



Highlights of [GAO-03-943T](#), a testimony before the House Committee on Government Reform

## Why GAO Did This Study

In May 2003, the Office of Management and Budget (OMB) issued a new Circular A-76—which sets forth the government’s competitive sourcing process. Determining whether to obtain services in-house or through commercial contracts is an important economic and strategic decision for agencies, and the use of A-76 is expected to grow throughout the federal government.

In the past, however, the A-76 process has been difficult to implement, and the impact on the morale of the federal workforce has been profound. Moreover, there have been concerns in both the public and private sectors about the timeliness and fairness of the process and the extent to which there is a “level playing field” for conducting public-private competitions.

It was against this backdrop that the Congress enacted legislation mandating a study of the government’s competitive sourcing process, which was carried out by the Commercial Activities Panel, which was chaired by the Comptroller General of the United States.

This testimony focuses on how the new Circular addresses the Panel’s recommendations with regard to providing a better foundation for competitive sourcing decisions, and the challenges agencies may face in implementing the new A-76.

[www.gao.gov/cgi-bin/getrpt?GAO-03-943T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-943T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William T. Woods at (202) 512-8214, or [woodsw@gao.gov](mailto:woodsw@gao.gov).

## COMPETITIVE SOURCING

### Implementation Will Be Key to Success of New Circular A-76

#### What GAO Found

Overall, the new Circular is generally consistent with the principles and recommendations that the Commercial Activities Panel reported in April 2002, and should provide an improved foundation for competitive sourcing decisions in the federal government. In particular, the new Circular permits greater reliance on procedures in the Federal Acquisition Regulation—which should result in a more transparent and consistently applied competitive process—as well as source selection decisions based on tradeoffs between technical factors and cost. The new Circular also suggests potential use of alternatives to the competitive sourcing process, such as public-private and public-public partnerships and high-performing organizations.

#### Guiding Principles for Sourcing Policy

Federal sourcing policies should:

1. Support agency missions, goals, and objectives.
2. Be consistent with human capital practices designed to attract, motivate, retain, and reward a high-performing federal workforce.
3. Recognize that inherently governmental and certain other functions should be performed by federal workers.
4. Create incentives and processes to foster high performing, efficient, and effective organizations throughout the federal government.
5. Be based on a clear, transparent, and consistently applied process.
6. Avoid arbitrary full-time equivalent or other arbitrary numerical goals.
7. Establish a process that, for activities that may be performed by either the public or the private sector, would permit public and private sources to participate in competitions for work currently performed in-house, work currently contracted to the private sector, and new work, consistent with these guiding principles.
8. Ensure that, when competitions are held, they are conducted as fairly, effectively, and efficiently as possible.
9. Ensure that competitions involve a process that considers both quality and cost factors.
10. Provide for accountability in connection with all sourcing decisions.

The new Circular should result in increased savings, improved performance, and greater accountability. However, this initiative is a major change in the way the government operates, and implementing the new Circular A-76 will likely be challenging for many agencies. A major challenge agencies will face will be meeting a 12-month limit for completing the standard competition process. This provision aims to respond to complaints about the length of time taken to conduct A-76 cost comparisons. However, GAO studies of competitive sourcing at the Department of Defense (DOD) have found that competitions can take much longer than 12 months. Other provisions in the new Circular may also prove burdensome in implementation.

Lessons learned by DOD and other agencies as they initiate efforts to improve acquisition, human capital, and information technology management could prove invaluable as agencies implement the new A-76 provisions—especially those that demonstrate best competitive sourcing practices. Successful implementation of the Circular’s provisions will also likely require additional financial and technical support and incentives.