



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

October 30, 2008

M-09-04

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Clay Johnson III
Deputy Director for Management

SUBJECT: Report to Congress on FY 2008 Competitive Sourcing Efforts

Section 647(b) of Division F of the Consolidated Appropriations Act, Fiscal Year (FY) 2004, P.L. 108-199, establishes a government-wide requirement for each executive agency to report to Congress on its competitive sourcing efforts for the prior fiscal year. This memorandum provides guidance to assist agencies in preparing their Congressional reports on FY 2008 efforts. Reports on FY 2008 efforts are due to Congress by December 31, 2008.

The guidance for preparing FY 2008 reports is similar to that developed by the Office of Management and Budget (OMB) for prior fiscal year reports. Agencies must report data for competitions that were completed in FY 2008, as well as those announced but not completed in FY 2008. In addition, agencies must describe the steps their human resources and competitive sourcing organizations have jointly taken during the fiscal year to address skill imbalances, competency gaps, and organizational redundancies.

Because section 647 focuses on competitive sourcing activities, agencies should not include data on business process reengineering (BPR) projects undertaken pursuant to the commercial services management initiative in this report. However, agencies should track performance and validate results of their BPRs. See OMB Memorandum for the President's Management Council, *Plans for Commercial Services Management* (July 11, 2008) available at http://www.whitehouse.gov/omb/procurement/comp_src/plans_commercial_services_mgmt_071108.pdf.

Agencies shall input the requested data into OMB's Competitive Sourcing Tracking System (CSTS) and prepare a draft report in accordance with the attachment. All information and reports should be transmitted to OMB by November 21, 2008 for review. Agency reports (including transmittal letters) must be cleared by OMB prior to their transmission to Congress.

Questions regarding this memorandum may be directed to your OMB contact or to the Office of Federal Procurement Policy (Mathew Blum, 202-395-4953, mblum@omb.eop.gov).

Attachment

**Guidelines for Responding to Statutory Reporting Requirement
in Section 647(b) of the Consolidated Appropriations Act
for Competitions Completed or Initiated in FY 2008**

I. Introduction

The following guidance has been developed to assist agencies in preparing reports to Congress on their competitive sourcing efforts for FY 2008. This guidance is similar to the guidance developed by OMB for preparing reports for competitive sourcing activities completed in FYs 2003 – 2007 (see OMB Memoranda M-04-07, M-05-01, M-06-01, M-07-01 and M-08-02).

Agencies shall input and update competition data, and prepare draft reports – i.e., transmittal letter and narrative statement – in accordance with this guidance and submit them to OMB for review. After OMB has completed its review for consistency with this guidance, the agency's 647(b) report on competitive sourcing activities will be cleared for agency transmission to Congress. See section VI, below, for specific instructions on transmission.

Agencies shall report information into the Competitive Sourcing Tracking System (CSTS). See section IV, below, for more specific information.

II. Applicability

The heads of all executive agencies should respond to the requirement set forth in section 647(b) of the Consolidated Appropriations Act, FY 2004. The term “executive agency” has the same meaning as given in section 4 of the Office of Federal Procurement Policy Act (41 U.S.C. 403).

Instructions for agencies that have no competitive sourcing efforts to report: Agencies that have not completed or announced any competitions in FY 2008 should draft a letter to Congress which includes the following:

- (1) a statement that the agency did not complete any competitions in FY 2008 and did not initiate any competitions in FY 2008;
- (2) an identification of any savings from competitions implemented in FYs 2003 – 2007 (see section V.7); these savings should be reported in CSTS as an update to an existing competition; and
- (3) an indication of the number of FTEs that are planned for competition in FY 2009, if any (see section V.9).

The draft letter and competition updates (if applicable) must be submitted to OMB for review prior to transmission to Congress. See section VI for information on who should receive copies of the agency's report.

Agencies that may have unique statutory reporting requirements for competitive sourcing activities should not consolidate data associated with those requirements with that prepared to meet the requirements of Section 647(b) when submitting data to CSTS.

III. Reporting period

Reports should cover competitions that were completed during FY 2008, as well as those that were announced, but not completed, in FY 2008. Reports should also provide follow-up information on actual savings achieved from competitions for which estimated savings were identified in agency reports for FYs 2003 – 2007 (see section V.7). Agencies should also provide information on the number of FTEs that are planned for competition in FY 2009 (see section V.9).

IV. Reporting format

The format for reporting information required by this guidance is as follows:

Report items 1-8. Information on report item nos. 1-8 (see section V, below) should be provided using the CSTS database application, which is accessible at <https://max.omb.gov/maxportal>. OMB will transmit a CSTS guidebook to agency Competitive Sourcing Officials that are members of the President's Management Council simultaneously with the publication of this guidance. The guidebook includes instructions for reporting on competitions completed or announced in FY 2008, as well as for updating savings and performance information on competitions that were completed in FYs 2003 – 2007.

Agencies shall complete all required fields, as identified by Sec. 647(b) and this OMB Memorandum, for the FY 2008 reporting period using CSTS. Once all agency data is inputted and verified, the agency shall certify in CSTS that the data is complete and ready for OMB review.

Report item 9. Report item 9 (see section V, below) should be reported in the CSTS database, and should also be discussed either in the agency's transmittal letter or in a separate narrative document.

Report item 10. Report item 10 (see section V, below) should be discussed either in the agency's transmittal letter or in a separate narrative document.

V. Information to be reported

Although the Congressional report only requires the aggregate numbers, this guidance requires agencies to provide more detailed information, by individual competition, to show the basis for the aggregate numbers.

Agencies precluded from engaging in competitive sourcing activities by law should note these restrictions in their reports.

Report items:

1. the total number of competitions completed

- Report or update all *public-private* competitions that were completed during FY 2008, regardless of when they were initiated. It is anticipated that most competitions identified as announced but not completed in the FY 2007 report will be identified as completed in the FY 2008 report. Completed is defined as any competition for which a performance decision (pursuant to Circular A-76) has been made.
- Create competition files for all competitions that were announced and completed in FY 2008.
- Update competition files for all competitions that were announced in prior years and completed in FY 2008.
- Do not report *public-public* competitions or business process reengineering (BPR) efforts undertaken pursuant to the Commercial Services Management (CSM) initiative.
- Each individually completed competition should have its own file (do not consolidate data from multiple competitions into one competition file).
- Identify the competition type. The CSTS database includes pull-down menus to identify the competition type (i.e., streamlined competition, standard competition, streamlined and standard competition conducted pursuant to a deviation).
- Identify the activity that was the subject of the competition. Use the activity code(s) that was/were used to identify the activity on the agency's Federal Activities Inventory Reform (FAIR) Act inventory. CSTS includes fields to identify multiple codes.
- Include a brief competition description that would be understandable to a lay person (e.g., base operations support; departmentwide IT maintenance).
- For standard competitions, identify the source selection strategy that was used to select the winning provider – i.e., sealed bid, lowest price technically acceptable evaluation, phased evaluation, cost-technical trade-off, other.
- For streamlined competitions, leave the source selection strategy data field blank.
- Identify the location(s) of the competition. For all competitions located within the United States, select the two letter abbreviation format used by the United States Postal Service (USPS). If the competition included multiple locations, please identify all that are applicable. For any competitions located outside the United States, identify the country location on the downloaded Excel spreadsheet field before submission to Congress (CSTS does not contain a "country" field).

- Identify the start and end dates of the competition. The "start date" is the date the competition is formally announced in FedBizOpps and the "end date" is the date a performance decision is made, as signified by completion of all necessary certifications.
- Identify the number of bids or proposals received from private sector contractors or public reimbursable providers for each standard competition that was completed in FY 2008. Include only bids/proposals to perform as a prime. Do not include the agency's in-house bid.
- The number of bids or proposals received for all streamlined competitions should be left blank, unless private sector bids were solicited during the public-private portion of the competition. Do not include bids received during a private-private competition to select a service provider following an A-76 performance decision to go to contract performance.
- Identify whether the selected provider is the in-house government personnel (I/H), a public reimbursable source (PRS), or a private sector source (CTR).
- Identify the estimated and actual phase-in dates, as applicable.

2. the total number of competitions announced together with a list of activities covered by such competitions

- Create competition files for all *public-private* competitions that were announced during FY 2008, but were not completed in FY 2008. Announced is defined as having been announced in FedBizOpps.
- Do not report *public-public* competitions or BPR efforts undertaken pursuant to the CSM initiative.
- Each individually announced competition should have its own file (do not consolidate data from multiple competitions into one competition file).
- Identify the competition type. The CSTS database includes pull-down menus to identify the competition type (i.e., streamlined competition, standard competition, streamlined and standard competition conducted pursuant to a deviation).
- If the competition was cancelled before the performance decision was announced, enter all data as you would any announced and ongoing competition, and input the date that the competition was cancelled.
- Identify the activity that was the subject of the competition. Use the activity code(s) that was/were used to identify the activity on the agency's FAIR Act inventory. CSTS includes fields to identify multiple codes.
- Include a brief competition description that would be understandable to a lay person (e.g., base operations support; departmentwide IT maintenance).

- For standard competitions, identify the strategy that is expected to be used to select the winning provider (if known) – i.e., sealed bid, lowest price technically acceptable evaluation, phased evaluation, cost-technical trade-off, other.
 - For streamlined competitions, leave the source selection strategy data field blank.
 - Identify the location(s) of the competition. For all competitions located within the United States, select the two letter abbreviation format used by the USPS. If the competition included multiple locations, please identify all that are applicable. For any competitions located outside the United States, identify the country location on the downloaded Excel spreadsheet field before submission to Congress (CSTS does not contain a “country” field).
 - Identify the start date for the competition. The "start date" is the date the competition is formally announced in FedBizOpps.
3. **the total number -- expressed as a full-time employee equivalent (FTE) number -- of Federal employees studied under completed competitions**
- For each completed competition, provide the total number of FTEs studied corresponding to #1 above.
 - Do not include work being performed by subcontractors to an agency’s most efficient organization (MEO).
4. **the total number -- expressed as an FTE number -- of Federal employees that are being studied under announced competitions**
- For each announced but not completed competition, provide the total number of FTEs to be studied corresponding to #2 above.
 - Do not include work being performed by subcontractors to the agency’s MEO.
5. **the incremental costs directly attributable to conducting the competitions identified under items #1 and #2 above, including costs attributable to paying outside consultants and contractors.**
- For each competition, report on the FY 2008 costs associated with conducting the competition, as well as any costs in any other year for competitions that spanned multiple years. Costs reported to Congress in connection with a competition that was announced in FYs 2003 – 2007 but not completed in those years should be included in this reporting cycle if the competition was completed in FY 2008.
 - Identify costs expended corresponding to each fiscal year of the competition.

- *Include* any of the following costs if incurred after public announcement of the competition:
 - i) The costs of consultants or contractors who participated in the conduct of the reported competitions.
 - ii) The costs of travel, training, or other incremental expenses directly attributed to the conduct of the reported competitions.
 - iii) Incremental in-house staff costs that were incurred as part of conducting the competition (i.e., any staff hired specifically to work on a particular competition or competitions or fill behind employees temporarily working on a competition or overtime costs (where overtime costs are tracked)).
- *Exclude* the following costs:
 - i) Any costs incurred prior to public announcement of the competition.
 - ii) Costs of in-house staff that may have spent time on the competition during regular working hours, such as developing the performance work statement, but were on-board before the competition commenced and continue to be on-board. However, as noted above, overtime costs incurred in connection with work on a particular competition should be included.
 - iii) Costs of central program oversight of competitive sourcing (i.e., those resources that do not directly relate to a particular competition) such as competitive sourcing office staff or general training provided to employees that is not considered a part of the competition.
 - iv) Costs of tracking, review, and independent validation actions in accordance with OMB's memorandum to the President's Management Council, *Validating the Results of Public-Private Competition* (April 13, 2007).

6. an estimate of total anticipated savings or a quantifiable description of improvements in service or performance, derived from completed competitions

- For competitions included in #1 above, report the *estimated cost of the winning provider for each performance period* taken from the standard competition form (SCF) or the streamlined competition form (SLCF). These figures should be adjusted to constant 2008 dollars (present values).
- The *total estimated cost* of the winning provider for the duration of the contract or letter of obligation will be calculated automatically by the CSTS database from the summation of the individual performance period costs.
- Report *total anticipated savings* (for the duration of the contract or letter of obligation) associated with competitions included in #1 above. This figure should be adjusted to constant 2008 dollars (present value).
- Enter the duration of total performance in years with one decimal place. For example, if the total of all performance periods under a letter of obligation or contract is 45 months, enter 3.8 in the appropriate cell (45/12, or 3.75, rounded to one decimal place).

- The *annualized expected savings* for each study (i.e., the total anticipated savings for the duration of the contract or letter of obligation divided by the years of performance) will be calculated automatically by the CSTS database based on the information the agency provides on total anticipated savings and duration of performance.

Note: *Savings* is generally defined as the cost of performing the function or providing the service “as-is” (the baseline) minus the cost of performing the function or providing the service under the winning bid, over one or all performance periods.

These guidelines are intended to produce a realistic estimate of savings. Accordingly:

- In calculating the baseline costs, follow the guidance provided in Circular A-76 so that baseline, most efficient organization, and other offeror costs are all calculated consistently. At a minimum, baseline costs should be the total of in-house personnel costs (see ¶ B.2 of Attachment C of the Circular) plus overhead (see ¶ B.5 of Attachment C) and contract costs (i.e., the baseline should include lines 1 and 4 and the contract costs from line 3 of the standard or streamlined competition form). Other costs may be relevant to a particular competition and should be tracked accordingly (e.g., cost of capital, leases, supplies and materials). Do not include transition costs (e.g., Voluntary Early Retirement Authority or Voluntary Separation Incentive Program costs, moving expenses, etc.) in the baseline.
- The “as is” or baseline estimate should correspond to the manner in which the function was planned for budgeting purposes in the year that the announcement was made. For example:

The baseline should not be the staffing level that would optimally be needed to provide the service. “We’ve been doing the function with 20 people but haven’t been getting the work done. We really need 25.” The baseline would include the 20 people, not the 25.

The baseline should not reflect actual staffing at the time of the announcement. Over the past 12 months, the function has been performed by 20 people, but since preplanning for the competition began, three staff left so there are only 17 now. The baseline should include the 20 people, not the 17.

- As appropriate, include a description of improvements in service or performance that can be quantified. If there is no data for this field, leave it blank.

7. actual savings, or quantifiable description of improvements in service or performance, derived from the implementation of completed competitions

- Identify and/or update actual savings achieved on competitions (1) that have been completed between 10/1/2002 - 9/30/2007, and (2) having completed transition to full performance prior to 9/30/2008.

- Identify actual savings that have been achieved on competitions (1) that have been completed in FY 2008, and (2) having completed transition to full performance prior to 9/30/2008.
- If actual savings are yet to be identified, leave the actual savings and the savings methodology (see below) fields blank.
- Savings should be identified *starting* on the first day of full performance (i.e., after phase-in tasks have been completed) and *ending* on either:
 - The last date of the performance period where work is performed by a contractor or, for in-house performance, where savings are calculated (see below); or
 - September 30, 2008 for in-house performance where savings are identified by proxy (see below).
- For competitions that generated savings during more than one fiscal year, savings should be separately identified for each fiscal year. For example, if the first day of full performance was July 1, 2007, FY 2007 savings should include those achieved from July 1, 2007 – September 30, 2007, and FY 2008 savings should include those achieved from October 1, 2007 – September 30, 2008. A total actual savings for all performance periods will be automatically calculated by the CSTS database.

Savings should be calculated as follows.

(i) Contractor performance. For competitions where a contractor was selected to perform, subtract contract payments and contract administration costs (as identified by COMPARE) from the baseline costs that the agency used to calculate estimated savings.

(ii) In-house performance. Agencies may identify savings from in-house performance either by calculation or by proxy, as described below. Agencies should indicate within CSTS which method was used to calculate savings – i.e., calculation or proxy.

- Reporting by calculation: Subtract cost of in-house performance from the baseline costs that were used to calculate estimated savings. Agencies may exclude costs that are not directly related to performance, such as “save pay” adjustments for affected employees. When submitting their draft reports for review, agencies should explain to OMB how in-house costs were determined (e.g., labor costs plus fringe benefit cost factor of 36.25% for personnel on board when full performance begins).
- Reporting by proxy: Reporting by calculation is preferred. The proxy may be used as an interim mechanism for assessing savings. Agencies should identify savings by calculation as soon as they are available. Generally, savings achieved during or before FY 2007 should be identified by calculation.

The proxy approach, described in Table 1, below, assumes that savings are being realized if the conditions for achieving savings (e.g., execution of a letter of obligation, implementation of the MEO staffing levels) have been put in place. For example, if an agency has fully implemented its MEO in accordance with the letter of obligation (LOO) and performance standards are being met, the proxy assumes the agency's annualized savings are being achieved for the period that the MEO was in effect. If the proxy method is selected in CSTS, proxy savings are calculated automatically.

OMB recognizes that savings will accrue at a different pace than indicated by the proxy (i.e., savings are rarely spread evenly over each year of performance).

Table 1. Savings Proxy

Actions Taken by 9/30/2008	Recognized Proxy Savings
<ul style="list-style-type: none"> - Phase-in to MEO completed for at least one full period of performance -- e.g., letter of obligation (identifying workload, levels of performance, quality surveillance, cost) has been executed; MEO staffing plan in effect at FTE level identified in the MEO. <p style="text-align: center;">AND</p> <ul style="list-style-type: none"> - Performance standards fully met (e.g., performance is on time, within budget, and meets or exceeds quality standards) 	<p>Assumes 100% of estimated annualized savings for the period that MEO was in effect.</p> <p><u>Example.</u> Agency's FY 2007 report estimates annualized savings of \$1.2 million (or \$100,000 per month). MEO was fully implemented on July 1, 2007, completing one full period of performance on June 30, 2008 (i.e., before 9/30/2008). Performance standards have been fully met. The agency calculates savings for FY 2007 (may use proxy if actual savings data is not available) plus a proxy savings of \$1.2 million (\$100,000 x 12 months of full implementation) for FY 2008.</p>

- Identify any quantifiable performance improvements. For competitions where quantifiable performance improvements were identified in the FY 2003 – 2007 reports, indicate if the performance improvements are being achieved. If there is no data for this field, leave it blank.

Note: Competitions identified and certified in the FY 2007 report are already in the CSTS database and should be updated. If information regarding a competition that was included in the FY 2007 report has changed (e.g., estimated savings figures have changed) the agency should provide an explanation to OMB in a separate narrative to be submitted with the draft FY 2008 report.

8. fixed costs associated with the agency's competitive sourcing efforts in FY 2008

- Identify labor costs associated with providing central direction and oversight. (Central direction would include that provided both by an agency's headquarters and, if

applicable, that provided in a bureau.) If the agency is not currently collecting information on fixed costs in a systematic fashion, provide an estimate and identify that the figure is an estimate in your narrative document.

- If the agency has developed a methodology for determining fixed costs, the methodology should be described in a separate narrative document to OMB when the agency submits its draft report for review.
- Include the cost of FTEs that are fully dedicated to managing the competitive sourcing initiative at the agency and any contract support costs associated with this effort.
- Do not include the cost of FTEs or contract support associated with specific competitions or out-of-pocket (incremental) costs for conducting individual competitions.
- Do not include costs of tracking, review, and independent validation actions in accordance with OMB's memorandum to the President's Management Council, *Validating the Results of Public-Private Competition* (April 13, 2007).

9. the total projected number (expressed as a full-time equivalent number) of Federal employees that are to be covered by competitions scheduled to be announced in the fiscal year covered by the next report required under this section

- Report the total number of FTEs planned to be studied during FY 2009.
- Indicate where the number is an estimate in the narrative.
- Do not include work that is currently being performed by subcontractors to the incumbent agency provider.

10. a general description of how the competitive sourcing decisionmaking processes of the executive agency are aligned with the strategic workplan of that executive agency

- Describe how competitive sourcing activities relate to the agency's implementation of the Strategic Management of Human Capital Initiative by describing the steps human resources and competitive sourcing organizations within the agency have *jointly* taken to identify and address skill imbalances, competency gaps, and organizational redundancies during FY 2008. Where possible, provide examples that tie to the planning of competitions that have been reported as announced in FY 2008 or to the planning, execution, and implementation of competitions completed in FY 2008.

VI. Transmission information

Agencies shall certify competition data within the CSTS database and submit draft reports – i.e., transmittal letter and narrative statement – to OMB for review by November 21, 2008 and in accordance with the guidance above.

Draft reports should be submitted to the OMB resource management office contact with a copy to OFPP (send to Mathew Blum at mblum@omb.eop.gov).

Final reports are due to Congress by December 31, 2008. Following OMB clearance of the agency's report, the agency should provide its report to:

- The President of the Senate;
- The Speaker of the House of Representatives;
- The Chairman and Ranking Minority Member of the Senate Committee on Homeland Security & Governmental Affairs;
- The Chairman and Ranking Minority Member of the House Committee on Oversight and Government Reform; and
- The Chairman and Ranking Minority Member of the agency's appropriations and oversight committees.