, industry and the public throughout the Competitive Sourcing/A-76 Program. It will include detailed plans for both internal and external audiences to include timing and media to be used. At the study level, the plan will address all media that will be used to inform the workforce of study progress from initiation through periodic updates to conclusion and transition to the Most Efficient Organization, other Federal Agency or contractor performance. Senior agency management as part of the initial planning should approve the plan. It should be fully implemented by the study announcement date and include, but not be limited to; the initial announcement document, initial notification letters, monthly meetings with affected employees, periodic public updates, creation and maintenance of a web site at the mission area/agency level with a current status page, and union updates.

Preparation of the Initial Notification Document

The final step in planning and organizing the study process is the preparation of the initial notification document that serves as the first action item on the milestone schedule and announces the scope of the study. This document is part of the

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Communications Plan and delineates which function or functions are to be studied and the number of full-time equivalent (FTE) positions that are affected. It is the basis for all future notifications.

Announcements will be made to a variety of audiences under differing circumstances. Audiences to be informed are the workforce, union locals with bargaining agreements requiring notification, and other functional areas of the organization that do not have positions in the study but are affected by any decisions made concerning the studied function's operation. Additional audiences may include elected officials at the Federal, State and Local levels, community groups in the local area, contractors whose current activities may be impacted, the general public and other groups that have expressed interest in the study.

Local Level Announcement

The local senior manager should announce the intent to conduct a cost comparison study once final approval is obtained. The initial local notification must be made to union leadership consistent with local collective bargaining agreements. Higher-level announcements should be made by the mission area/agency in accordance with established procedures or agreements for specific audiences and occasions.

Briefing the Workforce

The affected employees should be briefed as part of the local-level announcement. This meeting should take place before any announcement is made to the general public. All affected employees and interested parties of the activity under study should be strongly encouraged to attend this briefing. Representatives from the senior management, the affected Union, other appropriate offices, and any supporting contract consultant, if used, should attend. Local Senior Management should be prepared to answer questions from affected employees and other interested parties. USDA Office of Human Resource Management has prepared and published both a short and long competitive sourcing "question and answer" pamphlet to address areas of general concern. Mission areas/agencies should supplement this information with other handouts to further advise the affected parties. The Study Team Leader should provide logistical support at the briefing, including providing adequate facilities, confirming the exact date and time; providing transportation for attendees, when required; and providing copies of appropriate Question & Answer pamphlets and other documents.

At this meeting, present the scope of the study to the employees. Since a great deal of study preparation requires input from the in-house staff, employees should be made aware of the kind of information they will be expected to submit throughout the course of the study. Workforce input will include up-to-date workload data (used in preparing the performance work statement) and operational data (used in preparing the management plan). Since much of the information will be procurement sensitive or important for the preparation of the in-house competitive offer, the workforce needs to

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be briefed on the necessity for safeguarding information used in the study. Affected employees should be strongly cautioned about talking with persons who have no official "need to know" or who could seriously compromise the fairness of the process. It should also be explained why their complete and truthful participation is essential to the Most Efficient Organization's success. The extent of participation by affected employees, without affecting their right of first refusal and other study related rights, needs to be addressed by the briefing team to differentiate between being interviewed about performance for documentation purposes and actively participating in the study.

At this meeting, the Study Team Leader must make clear to the work force that the study will result in organizational and activity alignment changes, regardless of the eventual winner (the Government's Most Efficient Organization, contractor or other non-USDA Federal Agency).

Scope Changes

During the course of the study, functions may be added to or deleted from the study based on sound business decisions, changes in scope, etc. If the Full Time Equivalent (FTE) quantity is changed, a revised notification document may be required, depending on the magnitude of the change.

Work Force Involvement

The initial meeting with the affected work force, made immediately after the announcement of the competitive sourcing study, serves as the initial step in preparing this function for change. Affected employees should be advised by the Study Team Leader at that time of the study's scope and what duties they will be expected to perform. Monthly update meetings with the affected employees will ensure the workforce is continually apprised of the study's status. These meetings should be part of the communications plan and supported by the public affairs office in both the planning and execution.

Management should consider establishing a "hot line" telephone number for use by affected employees and interested parties to check the status of the study. The "hot line" provides a mechanism for in-house staff to ascertain study status while maintaining anonymity. Information about this service should be published in the local newsletter or a special newsletter developed to address competitive sourcing issues and concerns. Also, management should consider using suggestion boxes and employee questionnaires to collect input on ways to improve the study and as a forum for gathering ideas, comments, and suggestions.

Planning Personnel Actions

The structure of an organization undergoing a Competitive Sourcing/A-76 study will change, regardless of whether the eventual service provider is the Most Efficient Organization, contractor or other Federal Agency. If it is determined that a function can be operated more economically through the use of a contractor/other Federal Agency, the changes will be obvious. But even if the cost comparison favors the in-house work

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force, significant changes will occur to bring the organization in line with the requirements of the Most Efficient Organization. The greatest potential for savings in the in-house bid almost always relates to reductions in personnel costs. Therefore, it is vitally important that the Human Resource members of the study team remain fully informed and engaged throughout the course of the study. These representatives have the responsibility of coordinating with the workforce on reduction-in-force (RIF) actions and providing suggestions regarding actions that may arise while the function is under study.

RIF-planning actions should begin early in the study process and must be completed prior to implementation of the final decision. RIF-planning actions include position classification to determine the areas the RIF will cover, assessment of possible conversion costs, and development of retraining, placement, and possible retirement estimates. RIF planning entails the development of mock-RIF schedules. This planning must be conducted well in advance of the study's completion to prepare senior management for the impact of the decision on the entire population and for estimating funding levels and planning for retraining, placement, retirement, payout of annual leave, and severance pay. The use of early retirement authority must be addressed in management plan development. HR and the Study Team Leader should notify senior agency management if approval for use of this tool should be sought from the Office of Personnel Management.

All early retirement and RIF documentation must be safeguarded at all times to ensure the rights of affected parties are respected and to preclude premature release of this information.

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CHAPTER 3

Preparing the Performance Work Statement and Quality Assurance Surveillance Plan

This chapter explains the Performance Work Statement (PWS) and the Quality Assurance Surveillance Plan (QASP).

- The Performance Work Statement describes the work requirements, performance measures and standards, and time frames for performance. It is the basis for the solicitation to be issued. The Government's Most Efficient Organization and contractor/other Federal Agency proposals are based on performing the requirements described in the Performance Work Statement.
- The Quality Assurance Surveillance Plan defines the process by which the Government evaluates the execution of the Performance Work Statement, whether the service provider is the Most Efficient Organization, contractor or other Federal Agency. It describes procedures to be used by the Government to ensure that the service provider is meeting the minimum requirements of the Performance Work Statement. The Plan includes the method(s) of inspection the Government will use, reports that are required and Government resources to be employed to accomplish quality assurance performance measures.

Developing The Performance Work Statement and Quality Assurance Surveillance Plan

Performance Work Statement and Quality Assurance Surveillance Plan development begins with gathering data that define present operations.

- Examples of data include information on the current organization, its mission, and problem areas in the function(s) being studied; identification of available historical workload and indicators of future workload requirements; current staffing levels, facilities and equipment; work measures and standards; and the customer base. This information will also be used during the development of the Management Plan.

Potential sources of Performance Work Statement and Quality Assurance Surveillance Plan data include information management systems, cost accounting systems, current and projected workload estimates, internal and external interviews, and past organizational studies. If data is unavailable, it may be necessary to estimate. Data may be extrapolated based on current records and assumptions as long as it can be supported for the record. It is essential that assumptions on which the estimates are

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based be fully documented for the independent review and appeal processes. “Best” operating ideas and practices from industry or other activities may be useful in developing performance measures and standards. Other historical data, such as prior efficiency studies, productivity or performance enhancement projects, business process reengineering projects, and business case analyses may also be useful in developing both the Performance Work Statement and the Quality Assurance Surveillance Plan.

Another important step in the process is the collection of significant work center data including higher level guidance, directives, standing operating procedures, and other available information that govern the work center current operation. Data collection marks the start of interaction between the Performance Work Statement Development Team and functional personnel. It facilitates discussions with functional representatives about commercial activity study methodology and the rationale for collecting specific data. This information exchange will increase the accuracy of data collection and fact-finding as well as improve work force involvement by decreasing resistance to change.

There are several areas in which data must be collected and determinations made on whether to include it in the Performance Work Statement or the Quality Assurance Surveillance Plan. For example, workload data associated with the tasks included in the Performance Work Statement and information on equipment and facilities that will be furnished for contractor use are two categories where accurate data must be identified. While decisions on performance tasks, required equipment and facilities to be included in the final version of the Performance Work Statement will not have been made at this stage, all available data should be collected and cataloged to ensure it is available for the decision making process and subsequent operations once decisions are made.

The most important data to be collected is workload data. The Performance Work Statement must include a workload exhibit that shows how often services are provided during the cost comparison period. It is the basis for bidder/offeror proposals and the Government’s Most Efficient Organization development. The activities outlined in the Quality Assurance Surveillance Plan will be based on inspection of the work to be accomplished in performing the requirements of the Performance Work Statement. Historical information gathered from existing standard data systems and manual or automated data collection systems will be used to estimate the service frequency. Projected changes in workload during the cost comparison period must also be shown in the Performance Work Statement. Workload data should be compiled by work unit, with at least 12 months of data available for review.

Identifying the causes of workload peaks and valleys is essential in developing historical or other workload data. Abnormally high or low levels need explanation to ensure a true picture of performance requirements. These aberrations must be analyzed to determine if they are one-time events or, in fact, happen periodically. Should the latter be the case, they need to be included in the Performance Work Statement as a periodic event. Future changes in workload during the cost comparison

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period must also be included in workload frequency projections. These changes should be identified for inclusion in the Performance Work Statement.

Study personnel should determine if the function under study has an established automated data collection system to collect workload and resource data. Standard data systems should be used to collect this data whenever possible. Workload should be documented in a manner that shows the interrelationship between the Performance Work Statement, Most Efficient Organization, and cost comparison form for the independent review. This will make it easier to develop the “Performance Work Statement - Most Efficient Organization crosswalk” that must be included in the Management Plan. A good “Performance Work Statement - Most Efficient Organization crosswalk” will streamline the independent review process and assist in avoiding problems during the administrative appeal process.

Developing a data collection system is a high priority if there is no automated or other type of data collection system in place to gather workload and resource data. Either a manual or an automated system using off-the-shelf software is acceptable. Data collection may begin before the study is officially announced and should be updated continuously.

- The first 12 months of workload analyzed should be historical data from the previous 12-month period. Current data collection should begin at or just before the beginning of the study and should replace the oldest month of historical data. Continue to replace historical data with current data until 12 months of current workload has been gathered. Remember, workload data should be accumulated by function.
- The historical data probably has not been collected in exactly the same format as the data that is needed for the Performance Work Statement and Quality Assurance Surveillance Plan. Consequently, historical workload data may be extracted from reports and other information that is on file or can be gathered from other Agency documents. Collect and analyze copies of management reports and reports on manpower, funding, and other areas that affect the functions under study. Data in these reports may prove useful during the Performance Work Statement process.
- A full 12 months of workload data may be unavailable. In this event, extrapolation of nine month's of data into 12 months may be necessary. Document and retain for the record the formula and rationale used. Remember to describe any peaks and valleys in the workload that may signify significant aberrations in performance of required tasks. In any event, a minimum of 9 months (and preferably 12 months or more) of historical data is required for generating the Performance Work Statement.
- Under no circumstances should data collection activities, including workload data, be used as a reason for milestone slippage.

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Writing the Performance Work Statement

During the analysis of the function under study, data is gathered to prepare a draft Performance Work Statement with input from functional area personnel. Before the Performance Work Statement can be finalized, the functional personnel must be monitored and interviewed to determine the validity of conclusions derived from the analysis. Functional area personnel may review the draft Performance Work Statement and provide additional information on work to be performed that may have been overlooked.

Prepare a list of activities to be included in the Performance Work Statement. Activities should be grouped together under functional headings and written in a logical sequence. Performance indicators, standards, and levels of performance for each of the main activities should also be grouped together in the same logical way for use in preparing documents needed to inform potential service providers of the minimum standards and performance requirements. This information will serve as the foundation for the development of the Quality Control Plan required by the solicitation.

Functional subject matter experts should review the activities list and indicate tasks to be added to or deleted from the list. Concurrently, work center activities should also be monitored to determine if there are tasks being performed which were not included in the draft document.

Once the necessary documentation has been compiled, the actual Performance Work Statement is ready to be written. The Performance Work Statement is a section of the solicitation and becomes a legally binding document when incorporated into a contract. Therefore, each requirement must be defined and expressed so that the meaning and intent of the written words are clear. To help ensure that disagreements do not occur in the interpretation of assertions in the Performance Work Statement, no imprecise, ambiguous language can be used. This includes the use of vague terms and words with more than one specific meaning. If legal disagreements result from the use of such unclear language, courts generally rule against the party (in this case, USDA agency) that prepared the contract. Use the term "shall" to specify that a particular requirement is binding upon the contractor. The term "will" is used to declare a future action on the part of the government. Careful use of the terminology is critical. The same words and phrases must be used consistently throughout the Performance Work Statement to signify the same concepts and meanings. Several important examples of this include, but are not limited to the following:

- References to important technical terms or items must be consistent throughout the document.
- References to particular sections of the Performance Work Statement must be constant and personnel must always be defined as either "government personnel" or "Government" or "contractor personnel" or "Contractor." By specifically defining all important terms and concepts within the document and

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adhering to that definition, it is less likely that disagreements will occur between the Government and prospective service providers over Performance Work Statement requirements.

- Instructions, publications, manuals, etc. must be referenced by specific paragraph or chapter rather than by the entire publication whenever possible.

In describing what must be done, the Performance Work Statement is prepared in a narrative format indicating all requirements that must be met. Simply put, the Performance Work Statement tells “what” must be done to meet the Government's requirements but not “how” to do it. Unless it is essential to satisfy the Government's minimum needs, or is required by law, the Performance Work Statement should not indicate “how” the work is to be accomplished. Both the Government, in the Most Efficient Organization and Technical Performance Plan, and prospective service providers, in their proposals, make determinations on how these requirements can be met in the most economical fashion. This forms the basis for development of the service providers' proposals and the Government's Management Plan leading to the eventual cost comparison.

Acronyms are used to simplify and shorten technical and functional terms used throughout the performance work statement. However, not all parties reviewing the performance work statement will be as familiar with these terms as the individuals preparing it. This is especially true of prospective contractors who will use the Performance Work Statement as the basis for preparing their offer. Therefore, the first time an acronym is used, show it in parenthesis immediately after the spelled-out word or phrase it represents. This will ensure that no one misunderstands what the acronym means. After the first instance, you can continue to use the acronym without further reference to the spelled out term it describes. Acronyms should also be located in the definitions section of the performance work statement.

Other important considerations when writing the performance work statement include:

- **Style.** Since the performance work statement is part of a contractual document, write in a technical style, assembling all required technical information into an exact, orderly and simple statement of the facts. Sentence structure must be exact and precise with a minimum of punctuation. Excessively long sentences tend to lose the reader and may cause misinterpretation. Therefore, break up excessively long sentences into several simple declarative sentences.
- **Language.** Use the simplest words and phrases possible. Several rewrites of the performance work statement are typically required to allow for progressive simplification of the terminology. This will ensure that all parties reviewing the document understand exactly what is being said.
- **Consistent use of words and phrases.** For purposes of clarity and simplicity, a single meaning for all words and phrases used throughout the performance work statement must be determined; adhere to these interpretations. This is especially true when referring to technical terms and items. In those

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instances of words having more than one spelling, adopt the standard spelling and use it consistently throughout the document.

- Unacceptable terminology. For example, the terms "any," "either," "and/or," or "etc." should not be used when writing the performance work statement. These words are not specific enough for performance work statement requirements and imply to the bidder or offeror that a choice exists on which requirements must be met. The word "all" should also be avoided. Additionally, do not use pronouns. They are not sufficiently precise and lead to misunderstandings on performance work statement requirements.
- Use of numerals. Whenever numbering is required in the body of the Performance Work Statement or in exhibits, use the numeral format. Numbers should not be spelled out.

The performance work statement contains the requirements that must be met to successfully perform the function under study. The following is a general discussion of the specific information that must be provided in each section of the performance work statement to accomplish this task.

- Section C-1, "General Information." In this section, provide an overview to include scope of work, contractor quality control responsibilities (including submittal of a quality control plan), personnel matters, and any other pertinent information that cannot be properly placed in other sections of the document.
- Section C-2, "Definitions and Acronyms." In this section, define all special terms and phrases, including acronyms, used. These definitions must be stated in language that can be clearly understood by all parties.
- Section C-3, "Government-Furnished Property and Services." As part of the study, a cost benefit analysis is done to decide if it is more beneficial to provide prospective service providers with government-furnished items or services. If the analysis indicates that the function's work requirements can be performed more economically by providing these items or services to the service provider, list them in this section. If the list of government-furnished property or services is extensive, make it a technical exhibit and reference it in Section C-3. The Government normally provides the service provider with the stock of expendable supplies on-hand for the function(s) at the time of contract start. However, it might be more advantageous to exhaust the on-hand stock and require that the service provider supply all expendables, especially if the products used are subject to change. Also, specify in this section that the service provider, at the end of the contract, must return the same amount of expendables furnished by the government at contract start-up, if desired.
- Section C-4, "Contractor-Furnished Property and Services." In this section the service provider is informed that all property, services and equipment needed to perform the requirements of the contract, except for those items specifically enumerated in Section C-3, are the responsibility of the service

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provider. The burden of determining exactly what items and services are required under this section is the responsibility of the service provider.

- Section C-5, "Specific Tasks". This section is the heart of the performance work statement and lists all tasks to be performed by the service provider. To prepare this section, refer to the data collected and activity analysis information to determine those tasks selected for inclusion in the performance work statement. After the selected activities have been identified, transfer them to this section of the performance work statement. At the same time, group the performance indicators, performance standards, and desired levels of performance together in a logical manner so this information may also be included in the performance work statement.
- Section C-6, "Applicable Documents." The analysis of the function under review should have produced a list of applicable technical orders, specifications, regulations, and manuals that are pertinent to the study as references. List the most current version of each of these documents in this section, indicate that they are available for review and specify the location for the documents.
- Technical Exhibits (TEs) are used to include required items too large to incorporate in the main body of the performance work statement. They include documents such as maps or large technical manuals required by or expected to be helpful to prospective service providers. If the items are too large and voluminous to be included as a TE, they should be listed in Section C-6 of the Performance Work Statement as references and made available for review. Two TE documents are required in the Performance Work Statement:
 - The first is the Workload Data TE that reflects at least 12 months of data. It provides prospective service providers with sufficient factual information to propose an organization capable of providing the services identified in the Performance Work Statement.
 - The second is the Equipment TE that contains government-furnished physical assets needed to accomplish the tasks enumerated in Section C-5. If the list of government-furnished equipment is not lengthy, it may be placed in Section C-3 or specifically noted in pertinent parts of Section C-5.

The numbering of paragraphs in Section C-5 should follow the work breakdown of tasks developed during the functional analysis. The major paragraph headings in this section should be numbered 5.1, 5.2, 5.3, and so forth, to denote major distinct work requirements necessary to accomplish the function(s) being studied. Subsections of these major paragraph headings should be broken down further to denote tasks required to accomplish each of the major work requirements. Each major work requirement should be broken down to the lowest echelon of tasks necessary to accurately portray the Government's need without dictating how they are to be accomplished.

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Solicitation of Comments

The draft Performance Work Statement should be posted on the mission area/agency web site for comment by industry and the Most Efficient Organization Development Team. This opportunity for comment will provide feedback on content and possibly identify any items omitted in the document. It may also serve as a barometer of interest for the actual solicitation.

Writing the Quality Assurance Surveillance Plan

The Quality Assurance Surveillance Plan describes the procedures to be used by the Government to ensure that the service provider - whether Government's Most Efficient Organization or contractor/other Federal Agency - is meeting the minimum requirements of the performance work statement. The Performance Work Statement Development Team, concurrently with the writing of the performance work statement, writes the Quality Assurance Surveillance Plan. Service providers are responsible for building quality control into their processes. All prospective service providers will develop a Quality Control Plan in response to the solicitation. The Quality Assurance Surveillance Plan provides the method(s) of inspection the Government will use, reports required, and Government resources to be employed. When determining the appropriate level of quality assurance desired, the level of acceptable risk must be considered given the relationship of the commercial activity to the agency's mission.

Developing effective performance measures and standards will lead to an effective Quality Assurance Surveillance Plan. "Best" operating ideas and practices from industry or other activities may be useful in developing performance measures and standards. Other historical data, such as prior efficiency studies, productivity or performance enhancement projects, business process reengineering projects, and business case analyses, may also be useful in developing the Quality Assurance Surveillance Plan.

The Government uses the Quality Assurance Surveillance Plan for systematic inspection of contracted services. Various techniques such as random sampling, planned sampling, and 100% inspection help evaluate performance. There is no required structure or format for the Quality Assurance Surveillance Plan. It is a dynamic document that should be tailored to the requirements and performance measures stated in the Performance Work Statement.

Performance Work Statement and Quality Assurance Surveillance Plan Review and Approval Procedure

During the initial development of the Performance Work Statement, including job analysis and initial drafting of the document, the Performance Work Statement should receive careful, continuous review from managers, designated support staff of the functional work center being reviewed, and appropriate contracting office staff.

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Once the draft Performance Work Statement and Quality Assurance Surveillance Plan are written, they must be reviewed by functional and staff proponent offices prior to delivery to the contracting officer for inclusion in the solicitation. The following should be considered for review of the documents.

- **Functional Management.** The functional manager is should be given the first opportunity to review the Performance Work Statement and Quality Assurance Surveillance Plan for concurrence and/or to recommend changes. The Functional Manager may be able to provide local management decisions and documented changes of directives and regulations which were not complete at the time of analysis. Management may accept change slowly, or have difficulty accepting that some of the tasks in their work center are duplicative or unnecessary. Be prepared to support proposed changes with specific, clear workload data. The Functional Manager should be given a definite suspense date for completing reviews and providing written comments.
- **Contract Support Office.** The Contracting Officer will review the Performance Work Statement and make recommendations that will improve the solicitation. The Contracting Officer is responsible for preparing the solicitation that incorporates the Performance Work Statement. Consequently, the Contracting Officer must be informed of each step in the Performance Work Statement process from the initial draft onward. The Contracting Officer should assign a Contract Specialist as a team member to facilitate development. The Contract Specialist should review each change in the draft Performance Work Statement as it occurs until the final document is incorporated into the solicitation. The Contracting Officer should also review the Quality Assurance Surveillance Plan to ensure that it encourages quality control and is in accordance with the requirements of the Performance Work Statement.
- **Legal Office.** The legal office will review legal questions and issues relating to the Performance Work Statement and Quality Assurance Surveillance Plan. They should be given an opportunity to review and respond in writing to the initial draft of these documents. A final legal review must be performed before the Contracting Officer releases the solicitation to bidder/offerors.
- **Security Review.** Security personnel should also review the Performance Work Statement and Quality Assurance Surveillance Plan to ensure that mission area/agency security issues are properly referenced, such as access to secured areas, requirements for security clearances, and safeguarding classified information or proprietary information from unauthorized disclosure. These documents should be submitted to security for review and approval prior to forwarding them to the Contracting Officer.
- **Safety Review.** Safety personnel should review the Performance Work Statement and Quality Assurance Surveillance Plan to establish that there are no potential hazards written into them that would make the government liable for potential or current safety concerns. They are also responsible for

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reviewing the facilities listed in Section C-3, or the TE containing government-furnished facilities, to see if there are any existing safety considerations that must be identified in the Performance Work Statement.

- **Senior Level Review.** A review team composed of senior functional experts, management, and union representatives should have an opportunity to review the completed first draft of the Performance Work Statement and Quality Assurance Surveillance Plan. The review team should determine that each specialty has been adequately addressed in the Performance Work Statement and Quality Assurance Surveillance Plan and that the Performance Work Statement, in its entirety, sufficiently addresses all major concerns from Section C-1 through C-5. (See pages xx & xx for section contents)
- **Functional Sanity Check.** It would be prudent to ask at least one disinterested party in the mission area/agency to review the documents when completed. The disinterested party should review the Performance Work Statement and Quality Assurance Surveillance Plan to verify that thoughts flow in a logical progression and move smoothly from one major topic to the next. The reviewer should also check all references to ensure that the references are stated correctly and are still valid. This is of particular importance when reviewing paragraph references to workload. The reviewer should indicate any terms used in the document that they do not understand. If the reviewer did not understand the terminology used, it is conceivable that potential service providers would also find them ambiguous. The directions and tasks described in these documents should be easily understood.
- **Higher Mission Area/Agency Review.** Follow mission area/agency policy. If a higher-level review is required, allocate sufficient time within the milestone schedule to accommodate this review.

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Chapter 4

Direct Conversions

The authority for all study processes is OMB Circular A-76 and the Revised Supplemental Handbook; consult this reference for guidance on how to conduct studies and cost comparisons. This chapter provides a description of direct conversions nothing in this chapter is intended to supercede OMB's Circular or the guidance it contains.

The Revised Supplemental Handbook discusses three processes for public/private competitions: direct conversions, streamlined studies (Chapter 5) and full cost comparison studies (discussed in Chapter 6). Each of these processes sets out the principles for development of cost-based performance standards (or other measures) that are comparable to those used by commercial sources.

DIRECT CONVERSIONS (10 or Fewer FTE)

Commercial activities involving 10 or fewer full-time equivalents (FTEs) may be directly converted to contract/ISSA without a cost comparison if it is determined that acceptable levels of performance can be obtained at fair and reasonable prices. In all cases involving 10 or fewer FTEs, the Functional Manager has the option of performing a cost comparison using the Express Review, Standard Streamlined, or Full Cost Comparison process.

The typical "direct conversion" function(s) are services or items that can be routinely obtained from contractors or ISSA sources. A current contract or ISSA agreement can be used to determine if the government function qualifies for direct conversion and forms the basis for the Performance Work Statement (PWS) and the Quality Assurance Surveillance Plan (QASP)--with some minor modifications. The direct conversion effort consists of:

- gathering specific workload data to support the PWS;
- identifying performance requirements to support the QASP; and
- preparing a Transition Plan (TP) to address how to transfer the function to contractor/ISSA performance.

A study leader is assigned to conduct and oversee the "direct conversion." A functional manager can also act as the study leader with support from the servicing Contracting Office. The study leader is responsible for:

- documenting requirements;
- preparing the appropriate documents, including the Performance Work Statement and Quality Assurance Surveillance Plan; and

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- submitting the necessary documents to the servicing contracting office.

The contracting office develops the solicitation package for the desired services in accordance with normal contracting procedures. The timeline to complete “direct conversions ” is approximately four months.

The Handbook provides for returning a function from contractor or ISSA to in-house performance (for 10 or fewer positions) if the contracting officer determines that:

- Performance by the contractor/ISSA source is unsatisfactory; or
- Fair and reasonable prices cannot be obtained from other than the in-house activity.

DIRECT CONVERSIONS (11 or More FTE)

Direct conversions may be used for activities with more than 10 FTEs if :

- acceptable levels of performance can be obtained from a contractor or ISSA source at a fair and reasonable price and
- affected permanent employees are placed in other Federal positions.

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US DEPARTMENT OF AGRICULTURE COMPETITIVE SOURCING GUIDEBOOK

Chapter 5

STREAMLINED STUDY PROCESSES

The authority for all study processes is OMB Circular A-76 and the Revised Supplemental Handbook; consult this reference for guidance on how to conduct studies and cost comparisons. This chapter provides a description of express and streamlined study processes; while the discussion of the express study is detailed, it is important to understand that nothing in this chapter is intended to supercede OMB's Circular or the guidance it contains.

For completeness, we have expanded this chapter to include a detailed, how-to discussion of the express study process. OMB views the express study as a derivative of the streamlined process and does not specifically address it in the Circular. However, OMB reviewed and specifically approved the express study process in this chapter for USDA.

The Revised Supplemental Handbook discusses three processes for public/private competitions: direct conversions (Chapter 4), streamlined studies and full cost comparison studies (discussed in Chapter 6). Each of these processes sets out the principles for development of cost-based performance standards (or other measures) that are comparable to those used by commercial sources.

The guidance provided by this chapter relies on the managerial cost accounting and performance standards established in support of the CFO Act, GPRA and Federal Accounting Standards. Cost and performance information developed by competitions subject to the OMB Circular A-76 and the Revised Supplemental Handbook should be drawn from the database established by these standards and adjusted as appropriate. This guidance is to be used by USDA mission area/agencies to ensure that cost comparisons are fair and reasonable.

A cost comparison between in-house, contract or ISSA performance seems straightforward, but, in fact, is complicated by the different methods that Government agencies and commercial sources may use when accounting for cost. For example, costs incurred by commercial sources are ultimately charged to a "customer," whereas agency costs may be met by different appropriations or revolving funds. Insurance is a real cost of doing business in the commercial sector, while the Federal Government is a "self-insured entity." Assets are purchased from owner's equity in the commercial sector and from specific appropriations in the public sector. Government employees may be entitled to saved pay as a way of mitigating the adverse impacts of a management decision; these costs may not accrue to the activity, whereas in the commercial sector these costs are passed to the customer. These and other

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differences require cost comparison processes that equalize, as much as possible, the various costs--costs that may or may not be fully reflected by agency appropriations.

The procedures in this chapter recognize the absence of a uniform accounting system throughout the Federal Government and are intended to establish a practical level of consistency to assure that all substantive factors are considered. Please refer to the detailed cost comparison procedures provided in OMB Circular A-76 Revised Supplemental Handbook, which are mandatory.

Express Review For 10 or Fewer Positions

This section outlines a five-step process to perform 10 positions (and under) studies (refer to Figure 1, Appendix C for the flow diagram). The process requires approximately 2 months of effort to complete and provides a means to compare commercial and in-house costs at a reasonable level of accuracy, which meets the cost comparison process of the Handbook.

Before the process can begin, a lead person should be assigned to conduct and oversee the study. The Study Lead shall be assigned all responsibilities associated with the completion of all study activities, including ensuring adequate documentation of requirements, cost analysis, timelines, etc. The Study Lead should possess analytical skills and be organizationally positioned so that he/she can conduct the study without strong bias or influence. The lead person or team conducting the study should not be in the immediate chain of command for the activity being studied.

A contractor may be used to complete the study of an activity with 10 or fewer positions as long as the contractor is not a prospective bidder or subcontractor of the work. The contractor may accomplish such duties as the preparation of the requirements, documentation, costs, etc. The contractor may make recommendations, but policy issues, as well as the decision to contract out or not, must remain with the Government.

The first step in the process is to gather product and/or service workload requirements for use in identifying existing or recently expired contracts/ISSAs with similar requirements. Minor modifications are then made to the Performance Work Statement of the one that most closely reflects the work to be accomplished. The intent is to avoid development of a new or original Performance Work Statement if one already exists. If there are no existing or recently expired contracts or ISSAs, the Study Lead will use the data gathered to assist in the development of a Performance Work Statement (PWS) and Quality Assurance Surveillance Plan (QASP). The purpose of this step is to define the product or service, the amount required and inspection methodology to ensure receipt.

The second step describes a process for estimating both the Government's cost and that of private industry to produce the product or service. This abbreviated cost method relies on assumptions contained in Chapter 5 of the Handbook when describing 65 FTEs (and fewer) studies. Specifically, these assumptions are:

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- Competition will focus largely on a labor and material basis,
- Significant capital asset purchases will not be required or equipment requirements will be Government Furnished/Contractor Operated, and
- The Government and/or private industry commonly contract the function and reasonable price comparisons are possible.

The third step involves conducting a market analysis (the cost of existing contracts may be used) to determine the commercial price and availability to provide the product or service. The step provides a suggested process for obtaining information on existing contracts including General Services Administration (GSA)/ Federal Supply Schedule (FSS) or, if not available, conducting interviews with local area suppliers.

The fourth step describes the cost comparison process. The Study Lead or designee performs the cost comparison using existing market costs to determine whether the function should stay in-house, be contracted or performed by ISSA. A SES program manager reviews and approves the cost comparison. The individual responsible for the cost comparison will fully document every step of the cost comparison process to ensure accurate data is available for review.

- If in-house costs are above or below the estimates, then the decision is straightforward (see step 4 for a full discussion).
- If the cost of in-house performance falls between the high and low estimates (i.e., within the comparable range), care is required. Before performing the actual cost comparison, the Study Lead should establish a decision tree of non-cost factors to be used if this situation should occur.

ACTION STEPS:

STEP 1: Determine the Requirements.

The first step of the process is to firmly establish what the product or service is and how much of it is required. This step is critical as properly defining the product or service and quantities needed is essential in order to obtain estimates of contract price/quantities to compare the private sector/ISSA source cost to the in-house cost.

The product or service definition and performance requirements shall be established by meeting with the program managers, employees, and customers of the service. During this meeting or meetings, the group should:

- Establish and list the products and services,
- Define the unit of performance (or standard) measurement (i.e. per square foot, per hour, etc.) that is used to determine volume of the product or service (contacting local commercial suppliers to determine how they price or measure is a supportable business practice),

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- Determine what records (automated reports, workload, logs, etc.) will provide detail on the volume required per year, and
- Establish timelines and identify roles and responsibilities.

Based on these meetings, the Study Lead should identify existing or recently expired contracts or ISSAs with similar requirements. Minor modifications are then made to the Performance Work Statement of the one that most closely reflects the work to be accomplished. If there are no current or recently expired contracts or ISSAs with similar requirements, the Study Lead must develop a Performance Work Statement (PWS) and a Quality Assurance Surveillance Plan (QASP), to track the work performance process. The Study Lead shall obtain final review and approval authority from the applicable activity program manager of all identified work products and/or service requirements contained in the PWS and QASP.

The Study Lead must ensure all actions are completed and appropriate documentation is provided. All data should be summarized by product or service and filed into a folder that references backup materials and provides an audit trail. Any performance objectives for improvements in the organization being studied may be documented for future improvements; however, no changes may be made to the current organization once the study process begins. The current organization is the basis for the cost of the "as is" organization.

STEP 2: Cost Analysis.

The costs associated with the performance of the in-house function need to be calculated. Conducting a streamlined cost analysis will assist in determining if the in-house function is competitive with or comparable to outside contractors or other ISSAs. The cost data to be collected include: personnel labor (including fringe benefits and other entitlements), direct materials, overhead (including general and administrative), and existing support contracts over \$500.

The steps outlined below provide a guide for developing the simplified cost analysis. Figure 2 provides a simplified cost comparison form for recording the estimated costs.

In-House Personnel (Labor) Costs.

Personnel costs are the labor costs to accomplish the requirements specified in the PWS and include direct in-house labor and supervision, fringe benefits, and other entitlements that are necessary to perform the service or provide the product. According to the Handbook all federal positions will be costed using current pay rates based on the Government-wide representative rate of step 5 for General Schedule (GS) and step 4 for Federal Wage System (FWS) employees. Multiply that pay rate by the number of positions, except for intermittent positions where actual hours are used. As a rule, GS salary is expressed as an annual rate of pay and the FWS salary is expressed as an hourly rate. See *Part II, Chapter 2*, of the Handbook for detailed guidance for developing the cost of Government performance.

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The personnel costs in the cost analysis will include salaries and wages, fringe benefits, and other entitlements. Also, OMB established inflation factors for computing the government's in-house personnel costs will be applied. Other entitlements such as shift differential for Federal Wage System employees, and other pay such as overtime, shift differential for GS employees, or Sunday premium pay should be included where applicable. When applying the inflation factors, ensure current inflation factors are used. For additional costing information on personnel costs, refer to the Handbook, *Part II, Chapter 2, Section B*. The duration of the contract is a management decision but normal time span is three to five years.

The costs used in this cost comparison process for competitive sourcing cannot be used as the basis for actual budget allocations. Whether a decision is made to maintain the in-house workforce or to go direct to contract, the program manager must track the cost to perform the function for future studies.

In-House Material and Supply Costs.

Material costs will be determined by obtaining historical records from the past year. Obtain any automated reports that indicate the cost of materials for the function. Obtain and record the sources of the material information for any future questions regarding material costs. This does not include the cost of equipment that will be provided for contractor use or in-house use regardless of the outcome of the study process.

In-House Overhead.

Upon completing the calculations for personnel and materials costs, overhead costs will be applied to total labor costs. The overhead costs included two major categories: operations overhead and general and administrative overhead. Operations overhead is defined as those costs that are not 100 percent attributable to the activity under study, but are generally associated with the recurring management or support of the activity. General and administrative overhead includes salaries, equipment, space and other activities related to management, accounting, personnel, legal support, data processing management and similar common services performed outside the function, but in direct support of the function.

Apply the overhead rate of 12% of the labor costs as referenced in *Part II, Chapter 2, Section E*, of the Handbook.

After the Government's in-house cost estimate has been completed. It will be reviewed, certified, approved and sealed by the SES Program Manager until cost comparison date.

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STEP 3: Conduct a Local Market Review.

Conducting a market review of current or recently expired (within the previous six months) contracts/ISSAs in the local area will provide insight into the type of services available commercially. The review must be based on comparable wage rates within the locality being studied; however, if necessary, data from other comparable areas may be used with adjustments made based on established wage determinations. Any adjustments shall be thoroughly documented. For competitive sourcing studies involving functions with 10 and fewer positions, obtain a minimum of four private sector or ISSA suppliers after adjustments for A-76 costing. The review will provide essential costing information. This will aid in doing the cost comparison/analysis. The two types of market reviews, in priority order, that can be performed are as follows:

- Collecting existing or recently expired (within six months) contracts or ISSAs, including GSA/FSS schedule and non-local contracts, or
- Interview local area suppliers

The best approach is to determine if there are any existing or expired contracts or ISSAs that provide the same or comparable types of products or services. Besides looking at USDA contracts, consider other governmental agencies, such as other Federal Agencies, quasi-federal agencies such as the Smithsonian, State, County, City, Municipalities, etc. The Contracting Officer is a major player in this action and has the expertise to provide guidance and assistance in gathering this information. When reviewing contracts and ISSAs, determine if the pricing is consistent with or can be converted to workload units defined in the first step.

All personnel involved in the collection and analysis of data for this process must exercise confidentiality throughout the process. Information is to be considered procurement sensitive (see FAR 3.104) and shall only be released on a "need to know" basis only. If existing or expired contracts or ISSAs are not available, document all sources investigated and meet with the Contracting Officer and/or functional personnel to identify potential commercial or other ISSA suppliers. Use a mileage radius that is within a reasonable business commuting distance so pricing information is representative of the area.

As an alternative, if existing or recently expired contracts or ISSA's are available from another comparable (non-local) area and reasonable wage adjustments can be made based on established wage determinations, these contracts/agreements are acceptable for the cost comparison. Also, if no existing or recently expired contracts or ISSA's are available, GSA/FSS Schedule rates may be used as a basis for developing a cost comparison.

At this juncture, after all in-house costs are sealed, the Contracting Officer may issue a "Sources Sought" synopsis (FAR 5.205 and 5.207(b)(4) cover A-76 specifically) in the FedBizOpps if sources of potential suppliers are not readily apparent.

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Some sources of information on commercial suppliers would be the newspapers, phone books, yellow pages, libraries, the Internet, and other similar sources. Planners and estimators within the organization are also a good source for information on rates and units for measure. Also, the Department of Labor has an on-line wage system that can be used to research labor rates per region. Regardless of the sources used, validate and document the process and basis for your choice of commercial suppliers who will be used as comparable suppliers of the services under study.

Once the potential sources have been chosen, conduct an interview with the private sector or ISSA source to gather facts. The interview can be conducted via telephone or in person. Prior to the interview, formulation of the questions to be asked is important to be assured the necessary information is collected. Questions should be coordinated with the mission area/agency servicing contracting authority to ensure that questions are complete and sufficient for the requirement. Then, determine who within the organization will be interviewed. Interviews with managers or supervisors are usually the best approach. If conducting interviews, arrangements for the time and place of the interview should be made. This will also provide an opportunity for the person being interviewed to gain an understanding of the subject matter to be discussed. The following are examples of questions to ask commercial or ISSAs sources during the interview process:

- How is the product or service typically priced (i.e., square feet, per page, per pound, per hour, etc.)?
- Do you have a standard rate? If so, what is it and is it negotiable?
- How long have you been in business? (This question will assist in determining if they are reputable. A supplier that has been in business five years or more can be considered "established" in the community.)
- Can you provide reference information (past performance), e.g., experience in the type/volume of work requirements, names/phone numbers and amount of dollars associated with the contract, etc?

There may be additional questions that are specific to the study. Add these questions to the ones above. Maintain records of all interviews.

Decision Factor: After conducting Steps 1, 2 and 3, if the product or service is NOT available either from existing contracts or ISSAs or from inquiries initiated through the FedBizOpps, document the efforts and proceed to "Step 5: Announce Decision". If the product or service IS available, continue with "Step 4: Cost Performance".

The next step is to estimate the contract/ISSA costs.

Contract/ISSA Costing

After completing the Market Review process, establish a comparable range of costs to use for the cost comparison. If there are current comparable contracts

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(including GSA/FSS schedule) or ISSAs in place, use these contracts for the estimated costs. If there are no current comparable contracts available, use recently expired contracts/ISSAs or comparable non-local contracts for the estimated costs. If neither option is available, use the rates, unit of measure and other information gathered from interviewing local suppliers to provide the necessary information to estimate the range of contract costs for the products and/or services. The Contracting Officer has the expertise to provide guidance and assistance in preparing this information and establishing the appropriate range of costs.

Contract Administration Costs

The costs associated with administering the contract, if the function goes to contract/ISSA, should also be calculated. The Handbook, *Part II, Chapter 3, Section C* authorizes one half (.5 FTE) contract administrative position for a 10 and Fewer Study. The personnel office can provide classification guidance for the authorized position based on duties and responsibilities appropriate to the function.

Upon conclusion of the above steps, in-house and contractor estimated costs have been captured.

The next section will discuss the decision-making process.

STEP 4: Perform Cost Comparison.

At this point all of the in-house estimated costs have been calculated. The contract/ISSA estimated costs should be arrayed into a comparable range, which is a listing of contracts/ISSAs/interview data displaying the highest and lowest acceptable prices. Adjustments for differences in scope may be necessary. The minimum conversion differential, the one-time cost incurred when the Government converts to or from in-house, contract or ISSA performance, of 10% of personnel costs will be calculated and subtracted from the in-house cost estimate.

Three outcomes are possible:

- The comparison shows the estimated Government cost to be below the comparable range,
- The comparison shows the estimated Government cost is above the comparable range, and
- The comparison shows the estimated Government cost falls within the comparable range.

Formulation of decision factors will assist in establishing the criteria for determining the future provider of the function under study. The Contracting Officer is a major player in this action and has the expertise to provide guidance and assistance in gathering this information.

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Decision Factor: If the in-house costs fall below the comparable range of private sector or ISSA source costs, the function should remain in-house.

Decision Factor: If the in-house costs fall above the comparable range of private sector or ISSA source costs, the function should be converted to contract/ISSA.

If the in-house costs fall within the comparable range, the decision to remain in-house or convert to contract/ISSA is made based upon the responses to the following questions by the Head of the Contracting Activity or designated Source Selection Authority appointed by the Mission Area/Agency Head.

1. Has the in-house function historically provided quality service or a quality product to its customers?

Decision Factor: If the in-house function consistently provided a quality product or service to customers, then consideration should be made to keep the function in-house.

2. Has the in-house function historically had problems maintaining personnel?

Decision Factor: If the in-house function has frequent turnover of employees, or the quality of the product/service provided has been poor, consider contracting the function.

3. Has the in-house function historically had problems providing the service or product?

Decision Factor: If the service or product is not being provided efficiently to the customer, consider contracting the function.

STEP 5: Announce Decision.

The SES Program Manager or Head of Contracting Activity announces to the public the decision to remain in-house or to award a contract/ISSA. The cognizant contracting office will publish an announcement in FedBizOps. If the decision is to convert to contract, the solicitation process as it pertains to a commercial activity study is started. If the decision is to use an ISSA, the Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) implementing the ISSA will be completed as appropriate. If the decision is to retain performance in house, the existing organization will continue to perform the work under the performance provisions used in this process.

ADMINISTRATIVE APPEALS

With the announcement of the decision through publication in FedBizOps, the Administrative Appeals Process outlined in the Handbook, Chapter 3, Paragraph K, will be initiated. During the review period provided in the Handbook, contractors or affected

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employees may review the cost comparison documents developed during this process. Appeals should address specific questions regarding a mission area/agency's compliance with the requirements and procedures of the Handbook. Agencies must maintain complete documentation to address questions on costs entered by the Government on the applicable Cost Comparison Form or the rationale for those items. The Contracting Officer must receive administrative appeals of Express Review cost comparison decisions within 20 calendar days after announcement of the decision.

Once the Administrative Appeals Authority confirms the decision, if the decision is to convert to contract, the Contracting Officer will begin the solicitation process as it pertains to a commercial activity study. If the decision is to use an ISSA source, a Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) implementing the ISSA will be completed as appropriate. If the decision is to retain performance in-house, the existing organization will continue to perform the work

SUMMARY OF EXPRESS REVIEW.

Upon the completion of the 10 and Fewer Study process, management will be able to make an informed decision about the function remaining in-house or going outside via contract or ISSA. If a Request for Proposals (RFP) is issued and the offers received show costs more than 10% of the in-house adjusted total cost, the government reserves the right to cancel solicitation and continue in-house performance.

POSSIBLE FOLLOW-ON ACTIONS.

In the case of conversion to contract or ISSA, after the decision announcement, managers must consult with their Human Resources Management (HRM) Office to obtain assistance on placement alternatives available to all employees.

Reduction-in- Force (RIF) will only be used after all other alternatives have been exhausted. Alternatives such as early outs, buyouts, reassignments, modified qualifications with training, hiring freezes, attrition, selective appointments (temps, terms) to retain future flexibility, and aggressive transition plus in-and out-placement programs may help managers deal with employee placement.

For guidance and direction regarding any of the above listed follow-on actions, mission areas/agencies should contact their servicing HRM Office.

NOTE: The FAR requires that the Right of First Refusal of Employment clause be included in the solicitation. This clause applies to a 10 and Fewer Study, where federal employees are currently performing functions and/or existing federal support contract employees who are adversely affected by a study being converted to contract or ISSA performance.

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Streamlined Study for 65 or Fewer Positions

Streamlined procedures may be used for studies of 65 or fewer positions. The streamlined process is an expanded version of the methodology and process used for Express Reviews. There is no development of an in-house Most Efficient Organization, nor is there usually an opportunity for the private sector to bid competitively. The process relies on current in-house costs since the current organizational staffing is considered to be the most efficient and existing contract/ISSA costs are compared to the existing in-house costs. A streamlined study takes approximately six months to complete.

Streamlined cost comparisons of 65 or fewer positions are limited to activities that meet the following criteria:

- Are competed largely on a labor and material cost basis
- Do not require significant capital asset purchases or all equipment will be government-furnished/contractor-operated; and
- Are commonly contracted by the government and/or private sector.

The streamlined cost comparison process is subject to the same requirements as the Full Study method with the following exceptions:

- The current organization is certified as the Most Efficient Organization.
- A market analysis is used to justify the conversion from in-house to Service Provider performance.
- A limited in-house estimate is developed.

Before the cost comparison begins, a study leader is assigned to conduct and oversee the study. The Study Lead is assigned all responsibilities associated with the completion of all study activities: ensuring adequate documentation of requirements, performing cost analysis, developing timelines, etc. The Study Lead should possess analytical skills and be organizationally positioned so that he/she can conduct the study without strong bias or influence. The person or team conducting the study should not be in the immediate chain of command for the activity being studied. Additional team members i.e., representatives from the functional organization, human resources, contracting office, legal, etc. are assigned to assist the Study Leader, as needed.

A contractor may be used to complete the study of an activity with 65 or fewer positions as long as the contractor is not a prospective bidder or subcontractor of the work. The task order used to contract for support services may include the requirement to prepare the functional requirements and cost documentation. The contractor may make recommendations, but policy issues, as well as the decision to contract out or not, must remain with the Government.

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The following is a step-by-step discussion of Streamlined Study procedures.

STEP 1: Determine the Requirements and Develop the Performance Work Statement, Quality Assurance Surveillance Plan, and Transition Plan

The first step is to assign a Performance Work Statement Team Leader and identify team members to develop a Performance Work Statement with associated workload data and a Quality Assurance Surveillance Plan (QASP). The primary duty of this team is to identify performance work statements using current or recently expired government contracts similar in scope to the functions under study. Minor modifications are made to the contract that most closely reflects the current workload. The intent is to avoid the developing a new or original Performance Work Statement. Workload data for the effort under study is gathered and included in the Performance Work Statement. The team prepares a Quality Assurance Surveillance Plan and a Transition Plan based on the requirements stated in the Performance Work Statement.

STEP 2: Execute the Cost Analysis.

In-house costs are based on the current organization. Labor, material and supply, and overhead costs are calculated just as in STEP 2 of the Express Review method. The streamlined study procedures require an Independent Review Officer (IRO) to certify the completed in-house cost estimate.

STEP 3: Conduct a Market Analysis.

Once the independent review is complete, the in-house cost estimate is sealed and submitted to the contracting officer. Upon receipt of the in-house cost estimate, the contracting officer will develop a range of contract costs estimates based upon not less than four comparable service contracts or ISSA offers. Adjustments for differences in scope may be necessary. The contracting officer is not required to issue a solicitation for bids from the private sector. If the contracting officer finds that four comparable contracts or ISSA offers are not available, the contracting officer may issue a solicitation for bids and the agency may conduct a cost comparison as provided by the Revised Supplemental Handbook.

STEP 4: Perform Cost Comparison

At this point all of the in-house estimated costs have been calculated. The contract/ISSA estimated costs should be arrayed into a comparable range, which is a listing of contracts/ISSAs/interview data displaying the highest and lowest acceptable prices. Adjustments for differences in scope may be necessary.

The range of estimated are then adjusted for the cost of contract administration and Federal tax impacts. The contract administration adjustment is the same as done in the Express Review procedure. Potential Federal income tax revenue must be

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considered since contract performance would provide the Service Provider with income subject to tax. As such, an estimated amount of such taxes must be deducted from the estimated in-house cost, unless the prospective Service Provider is a tax-exempt organization. The Internal Revenue Service provides the appropriate tax computation to be used.

In calculating the final adjusted total Service Provider costs, the minimum conversion differential of 10% discussed in STEP 4 of the Express Study procedure is added to the total cost of each Service Provider. The minimum conversion differential, the one-time cost incurred when the Government converts to or from in-house, contract or ISSA performance, of 10% of personnel costs will be calculated and subtracted from the in-house cost estimate.

Formulation of decision factors will assist in establishing the criteria for determining the future provider of the function under study.

Decision Factor: If the in-house costs fall below the comparable range of private sector or ISSA source costs the function should remain in-house.

Decision Factor: If the in-house costs fall above the comparable range of private sector or ISSA source costs the function should be converted to contract/ISSA.

If the in-house costs fall within the comparable range, the answers to the following questions should be the basis for determining whether to keep the function in-house or issue a contract or ISSA.

Has the in-house function historically provided quality service or a quality product to its customers?

Decision Factor: If the in-house function consistently provided a quality product or service to the customers, then consideration should be made to keep the function in-house.

Has the in-house function historically had problems maintaining personnel?

Decision Factor: If the in-house function has frequent turnover of employees, or the quality of the product/service provided has been poor, consider contracting the function.

Has the in-house function historically had problems providing the service or product?

Decision Factor: If the service or product is not being provided efficiently to the customer, consider contracting the function.

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Step 5: Announce Decision.

The Head of Contracting Activity announces the decision to remain in-house or to award a contract/ISSA.

Administrative Appeals

Upon notification of adversely affected employees and announcement of the decision through publication in FedBizOps, the A-76 Administrative Appeals Process outlined in the Handbook, Chapter 3, Paragraph K, will be initiated. The Contracting Officer must receive administrative appeals of streamlined cost comparison decisions within 30 calendar days after announcement of the decision.

Once the Administrative Appeals Process is completed and all issues have been addressed, the final decision is announced.

Final Streamlined Procedures

After the Administrative Appeal Authority confirms the decision, the Contracting Officer will take the following action, as appropriate:

- If the decision is to award a contract, begin the solicitation process as it pertains to a commercial activity study.
- If the decision is to convert to an ISSA source, implement a Memorandum of Understanding (MOU) or Memorandum of Agreement (MOA) as appropriate.
- If the decision is to retain performance in-house, continue to perform the work with the existing organization.

If the study results in a contractor or ISSA source selection, the Transition Plan developed during STEP 1 is implemented.

Possible Follow-on Actions

In the case of conversion to contract or ISSA, after the decision announcement, managers must consult with their Human Resources Management (HRM) Office to obtain assistance on placement alternatives available to all employees.

Reduction-in- Force (RIF) will only be used after all other alternatives have been exhausted. Alternatives such as early outs, buyouts, reassignments, modified qualifications with training, hiring freezes, attrition, selective appointments (temps, terms) to retain future flexibility, and in-and out-placement programs may help managers deal with employee placement.

For guidance and direction regarding any of the above listed follow-on actions, mission areas/agencies should contact their servicing HRM Office.

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NOTE: The FAR requires that the Right of First Refusal of Employment clause be included in the solicitation. This clause applies to a 65 and Fewer Study, where federal employees are currently performing functions and/or existing federal support contract employees who are adversely affected by a study being converted to contract or ISSA performance.

FULL COST COMPARISON STUDY

The next chapter discusses the steps necessary to perform a Full Cost Comparison. This type of study is complex, detailed and time consuming. A Full Cost Comparison Study requires the development of a management plan, which includes the Most Efficient Organization, Quality Control Plan, In-House Cost Estimate, Technical Performance Plan (if required), and Transition Plan. A Full Cost Study takes approximately 12 months (or more) to complete.

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Chapter 6

FULL COST STUDY / MANAGEMENT STUDY PROCEDURES

A commercial activity management study seeks to identify essential functions to be performed, determine performance factors and organization structure, staffing and operating procedures for the most efficient and effective in-house performance. It employs a team structure which uses expertise in management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, cost analysis, contracting and the technical aspects of the functional area under study.

The object of the management study team is to find new, innovative, creative ways to provide the required products or services. The management study must reflect the best efforts of the activity to improve the operations of the area under study, with primary emphasis on the definition of what must be done (mission of the activity) and the best way of doing it (methods improvement).

The management study is a major analytical evaluation of an organization to determine if the job can be accomplished in a more economical manner. The results of the management study will be used to develop the Government cost to compare with the contractor cost to provide the product or service. The results of the management study must be documented to show the development and extent of the analytical processes and to record the new Government organization.

The management study process has several objectives:

- To identify current operations and procedures and evaluate the organization's ability to accomplish the performance requirements stated in the Performance Work Statement.
- To identify where organizational or operational improvements will be made and describe how the improvements will be implemented to establish the Most Efficient Organization.
- To develop a Most Efficient Organization capable of performing the work described in the Performance Work Statement in the most efficient manner.
- To ensure that the staffing needed to perform the work of the studied organization that is not included in the Performance Work Statement and is not in the Most Efficient Organization can seamlessly work with the Most Efficient Organization in an effective manner.

The management study is documented in the Management Plan, which is the official record of the proposed Most Efficient Organization and is the Government's in-

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house organization's "bid" to be compared to the best-value offer selected from contractor/ISSA offers (submitted in response to a solicitation).

The Management Plan must support the performance requirements and standards defined in the Performance Work Statement. It is comprised of the Most Efficient Organization, In-House Cost Estimate, a Quality Control Plan, a Technical Performance Plan (if required), and a Transition Plan. In developing the Management Plan, all previously conducted business cases, business process reengineering, or organizational analysis results will be considered.

The goal in creating the Most Efficient Organization is to develop the best possible organization to perform the work defined in the Performance Work Statement. The In-House Cost Estimate is based on the Most Efficient Organization's performance of the Performance Work Statement and provides the basis for the government's cost for competition. The Quality Control Plan defines the procedures to be used to ensure the performance standards in the Performance Work Statement are met. The Technical Performance Plan is the Government's proposal for meeting the performance requirements of the Performance Work Statement; it is submitted only when required by the solicitation. It must be based on the Most Efficient Organization and follows the format mandated in the solicitation. The Transition Plan describes the organization's plan to move from the current organizational structure to the Most Efficient Organization, contractor or ISSA source performance, while maintaining adequate and efficient performance levels. These tasks are interrelated and should be developed concurrently.

Management Plan Components

When a Full Cost Comparison study is initiated, it may be broken out by functional areas or by organizations. How the functions under study are portrayed in the Performance Work Statement will be a good indicator of how the management study should be formatted. When the study is completed and all parts have been developed, it should be a single, cohesive document that ties together the entire organization under study. The end product of the management study process is a Management Plan that contains the Most Efficient Organization, the In-House Cost Estimate, a Quality Control Plan, a Technical Performance Plan (if required), and a Transition Plan.

The Most Efficient Organization

In developing the Management Plan, the Study Team must describe the optimum organization, known as the Most Efficient Organization, to perform the work specified in the Performance Work Statement. The Most Efficient Organization part of the management plan documents any improvements in operations, reductions in staffing, improvements in facility layout or equipment use, or any other proposals designed to improve current performance. Many techniques are available to develop the Most Efficient Organization: business process reengineering principles, industrial engineering, activity-based costing, workflow diagrams, and business case and

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organizational analysis, to name a few. See Appendix G, Management Analysis Techniques, for a list of available analysis techniques.

The following are examples of the types of information that should be used to design the Most Efficient Organization:

- New work breakdown structure
- New workflow design
- New position descriptions and grade structures
- New procedures to achieve performance measures
- New facilities layout and productivity-enhancing equipment
- Recommended revisions or amendments to existing support contracts
- Estimates of materials and supplies needed during the performance period
- Technology insertion or information technology applications that will improve organizational performance (if they can be funded and implemented)
- New organizational structure that can accomplish the Performance Work Statement tasks and how it interfaces with the remaining current organization.

See Appendix H, Most Efficient Organization Format, for a recommended format.

In-House Cost Estimate

The Most Efficient Organization is the basis for the In-House Cost Estimate offer. The In-House Cost Estimate is the cost proposal used to compare against the most advantageous service provider offer selected to perform the work in the Performance Work Statement. The In-House Cost Estimate portion of the Management Plan details the cost of the Most Efficient Organization's performance of the requirements in the Performance Work Statement. The In-House Cost Estimate is prepared using the following factors:

- Personnel costs
- Material and supply costs
- Other specifically attributable costs
- Depreciation
- Cost of capital
- Rent
- Maintenance and repair
- Utilities
- Insurance
- Travel
- Most Efficient Organization subcontracts
- Other costs
- Overhead costs
- Additional costs, that is, any other allowable costs not included elsewhere

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See Chapter 2 of the Handbook for detailed explanations and items included in calculating the above factors.

Quality Control Plan

The Quality Control Plan is a solicitation requirement and defines the procedures to be used to ensure the performance standards defined in the Performance Work Statement are met. Most Government organizations do not have in-house staff specifically assigned to perform quality control functions. The personnel, equipment and facilities necessary to carry out the quality control program must be included and funded in the Most Efficient Organization. The Quality Control Plan is developed and used to ensure that the Most Efficient Organization performance requirements and quality control standards (required by the Performance Work Statement) are effectively and efficiently accomplished on a day-to-day basis. It includes the procedures necessary for periodic checks, reports, and tracking of performance by the Most Efficient Organization throughout the performance period.

See Appendix J, Quality Control Plan Format, for a recommended format.

Technical Performance Plan

The Technical Performance Plan (TPP) describes the Most Efficient Organization's technical approach to performing the requirements of the Performance Work Statement. Specifically, it identifies how performance requirements will be met, what measures of performance will be used, staffing levels by functional area, staffing and facilities use and how changes in workload will be addressed in the Most Efficient Organization.

The Technical Performance Plan is prepared in response to the request for proposal (RFP) for use during the source selection process. An RFP is a solicitation document used in a negotiated procurement acquisition and usually calls for separate technical, management, and cost proposals from an offeror. The TPP is an additional document to the Management Plan and is only required when negotiated acquisition tradeoff procedures are used for the Study. A negotiated tradeoff procurement has the potential result of selecting an industry offer that is not the lowest priced offer for comparison to the in-house offer. The TPP is the vehicle to assure the source selection authority that the in-house offer meets or exceeds the performance of the other than-in-house offer. The TPP provides a valid means of comparison, if need, between the in-house and industry or ISS source off from a technical perspective.

The Technical Performance Plan is written in accordance with RFP Sections B, L, and M, (Contractor Instructions) as though the Government were a "private sector offeror." The Technical Performance Plan cannot be completed until the RFP has been released and Sections B, L, and M are available. When completed, the Technical Performance Plan is review by the IRO and submitted with the Management Plan as a separate document.

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The Technical Performance Plan typically contains a description of management capabilities, personnel qualifications, performance history, delivery schedule compliance, and technical capability. In general, the Technical Performance Plan will meet all the requirements of the solicitation, reflect the Most Efficient Organization, and address the issues of whether the Most Efficient Organization can perform the workload to the performance standards specified in the Performance Work Statement.

See Appendix K, Technical Performance Plan Format, for a recommended format.

Transition Plan

The Transition Plan describes how the current organization will make the changes necessary to implement the Most Efficient Organization or contractor/ISSA source performance. The Transition Plan will account for two possible outcomes: the transition to the Most Efficient Organization if the Government wins, and the transition to contract/ISSA performance if a service provider wins. Either a single plan combining the two possible outcomes or two separate plans may be developed.

The purpose of the Transition Plan is to minimize startup, confusion, disruption, and adverse impacts of transferring responsibility from the current organization to the Most Efficient Organization or service provider. The Transition Plan includes the transition of people as well as government furnished equipment and property, utilities, property accountability and other resources that may be named in the Management Plan. It may include Human Resource Office policies regarding “early out” authority and other programs available to displaced employees. The transition period begins after all administrative appeals and protests have been resolved. The intent of the transition period is to ensure a positive, orderly transfer of mission responsibility from the Government to the Most Efficient Organization or service provider with no loss of critical mission support.

See Appendix L, Transition Plan Format, for a recommended format.

Management Plan Approval, Certification and Review

The Management Plan will be reviewed and approved by senior management. The Most Efficient Organization portion of the Management Plan will be reviewed and approved by the appointed Certifying Official. The Pre-IRO Checklist at Appendix M should be completed prior to formal submission and forwarded with the Management Plan for IRO Review. In a full cost comparison process, the completed Performance Work Statement, Quality Assurance Surveillance Plan (provided by the PWS Team) and Management Plan, along with supporting documentation, are forwarded to the Independent Review Officer (IRO). For negotiated procurements using cost/technical tradeoff source selection procedure, the Technical Performance Plan is also forwarded to the IRO.

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The purpose of the Independent Review is to determine whether the Management Plan reasonably establishes that the MEO can perform the requirements of the Performance Work Statement to the standards given with the resources provided. The IRO also ensures that the costs in the In-House Cost Estimate are justified. The designation of an IRO should be made as early as possible in the A-76 study process.

The Independent Review Officer should come from outside the functional area under study. Mission area/agencies will designate an IRO for each study undertaken. The IRO acts as an independent authority to review and certify that the Management Plan reasonably establishes the Government's ability to perform the Performance Work Statement requirements within the resources provided by the Most Efficient Organization. The IRO should be an individual qualified to conduct this type of review; one who is from an impartial activity organizationally independent of the commercial activity being studied. Agency evaluation audit staff, other qualified Government personnel, or consultants may be used to perform the review as the IRO. The review will be performed in accordance with the requirements of the USDA guidance and Office of Management and Budget (OMB) Circular A-76.

After the IRO certifies the Management Plan, it is submitted to the Contracting Officer as the Government's bid proposal. The study leader seals the Management Plan. The Technical Performance Plan, if required, is sealed in a separate package. Both packages are then forwarded to the Contracting Officer.

The closing date for submission of private industry/ISSA source offers in response to the solicitation cannot occur until the Most Efficient Organization and In-House Cost Estimate are sealed. Similarly, review of contractor/ISSA offers cannot begin before the Contracting Officer receives the Government's proposal.

Cost Comparison Process

The cost comparison is the point in the process where the contractor/ISSA source offer is compared to the Government's offer. The cost of the In-House performance is composed of the direct and indirect cost tied to the Most Efficient Organization's approach to performing the work. The cost of contract/ISSA performance is the contract cost plus other costs the Government would incur only in the event of contract/ISSA performance. A good example of this kind of cost is contract administration costs.

The cost comparison includes the allocation of the minimum conversion differential to one party or the other. The minimum conversion differential is applied to ensure the decision to transition into a different workforce is not made for a nominal amount of savings. The minimum conversion differential is always calculated the same way. The minimum conversion differential is calculated as 10% of the total in-house personnel cost or \$10 million, whichever is less.

The Contracting Officer manages the cost comparison process. For sealed bid procurements, the acceptable bids are recorded and compared to the Government bid.

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Negotiated procurements are conducted in two stages. In the first stage, Government and contractor/ISSA source technical and management solutions are reviewed. In the second stage, Government and contractor/ISSA source costs are reviewed. At the conclusion of these reviews, a tentative decision is reached. The contracting officer should meet with the responsible functional manager(s) to discuss and plan the public announcement of the tentative decision.

A public announcement of the tentative decision is made to all concerned parties. Supporting documentation must be made available to the public at the time of the tentative decision announcement and must include at a minimum the, in-house and contractor/ISSA source cost estimates, performance standards, Performance Work Statement and Technical Performance Plan, if required.

With the announcement of the tentative decision, the administrative appeals process begins. This process is available to Federal employees (or their representatives) and contractors who have submitted formal offers and may be directly affected by the tentative decision. It is designed to ensure that all costs used in determining the tentative decision are fair, accurate, and calculated in accordance with Part II of the Handbook. Appeals must be submitted within 20 calendar days after the public announcement (or within 30 calendar days, if the cost comparison is particularly complex). The Administrative Appeals Authority should make a final decision within 30 days of receipt of the appeal.

Bid Opening

In a sealed bid cost competition, the comparison of in-house costs to those from private industry/ISSA sources occurs at bid opening. At this time, the In-House Cost Estimate (in-house cost proposal) and costs proposed by contractors and Inter-Service Support Agreement sources is revealed. The results of this cost comparison form the basis for the tentative decision.

The Contracting Officer, study team representative, and the independent reviewer or designee will conduct the cost comparison bid opening. Others who might attend the cost comparison depend on the type of procurement chosen and the applicable agency procedures for sealed bid openings.

Under a negotiated procurement, only the Contracting Officer, the study representative, and the independent reviewer or a representative from the IRO may attend the cost comparison. The name of the low bidder is not released until after certain FAR required formal actions (such as development of a conditional contract award) are completed by the Contracting Officer. Therefore, all information pertaining to the cost comparison is regarded as sensitive until the Contracting Officer completes these and other required actions.

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Participants & Actions

For sealed bid procurements the following participant actions are accomplished upon the expiration of the time period for receipt of contractor/ISSA source proposals:

- At the bid opening, the Contracting Officer or designee records all bids received. If no acceptable bids are received, the In-House Cost Estimate remains sealed.
- If acceptable bids are received, the Contracting Officer records the bids and opens the sealed envelope containing the In-House Cost Estimate and cost comparison form (CCF). The contracting officer records the price of the apparent low bidder and performs the calculations necessary to complete the CCF. The independent reviewer or designee checks these calculations.
- Once the calculations have been verified, the Contracting Officer or designee announces the tentative decision and states that the final decision will be made upon resolution of any administrative appeals and Government Accounting Office (GAO) protests. The Contracting Officer advises everyone in attendance of the inclusive dates for the Public Review Period and for receipt of Administrative Appeals.
- A meeting will be convened to inform all affected employees of the tentative decision at the same time. Arrangements for the meeting should be made well in advance of the announcement. The meeting should be held in a secure location that will accommodate all affected employees and interested parties. If the meeting is to be held in a central location, arrange for transportation to and from the meeting site. At this time inform employees of the administrative appeals procedure and the timeframe for public review and appeal submission.
- A Human Resources representative is present to discuss employment rights and to remind employees that now is the time to ensure their personnel files are in order. Employees should also be reminded that even if the tentative decision favors for the Most Efficient Organization, there will be organizational changes in the future, possibly even reductions-in-force (RIF).

For negotiated procurements, the following participant actions are accomplished upon the expiration of the time period for receipt of contractor/ISSA source proposals:

- The first stage of the cost comparison is conducted during the source selection process. The “best value” analysis is accomplished as well as any technical leveling required of the Most Efficient Organization and adjustments to the In-House Cost Estimate.

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- During the second stage of the cost comparison process, the Contracting Officer opens the sealed envelope containing the In-House Cost Estimate and cost comparison form (CCF). The contracting officer records the price of the selected offeror's cost proposal and performs the calculations necessary to complete the CCF. As in the sealed bid procedure, the independent reviewer or designee verifies the calculations.
- A meeting will be convened to inform all affected employees of the tentative decision at the same time. Arrangements for the meeting should be made well in advance of the announcement. The meeting should be held in a secure location that will accommodate all affected employees and interested parties. If the meeting is to be held in a central location, arrange for transportation to and from the meeting site. At this inform time employees of the administrative appeals procedure and the timeframe for public review and appeal submission.
- A Human Resources representative should be present to discuss employment rights and to remind employees to ensure their personnel files are in order. Employees should also be reminded that even if the tentative decision favors for the Most Efficient Organization, there will be organizational changes in the future, possibly even reductions-in-force (RIF) possible.

For full cost comparison studies, the following actions should be accomplished. Prior to public announcement (or announcement to the workforce) of a contract decision, a "conditional contract" must be awarded in accordance with either FAR 52.207-1 (include the directions contained in FAR 7.306(a)) for sealed bid procurements or 52.207-2 (include the directions contained in FAR 7.306(b)) for negotiated procurements. The applicable Notice of Award followed later by a bilateral Standard Form (SF) 26 contract document may be the most expeditious method of awarding a conditional contract. The contract award must include a statement (consistent with either clause FAR 52.207-1 or 52.207-2) that the contract is awarded conditional to the offeror's proposal remaining the more economical alternative after public review and resolution of any appeals under OMB Circular A-76 and the Supplemental Handbook appeals procedure.

Public Review

The public review period provides all interested parties an opportunity to review the documentation supporting the In-House Cost Estimate and the completed CCF. The purpose of the review is to ensure that there were no errors in computing the in-house cost, or in completing the CCF. The following documentation is generally made available to the affected parties during the public review period:

- The solicitation, including the Performance Work Statement.

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- The completed CCF.
- Back up documents for the In-House Cost Estimate, such as the audit trail and materials lists.
- The complete Management Plan.
- The selected contract/Inter-Service Support Agreement source's cost proposal.
- The name and price of the apparent successful bidder or offeror. The contractor's proposal may also be provided; however, any portion of the contractor's offer identified as "proprietary information" may not be released.

Prior to the bid opening date, plan for the public review period. Arrange for the facility and furnishings for the reviewers. Be prepared to move the appropriate documentation to that location immediately following announcement of the tentative decision.

Interested parties include the employees of the activity under study, unions and other employee organizations representing affected federal employees, contractors, and Federal Agencies that responded to the solicitation. Any of these parties may review the study documentation and submit an appeal.

For sealed bid procurements, the Contracting Officer will announce at bid opening the public review period dates, which must correspond to those specified in the solicitation. The public review period begins on the date of bid opening and lasts for a period of 20 to 30 calendar days, depending on the complexity of the cost comparison. All review documentation must be provided on the day of bid opening.

For negotiated procurements, the public review period begins the next business day following employee notification of the tentative decision. All documentation provided for review must be made available on the day following employee notification. The public review period lasts for a period of 20 to 30 calendar days, depending on the complexity of the cost comparison.

If any interested party finds what is believed to be an error, an administrative appeal may be filed following published mission area/agency procedures. If no appeals or GAO protests are filed. The Final Decision Report is completed.

Administrative Appeals

The administrative appeals process (AAP) is an independent and objective procedure that applies to public/private competitions performed in accordance with OMB Circular A-76 and the Revised Supplemental Handbook. The purpose of the administrative appeals process is to correct errors identified through an appeal filed by an eligible appellant. Chapter 7 of this guidebook contains an in-depth discussion of the AAP process.

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The Administrative Appeal Authority for a specific study is assigned by the Mission Area/Agency Head and must be:

- (a) A least two organizational levels above the official who certified the Government's Management Plan or Most Efficient Organization or
- (b) Independent of the activity under review.

The Administrative Appeal Authority (AAA) should be from a functional area as close to the function under review as possible without being part of that function in order to expedite the process.

The Administrative Appeals Authority (AAA) only reviews items challenged by an eligible appellant and will not review any other items, even other errors found by the AAA. No final decision can be determined until all appeals are resolved. Appeals are part of the deliberative process; consequently decisions should not be released to affected or other parties until the administrative appeals process has been completed. After the Authority renders a decision on an appeal, no subsequent or sequential appeal will be permitted.

Eligible appellants are affected employees or their representatives, contractors and Federal agencies that submitted offers. Submission of appeals will be permitted only during the public review period. Appeals will be submitted to the Contracting Officer and will focus on correcting discrepancies, errors, or omissions to ensure the cost comparison procedure reflects the correct outcome. The decision of the Administrative Appeals Authority is final and no subsequent appeals or reviews are authorized under the Handbook. To be eligible for review the Contracting Officer must receive appeals in writing no later than the last day of the public review period. Oral appeals are not acceptable and administrative appeals must be written in sufficient detail to be able to stand on their own.

Formal General Accounting Office (GAO) Appeals

Contractors participating in any government procurement may protest to the General Accounting Office (GAO). Contractors are the only parties who may file protests with GAO regarding the results of a commercial activity study. Contractors may also use the administrative appeals process discussed above. A protest must be filed with the GAO within 10 calendar days after the Administrative Appeals Authority has rendered its decision.

If a protest is filed, the GAO will notify the Contracting Officer that a contractor has filed a protest. Any contractor protests filed through the GAO should be brought to the attention of the mission area/agency Legal Office. At this point, lawyers will process the case. The Contracting Officer and the CA study team will furnish GAO with whatever supporting documentation the GAO examiners require to reach their decision. Once they have received the supporting documentation, GAO has 100 calendar days (or 65 calendar days under GAO's express option) to render a decision on the protest,

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unless GAO establishes a longer period of time. GAO will provide a written decision on all points of the protest, including instructions regarding any corrective actions required.

It has been GAO's position in OMB Circular A-76 cost competitions that no contractor may file a protest until after an administrative appeal has been filed. The GAO will usually not begin to consider any protest until after the administrative appeals process is complete.

Once a GAO recommendation is made or directions given, the Contracting Officer and study team representative will take the necessary action to implement them. The study process should continue to completion. However, any corrective action required by a GAO processed contractor protest decision should be coordinated with Agency personnel.

Final Decision

The final decision on a full cost comparison study is just what it implies, the decision to convert to a contract, Inter-Service Support Agreement, or Most Efficient Organization operation is now final. The final decision incorporates any changes resulting from the administrative appeals and GAO protest processes.

After any and all appeals and protests have been resolved, inform the Agency Competitive Sourcing/A-76 study office that the study is now complete and a final decision can be rendered. The following information should be provided to the Agency:

- A complete copy of the CCF (with any adjustments after tentative decision), the summarized backup data (audit trail for each line of the cost comparison), and the independent review summarized findings.
- The AAA written appeal decision and GAO protest resolution, if applicable.
- An electronic copy of the Performance Work Statement for others to use (e.g., email, floppy disk, compact disk).
- An executive summary of the Management Plan. The entire Management Plan or any portion of it may be provided electronically (e.g., email, floppy disk, compact disk), if desired.

The final action to be taken is the "final decision notification." It closes the loop with all affected and interested parties. For in-house decisions, this becomes the authorization to cancel the solicitation and implement the Most Efficient Organization. For contract conversions, this becomes authorization to issue the contractor a written notice to proceed with performance under the conditional contract awarded pursuant to FAR clause 52.207-2, Notice of Cost Comparison (Negotiated), or award a contract pursuant to FAR 52.207-1, Notice of Cost Comparison (Sealed Bid).

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APPENDIX A. REFERENCES

NAME	WEB SITE
5 CFR (Code of Federal Regulations) Part 550, Pay Administration (General)	http://www.access.gpo.gov/nara/cfr/index/html
Federal Acquisition Regulation (FAR)	http://www.arnet.gov/far/
Federal Activities Inventory Reform (FAIR) Act of 1998	http://www.whitehouse.gov/OMB/procurement/fairact.html
Office of Federal Procurement Policy (OFPP) Policy Letters 91-2, 92-1 and 93-1	http://www.dla.mil/J-8/A-76/A-76SupplementaryHandbookTOC.html
Office of Management and Budget (OMB) Circular A-76, Performance of Commercial Activities, August 4, 1983 as amended in 1987, 1988, and 1999 and Revised Supplemental Handbook (RSH) to OMB Circular A-76, Mar 96 as amended in 1999	http://www.whitehouse.gov/omb/circulars/
OFPP Best Practices Guide to Performance- Based Service Contracting (October, 1998)	http://www.arnet.gov/index.html
OMB Circular A-94, Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs,” October 1992	http://www.whitehouse.gov/omb/circulars/
OMB Transmittal Memo #20-#24	http://www.whitehouse.gov/omb/circulars/
USDA Web Site on Competitive Sourcing	http://www.usda.gov/ocfo/compsorc/index.htm

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**APPENDIX B. HUMAN RESOURCES
CONSIDERATIONS**

(TO BE PUBLISHED)

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Appendix C. Express Review Cost Comparison Form

Express Review Cost Competition for Activities with 10 (and under) positions

The Express review cost competition process assumes that the activity being considered is regularly performed by contract. Thus, it assumes that existing contracts can be used, with only minor modification to define the scope of the competition and to avoid the need for the development of a new or original performance work statement or a formal solicitation.

The in-house cost estimate (IHCE) will be based on the current work force. Express Review Cost Comparison Form (ERCCF) is limited to 10 positions or less can be locally reproduced on 8 1/2-by 11-inch paper. A copy for reproduction purposes is located at the end of this appendix.

INSTRUCTIONS EXPRESS REVIEW COST COMPARISON FORM

Personnel Costs (line 1)

Line 1a. Personnel Costs - includes the cost of all direct in-house labor, supervision and other entitlements i.e., shift differential, overtime, etc., necessary to perform the service or provide the product. This line will also include the cost of OMB established inflation factors for computing in-house personnel costs in accordance with The Revised Supplemental Handbook, Part I, Chapter 2, Section A.10.

For In House Cost Estimates that assume a mix of in-house labor and contract support, this line also includes the cost of labor for administration and in-house inspection of those support contracts.

Line 1b. Fringe - includes the costs of providing in-house personnel fringe benefits, including retirement, insurance and health benefits, unemployment programs, FICA, etc.

Use the following current rates:
employees

32.85% for permanent

7.65% for intermittent employees

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Material and Supply Cost (line 2)

Material and supply costs will be based on historic usage rates. Material and supply costs are incurred for goods such as raw materials, parts, subassemblies, components and office supplies. Only material and supplies used by the in-house organization to perform the work under study will be included on this line.

Overhead (line 3)

Overhead includes two major categories of costs. The first is Operations Overhead, which is defined as those costs not 100 percent attributable to the activity under study, but is generally associated with the recurring management or support of the activity. The second is General and Administrative (G&A) Overhead and includes salaries, equipment, space and other activities related to headquarters management, accounting, personnel, legal support, data processing management and similar common services performed outside the activity, but in support of the activity

Use the following rate to calculate overhead - 12%

Multiply Total Personnel Costs (includes labor and fringe) from line 1 by 12% to calculate total overhead costs.

Other Costs (line 4)

Other costs - includes costs not otherwise properly classified on lines 1 through 3. Amounts entered on line 4 should be supported by definition of the type of cost reported, a justification for its inclusion in the cost comparison, an explanation of the underlying assumptions, and methods of computation.

Total In-house Performance (line 5)

Total in-house performance cost includes total personnel, material and supplies, overhead and other cost. Compute this line by adding the amounts listed on lines 1 through 4. Enter total on line 5.

Contractor/ISSA Performance (line 6)

Enter the highest and lowest Contract/ISSA and/or market interview estimates on line 6a and 6b to determine the comparable range.

Line 6a – list the highest price of the four-contract/ISSA/market interview prices obtained in step 3 of the Express Review Process.

Line 6b – list the lowest price of the four-contract/ISSA/market interview prices obtained in step 3 of the Express Review Process.

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Note: If four comparable contracts/ISSAs are not available and/or market interview data cannot be developed, a full cost competition study may be conducted in accordance with the Revised Supplemental Handbook.

Contract/ISSA Price Adjustments (line 7)

- a. To the high/low contracts/ISSAs/interview data figures listed on lines 6a – 6b, add the cost for contract administration, which are the costs of administering the contract/ISSA such as processing invoices that are incurred in the event the work is converted to contract.

The OMB Handbook authorizes one-half (0.5) man-year for a 10 and Fewer Study. The Human Resources Office can provide guidance on contracting personnel classification. Obtain the appropriate classification on an annual basis, and then multiply by .5 man-year to arrive at the total amount for contract administration costs. Place this figure on lines 7a.

- b. Find the appropriate industry tax rate for the contracts/ISSAs/interview data being used. Refer to the Revised Supplemental Handbook, Chapter 4, Tax Tables by Industry. Multiply the amount listed on lines 6a and 6b by the rate shown on the table for the applicable industry. List the result on line 7b.

Adjusted Contract/ISSA Price Range (line 8)

- a. Add lines 6a and 7a, then subtract 7b to obtain the adjusted High contract/ISSA/interview data price. Record result on line 8a.
- b. Add lines 6b and 7a, then subtract 7b to obtain the adjusted Low contract/ISSA/interview data price. Record result on line 8b.

Minimum Conversion Differential (line 9)

This is the one-time cost incurred when USDA converts to or from in-house, contract or ISSA performance. For Express Reviews the minimum conversion rate is 10 percent.

If current performance is in-house performance, multiply the total personnel costs (labor and fringe) from line 1 by 10% to obtain the minimum conversion differential amount. Place this figure on line 9.

If current performance is contract/ISSA performance, multiply the total proposed labor costs (including labor and fringe) by 10% to obtain the minimum conversion differential. Place this figure on line 9.

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Adjusted Total Cost of In-house Performance (line 10)

To calculate the adjusted total cost of in-house performance, if current performance is in-house performance, subtract line 9 from line 5, enter the resulting amount on line 10.

If current performance is not In-house performance, enter the amount from line 5 on line 10.

Adjusted Total Cost of Contract/ISSA Performance (line 11)

To calculate the adjusted contract/ISSA performance, if current performance is contract/ISSA performance:

- a. To calculate the High adjusted contract/ISSA performance amount, subtract line 9 from line 8a, enter the resulting amount on line 11a.
- b. To calculate the Low adjusted contract/ISSA performance amount, subtract line 9 from line 8b, enter the resulting amount on line 11b.

If current performance is not contract/ISSA performance:

- a. Enter the high contract/ISSA/interview price amounts from line 8a on line 11a.
- b. Enter the low contract/ISSA/interview price amounts from line 8b on line 11b.

Cost Comparison (line 12)

Review the data entered above on lines 10, 11a and 11b.

- If line 10 is below the range shown on lines 11a and 11b. Enter the word **Below** on line 12.
- If line 10 is above the range shown on lines 11a and 11b. Enter the word **Above** on line 12.
- If line 10 is within the range shown on lines 11a and 11b. Enter the word **Within** on line 12.

Decision Criteria:

- If the In-House Performance Costs calculated on line 10 falls **below the lowest** estimate of the Contract/ISSA Estimate shown on line 11b the functions should remain in-house. If this is the case, select the block on line 13 indicating "In-House Performance."

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- If the In-House Performance Costs calculated on line 10 falls **above the highest** estimate of the Contract/ISSA Estimate shown on line 11a the functions should be converted to Contract/ISSA performance. If this is the case, select the block on line 13 indicating “Contract/ISSA Performance.”
- If the In-House Performance Costs calculated on line 10 falls **within the comparable range** between the highest and lowest Contract/ISSA Estimate shown on line 11a and 11b, the three decision factors of quality, personnel turnover and customer satisfaction are considered.

The decision to remain in house or convert to contract/ISSA is made by the Head of the Contracting Activity or other Source Selection Authority designated by the Head of the Mission Area.

In House Cost Estimate Preparer Signature and Date (Line 14) – self explanatory

SES Program Manager Review Certification, Approval and Date (Line 15), including Office and Title information

The SES Program Manager reviews, certifies, approves and seals the in-house cost estimate until cost comparison date.

Cost Comparison Completed By Signature and Date (line 16) – self explanatory

Contracting Officer Signature and Date (line 17)

At the conclusion of the decision making process, the Contracting Officer will sign and date the ERCCF at line 17

Tentative Decision Announced By Signature and Date (line 18)

Signature and date of individual that announced the tentative decision

Administrative Appeal Process Authority Signature and Date (line 19) (If applicable)

At the conclusion of the appeals process, the Administrative Appeal Process Authority will sign and date the ERCCF on line 18.

DRAFT

EXPRESS REVIEW COST COMPARISON FORM (ERCCF)										
(Limited to 10 Positions or Less)										
In-House versus Contract or ISSA Performance										
	<u>In-House Performance</u>	Performance Periods				Total	Reference			
		<u>1st</u>	<u>2nd</u>	<u>3rd</u>	<u>Add'l</u>					
1	Personnel Costs:									
	a. Labor									
	b. Fringe *									
	Total Personnel Costs									
2	Material and supplies									
3	Overhead (12%)									
4	Other									
5	Total In-house									
	<u>Contractor or ISSA Performance</u>									
6	Total Contract/ISSA Price Range:									
	a. High									
	b. Low									
7	Contract/ISSA Price Adjustments:									
	a. Contract Administration (+) .5FTE									
	b. Federal Income Taxes (-)**									
8	Adjusted Contract/ISSA Price Range:									
	a. High									
	b. Low									
	<u>Decision</u>									
9	Minimum Conversion Differential (10%)									
10	Adjusted Total Cost of In-House Performance									
11	Adjusted Total Cost of Contract/ISSA Performance (Comparable Range):									
	a. High									
	b. Low									
12	Cost Comparison - Government bid: Below, Above, Within Comparable Range									
	Decision Criteria:									
	If Government Estimate:	Below comparable range:	Keep In-House							
		Above comparable range:	Convert to Contract/ISSA							
		Within comparable range:	Management/Contracting Officer Decision							
13	Cost Comparison Decision:									
	Perform In-house									
	Convert to Contract/ISSA									
14	In-House Cost Estimate Prepared By:				Date:					
15	SES Program Manager Review Certification:	"I certify that I have reviewed the proposed contract, in-house and ISSA cost estimates and contract prices and find them to be reasonable and calculated in accordance with the principles and procedures of Circular A-76 and its Supplement"								
	SES Program Manager Approval:***									
		Office and Title								
16	Cost Comparison completed By:				Date:					
17	Contracting Officer:				Date:					
18	Tentative Decision Announced By:				Date:					
19	Appeal Authority (if applicable)				Date:					
*	Fringe - Currently 32.85% for permanent employees, 7.65% for intermittent employees									
**	See Appendix 4, A-76 Supplemental Handbook for IRS provided Tax Tables									
***	After certification and approval, the SES Program Manager seals the in-house cost estimate until cost comparison date									