



U.S. Department of Agriculture



Office of Inspector General
Northeast Region

Audit Report

Agricultural Research Service Competitive Sourcing of the Beltsville Agricultural Research Center Special Police Force

Report No. 02002-01-Hy
June 2004



UNITED STATES DEPARTMENT OF AGRICULTURE

OFFICE OF INSPECTOR GENERAL

Washington D.C. 20250



DATE: June 30, 2004

REPLY TO

ATTN OF: 02002-01-Hy

SUBJECT: Competitive Sourcing of the Beltsville Agricultural Research Center Special Police Force

TO: Edward B. Knipling
Acting Administrator
Agricultural Research Service

ATTN: Steven Helmrich
Director
Financial Management

This report presents the results of the subject audit. This audit was initiated in response to a congressional request to evaluate the Agricultural Research Service's (ARS) competitive sourcing of the Beltsville Agricultural Research Center's (BARC) special police force.

On March 12, 2004, Senators Barbara Mikulski and Paul Sarbanes requested that the Inspector General analyze the recent Office of Management and Budget (OMB) Circular No. A-76 study of the special police force at BARC. Of particular concern to the senators was the appearance that the number of employees charged against the in-house special police force bid was inflated for the purposes of the study.

We determined that ARS complied with all applicable processes of OMB Circular No. A-76 in determining whether to competitively source the BARC special police force.

BACKGROUND

The Department of Agriculture's (USDA) BARC, located in Beltsville, Maryland, is the largest and most diverse agricultural research facility in the world, with field and laboratory facilities for the study of soils, plants, animals, and human nutrition. The BARC special police force provides unarmed security personnel for the BARC facility using a professional base of highly trained security officers.

From May to October 2003, ARS conducted a study of its security services function at the BARC facility in response to the Under Secretary for Research, Education, and Economics' plan for competitive sourcing (an initiative of the President's Management Agenda). On June 27, 2003, ARS announced a streamlined public-private competition for the security positions.

The streamlined competition guidelines in OMB Circular No. A-76 involve the comparison of the Government's cost of performing the activity with its own personnel to the cost of performing the activity using contractors. Streamlined competitions are allowed whenever fewer than 65 full time equivalent (FTE) positions are affected by a proposal. The activities under the streamlined competition would either continue to be performed by Government employees or be converted to a contract. The ARS streamlined study of security services at BARC was completed on October 23, 2003. On November 5, 2003, USDA officially announced the decision to replace Federal security guards at BARC with contracted guards.

According to the streamlined competition records, the in-house costs were estimated to be \$7,762,495 and the contractor costs were estimated to be \$6,642,855 for a 5-year period.

OBJECTIVE

Our objective was to determine whether the ARS study to competitively source the BARC special police force was conducted in accordance with OMB Circular No. A-76, Performance of Commercial Activities, dated May 29, 2003.

SCOPE AND METHODOLOGY

To accomplish the objective of our review, we examined the study ARS performed to competitively source the BARC special police force and evaluated it for conformity with the circular's requirements and the reasonableness of the conclusions reached. We also interviewed BARC management, ARS human resources and contracting officials, local American Federation of Government Employees (AFGE) officials, and affected special police force employees. We identified specific concerns from the documentation received from Senators Mikulski and Sarbanes and local AFGE officials. We then evaluated the identified concerns against the documentation ARS had on file to support its decision to competitively source the special police force. Finally, we evaluated ARS' compliance with agency human resource requirements regarding the information provided to affected employees and the consideration that could be given to these employees for vacant positions within the agency.

The fieldwork was performed between March and May 2004. We conducted the review in accordance with Generally Accepted Government Auditing Standards.

AUDIT RESULTS

Based upon our review, we concluded that ARS performed the commercial activities study of the BARC special police force in accordance with the provisions of OMB Circular No. A-76. Further, nothing came to our attention to question the agency's decision to outsource the function. In response to the specific issues raised by local AFGE officials and the senators, we determined the following.

- Local AFGE officials alleged that the number of employees used in the streamlined study (i.e., 24) was inflated, causing the total cost of the in-house bid to be overstated. According to the ARS Chief of Human Resources for the Eastern Branch, the special police workforce included only 14 employees in November 2003.

OMB Circular No. A-76 requires that the number of employees used in the streamlined study be based on the number of FTEs needed to perform the activity, not the number of actual employees. The agency's position-staffing plan called for 24 FTEs, and we found that ARS appropriately used that number to calculate both in-house and contract performance costs, in compliance with OMB Circular No. A-76. We noted that the performance decision would not have changed if ARS had used 14 FTEs, the actual number of employees in November 2003, in the analyses as opposed to 24 FTEs as reflected in the agency staffing plan.

- Local AFGE officials questioned the agency's use of 12 percent for indirect overhead charges because they believed this amount was excessive and unfair.

OMB Circular No. A-76 mandates the use of the 12 percent overhead factor and has embedded it directly into the code of the software program (COMPARE) OMB requires for performing the calculations. This factor is applied to both the in-house and contract performance of the activity in the COMPARE calculation. We validated that ARS used the 12 percent factor in its calculations.

- According to local AFGE officials, the cost of BARC's expanded reliance on the U.S. Park Police (USPP) was not included in the cost of contract performance of the activity.

According to an agreement with USPP, it will respond to calls from designated BARC officials for police services (i.e., serious, persistent criminal activity). The use of the USPP was not factored into the cost of either the in-house or contract performance of the activity because the services will be furnished at Government expense regardless of who performs the activity.

- Local AFGE officials alleged that affected employees were not given the opportunity to provide a "Most Efficient Organization (MEO)," which represents the agency's most efficient and cost-effective staffing plan. OMB Circular No. A-76 requires an MEO, as

part of all standard competitions. However, ARS had a choice of using either the standard competition or a streamlined competition, since the special police force had an aggregate of 65 or fewer FTEs. ARS officials chose to use the streamlined competition process, which does not require the development of an MEO.

- According to local AFGE officials, ARS had no documentation to confirm the relevance and validity of personnel costs used for contract performance of the activity. We found, however, that ARS appropriately based its computation on documentation obtained from the General Services Administration.
- Local AFGE officials asserted that ARS did not obtain workload data, determine baseline security services costs, develop competition or completion schedules, or define roles and responsibilities. We determined that ARS did, however, obtain workload data, determine baseline security services costs, develop competition or completion schedules, and define roles and responsibilities as required by OMB Circular No. A-76. In addition, we found the information was reasonable and was used appropriately.
- Local AFGE officials expressed concern that ARS officials did not properly certify the streamlined study when it was completed. We found, however, that OMB Circular No. A-76 certification requirements were met. OMB Circular No. A-76 requires that an independent reviewer, cost comparison official, and the contracting officer certify the streamlined competition form to determine a performance decision. The BARC Area Director, the Acquisition and Property Division Director, and the Acquisition Branch Chief certified the study on October 23, 2003, consistent with OMB requirements.
- According to local AFGE officials, ARS did not announce the start date of the streamlined competition. We found that ARS appropriately announced the competition on www.FedBizOpps.gov as required by OMB Circular No. A-76. In addition, ARS informed affected employees on June 27, 2003, the same day the competition was announced. Local AFGE officials were concerned that the affected employees could have been better prepared for the announcement with more notice.
- Local AFGE officials alleged that local AFGE representatives were not given the opportunity to review the decision of the streamlined competition study prior to the public announcement. According to the current labor agreement, dated November 2001, management will notify the union of the decision to contract out work and provide the union with information disclosable under the Freedom of Information Act. The agreement, however, does not specify the amount of notice the union should receive prior to management's public announcement of the decision. Through our review of letters and interviews with local AFGE officials, we confirmed that ARS was in technical compliance with requirements of the current labor agreement for the performance decision notification. Local AFGE representatives were allowed to review the decision on November 4, 2003, only one day prior to its announcement. Local AFGE officials said that the affected

- employees could have been better prepared if they were allowed to review the decision with more than one day's notice.
- Local AFGE officials questioned whether ARS met the requirements of the notice issued on www.FedBizOpps.gov on November 5, 2003. This notice stated that a solicitation would be issued and that the contractor would give displaced employees the right of first refusal. We noted, however, that a solicitation was issued and that affected employees were given the opportunity to work for the firm selected to provide security services.

On May 27, 2004, we discussed a draft of this report with the ARS staff at BARC and local AFGE officials to confirm the accuracy of the information included in this report. ARS staff and local AFGE officials were both in general concurrence with the facts presented in this report. The report contains no recommendations and a response by ARS is not required. The report is final upon issuance.

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Assistant Inspector General
for Audit