



Highlights of [GAO-03-1022T](#), a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Governmental Affairs, U.S. Senate

Why GAO Did This Study

In May 2003, the Office of Management and Budget (OMB) released a revised Circular A-76, which represents a comprehensive set of changes to the rules governing competitive sourcing—one of five governmentwide items in the President's Management Agenda. Determining whether to obtain services in-house or through commercial contracts is an important economic and strategic decision for agencies, and the use of Circular 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. Concerns in the public and private sectors were also raised about the timeliness and fairness of the process for public-private competitions.

It was against this backdrop that the Congress enacted legislation mandating a study of the A-76 process, which was carried out by the Commercial Activities Panel, chaired by the Comptroller General of the United States.

This testimony focuses on how the new Circular addresses the Panel's recommendations reported in April 2002, the challenges agencies may face in implementing the new Circular A-76, and the need for effective workforce practices to help ensure the successful implementation of competitive sourcing in the federal government.

www.gao.gov/cgi-bin/getrpt?GAO-03-1022T.

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.

COMPETITIVE SOURCING

Implementation Will Be Challenging for Federal Agencies

What GAO Found

The revised Circular A-76 is generally consistent with the Commercial Activities Panel's principles and recommendations, 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 trade-offs between technical factors and cost. The new Circular also suggests the potential use of alternatives to the competitive sourcing process, such as public-private and public-public partnerships.

However, implementing the new Circular will likely be challenging for many agencies. Foremost among the challenges that agencies face is setting and meeting appropriate goals integrated with other priorities, as opposed to arbitrary quotas. Additionally, there are potential issues with the streamlined cost comparison process and protest rights. The revised streamlined process lacks a number of key features designed to ensure that agency sourcing decisions are sound, including the absence of an appeal process. Finally, the right of in-house competitors to file a bid protest at GAO challenging the sourcing decisions in favor of the private sector remains an open question.

For many agencies, effective implementation will depend on their ability to understand that their workforce is their most important organizational asset. Agencies will need to aid their workforce in transitioning to a competitive sourcing environment. For example, agencies will need a skilled workforce and adequate infrastructure and funding to manage competitions; to prepare the in-house offer; and to oversee the cost, quality, and performance of whichever service provider is selected.

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.