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Subject: Comments to OMB Circular A-76 proposed revision

Here are SRA International, Inc.'s comments to the OMB Circular A-76 proposed revisions released on 14 November 2002.

1. Attachment E, Section, B.1.b. (2) of the draft Revised OMB Circular A-76 states that Indirect labor will now be included on Line 1, e.g., supervision, human resources, comptroller, general counsel, environmental, Occupational Safety and Health Administration (OSHA) Act compliance management. Historically, only FTE associated with the supervisor of the MEO has been included on Line 1. It was our understanding that the 12% overhead rate entered on Line 4 covered all other indirect labor charges/costs.

Currently, MEVATEC's win.COMPARE² training guide defines Line 4 to include Operations Overhead and General and Administrative Overhead. They are defined as follows:

- **Operations Overhead** is defined as those costs not 100% attributable to the activity. Refers to recurring management or administrative support. It may be that only 20% of management's time is attributable to the activity.
- **General and Administrative Overhead** is defined as activities that are performed outside of the activity, but in support of the activity. This includes the salaries, equipment, space, and other activities related to headquarters management, accounting personnel, legal, data processing management, and similar common services.

Since additional Indirect Labor costs are now being included on Line 1, it would make sense that the 12% overhead rate factor used on Line 4 be reduced. Otherwise, it would appear that these Indirect or Overhead costs are being double counted.

2. In the draft Revised OMB Circular A-76, there is no mention of the Agency Tender having to undergo an Independent Review. Attachment B, Section C, 4, a. (1) (a) states that the SSA and CO shall comply with the following requirements for all Standard Competitions:

(a) The SSA shall evaluate all offers concurrently. Neither the SSA nor the CO shall: (1) direct or request adjustments to the Agency Tender that would identify a private sector or public reimbursable offeror's proprietary methodology; or (2) require, direct, or make specific changes to the Agency Tender including the approach used by the agency and agency staffing requirements. The SSA or CO may question whether sufficient resources have been included in the MEO.

Providing greater detail in this Circular regarding the specific nature of the data required in the Agency Tender to support the MEO would significantly reduce the number of times the SSA or CO would need to question whether sufficient resources had been included in the MEO.

3. Attachment B, Section C, 1. b. (3) of the draft Revised OMB Circular A-76 states that the timeframe for a Standard Competition shall not exceed 12 months from public announcement to Performance Decision, unless a deviation is granted. It also states that the 4.e. official may grant a one-time six-month extension if approved by the Deputy Director of Management of OMB.

The flow chart of the Standard Competition Process on page B-1 shows how the 12 months are broken down into the 5 steps and the estimated durations of each step. The first two steps of Preliminary Planning and Solicitation Development in 8 months are very realistic provided that the business unit and function being competed have been correctly packaged. Our experience with many studies is that this is not the case, and that frequently several months is required to correctly package the function for study.

It is not realistic, however, to expect that the development of all the responses and source selection will occur in only 4 months. We have typically experienced 4 – 6 months for source selection alone. The rationale for conducting an A-76 study is that savings will be achieved from the injection of competition into a functional area that previously was performed on a sole source basis by the Government incumbents. It is not realistic to expect the Government incumbents to be able to reengineer their business processes and their organization in only 2 months to be competitive with private sector or public reimbursable bids. We have not supported a single study within the Department of Defense in which the Government's Management Plan was completed and certified by the agency certifying official and the Independent Review authority by the solicitation on closing date. In each study the solicitation closing date had to be extended until such time that the Government's Management Plan was complete and certified. With only 2 months to develop their responses, either the agency 4. e. official and the Deputy Director of Management of OMB are going to be very busy granting extensions, or many Agency Tenders will not be considered in the competition. Attachment B, Section A. 1. a. states in part that the 4. e. official to waive the timeframe required to complete a competition, if the competition is particularly complex, and issue a revised completion date. It would be appropriate for the revised OMB Circular to provide for longer than 12 months to complete competitions that involve either multiple functions or multiple locations.

4. Attachment B, Section C. 1. a. of the draft Revised OMB Circular A-76 outlines the preliminary planning steps agencies shall complete prior to public announcement. The agencies are supposed to be accomplishing these steps now and either are not doing so or are doing so very poorly. These steps are typically completed in the initial months after public announcement. To expect the agencies to immediately start accomplishing these steps and accomplishing them well is unrealistic and would further jeopardize the completion of a competition in 12 months.
5. The forward to the draft Revised OMB Circular A-76 states in part that the Circular shall apply to all Direct Conversions and for Standard Competitions where the solicitation date is on or after January 1, 2003. There are many ongoing competitions in which a great deal of effort has been completed on both the PWS and the Management Plan in accordance with an already established timeline that is much longer than 12 months. It would be unfair to those agencies with ongoing studies to suddenly subject them to a 12 month timeframe because they have not yet issued their solicitation. It would be more appropriate to "grandfather" ongoing studies and make this revised Circular apply to competitions whose competition announcement date is after the effective date of the circular.

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Thanks,

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