

EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

July 18, 2008

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS

SENIOR PROCUREMENT EXECUTIVES AGENCY COMPETITION ADVOCATES

FROM: Paul A. Denett

Administrator

SUBJECT: Effective Practices for Enhancing Competition

Last spring, I asked agencies to reinvigorate the role of the competition advocate and maximize the meaningful use of competition. Competition is the cornerstone of our acquisition system and is a critical tool for achieving the best return on investment possible for our taxpayers. The percentage of dollars competed in fiscal year (FY) 2007 is holding steady with recent government-wide activity at 64 percent. I commend you for the steps you are taking to strengthen competition practices in Federal acquisition. We need to do more to promote the appropriate use of tools and effective practices to improve and increase the use of competition.

I am asking the Chief Acquisition Officers Council (CAOC) to establish a competition working group to facilitate agency collaboration on effective practices that promote competition. The working group will also analyze government-wide competition trend data (e.g., looking at levels of competition for different types of products and services). Individual agencies will be able to use this information to further evaluate their own achievements and the suitability of their competition goals. In the meantime, this memorandum shares some of the practices that competition advocates identified in their written reports on FY 2007 activities for removing impediments to competition (see Attachment A). For your convenience, a complete list of agency competition advocates is provided in Attachment B. Fiscal year 2007 competition data from the Federal Procurement Data System (FPDS) for each agency is provided in Attachment C. Data on the overall levels of competition for the past five years is provided in Attachment D.

Agencies should submit copies of their FY 2008 reports to OFPP by January 30, 2009. In addition to addressing each of the 12 reporting requirements described in Federal Acquisition Regulation Subpart 6.502(b), competition advocates' reports to the Chief Acquisition Officers (CAOs) and Senior Procurement Executives (SPEs) should include meaningful analysis of trends, examples representative of report findings, and recommendations that address barriers or impediments to competition. The report should specifically address competitive practices in the placement of orders under task and delivery order contracts as well as specific activities taken in conjunction with the agency's Office of Small Disadvantaged Business Utilization (OSDBU) to ensure maximum opportunities are provided to small businesses.

Several agencies have established competition award programs or are considering establishing a program to recognize employees that have significantly contributed to improving competition. For example, during its FY 2007 Competition and Acquisition Excellence Awards Program, the Department of Homeland Security awarded seven individual and team awards for projects that collectively resulted in estimated cost avoidance/cost savings of over \$5.2 million. I strongly support agency-specific award programs and also encourage you to increase the visibility of these accomplishments by nominating exceptional employees or teams for awards associated with the Shine Initiative. Details about Shine Initiative award programs can be found at http://www.fai.gov/acm/awards.asp#shine.

Please ensure broad dissemination of this memorandum among agency personnel who have responsibilities for the effective planning, execution, and management of your acquisitions. Questions may be referred to Curtina Smith at (202) 395-3301 or csmith@omb.eop.gov.

Thank you for your attention to this important matter.

Attachments

cc: OSDBU Directors
Chief Information Officers

Highlights of Agency Competition Initiatives for Fiscal Year 2007

Competition advocates identified a variety of specific practices that their agencies are using to improve the competitive environment and leverage the benefits of competition. These practices are described below so agencies may consider and apply them, as appropriate, to their own activities.

• Discourage exercising of options on procurements awarded without competition

The Department of Homeland Security (DHS) restricts the exercise of options on contracts awarded noncompetitively. This practice encourages ongoing competition advocacy at the contracting officer level and ensures that a careful examination of the market is conducted that focuses on obtaining better prices or a more advantageous offer through the use of competition. In FY 2007, DHS successfully awarded several contracts competitively after choosing not to exercise options on contracts that had been awarded noncompetitively.

Competition Advocate: Tom Mason, thomas.mason@dhs.gov

• Ensure the acquisition strategy section of the Office of Management and Budget (OMB) Exhibit 300 business case adequately addresses competition

The Department of Treasury has included guidance as part of its Capital Planning and Investment Control process to ensure that the acquisition strategies carefully address competition, socio-economic involvement, earned value management, and performance based acquisition strategies. Compliance with the acquisition strategy section of the Exhibit 300 business case is reviewed and scored by procurement subject matter experts.

Competition Advocate: Kevin Youel Page, kevin.youel-page@do.treas.gov

• Challenge Brand Name Only and Military Unique Specifications

The Department of Defense, Defense Logistics Agency, Defense Supply Center Philadelphia (DSCP) promotes competition by ensuring that procurement specifications are not unduly restrictive. Brand name only specifications have been successfully challenged and rewritten to allow bidders to propose brand name or equal products. Similarly, challenges to military unique specifications have resulted in commercial item purchases. DSCP has used this technique to increase competition on procurements for clothing and textile items as well as aluminum cots.

Competition Advocate: Shay Assad, shay.assad@osd.mil

• Conduct detailed face-to-face acquisition planning meetings with program offices

At the Environmental Protection Agency (EPA), acquisition offices conduct detailed acquisition planning meetings with each program office customer to review acquisition plans and determine strategies to enhance competition, including small business participation. The team discusses how competition will be sought and promoted. These planning meetings help prevent potential future noncompetitive awards. In some instances, all fiscal year requirements are being reviewed at the beginning of the year to develop a total contract strategy for a particular technical program.

Competition Advocate: Corinne Sisneros, sisneros.corinne@epa.gov

• Reaffirm commitment and support to the competition advocate at departmental acquisition meetings

The Department of Transportation designated a senior manager to advocate competition in each of its ten operating administrations and the Office of the Secretary. These advocates work with the Departmental competition advocate to champion competition and influence the competitive acquisition strategy early in the process.

Competition Advocate: Linda J. Washington, linda.washington@dot.gov

Include language for increasing competition in position descriptions and performance plans

National Aeronautics and Space Administration's (NASA's) Ames Research Center includes a small business competition enhancement factor in position descriptions and performance plans for those individuals involved in the acquisition process.

Competition Advocate: Sheryl Goddard sheryl.goddard@nasa.gov

• Use a competition metric

Treasury's Office of the Procurement Executive (OPE) uses the Federal Procurement Data System (FPDS) to identify the percentage of dollars obligated competitively, both department-wide and at the bureau level, as a monthly competition metric in the Treasury procurement balanced metrics scorecard. The competition trend metric provides a platform to identify and address negative trends early.

Competition Advocate: Kevin Youel Page, kevin.youel-page@do.treas.gov

• Require all Justifications for Other Than Full and Open Competition (JOFOCs) to be reviewed by the competition advocate

Treasury drafted a change to the Treasury Acquisition Procedures (DTAP) that will require all JOFOCs, regardless of amount, to be sent to the Departmental competition advocate. This will serve to provide better insight into the quantity and quality of justifications, support identification of trends across bureaus, and support reporting requirements. Within available resources, OPE will engage more deeply those cases which are not as comprehensively justified as might be desirable.

Competition Advocate: Kevin Youel Page, kevin.youel-page@do.treas.gov

• Use Program Management Reviews (PMRs) to identify and address barriers to competition

HUD instituted a dedicated PMR team to ensure reviews are conducted annually and to identify acquisition areas needing improvement. HUD expects the PMR will help to increase competition by identifying internal weaknesses and improving the overall acquisition knowledge within the organization.

Competition Advocate: Robert Morton, robert.b.morton@hud.gov

• Create a specialized acquisition planning position to assist program officials during the early stages of procurements

NASA's Johnson Space Center (JSC) recently named an Acquisition Planner that leads the Acquisition Planning and Advocacy Team (APAT). This team is involved in the very early stages of acquisitions to assist in strategy development, ensure that competition is maximized, and capture best practices. The APAT also provides an opportunity to benchmark the effectiveness of acquisition processes and policies.

Competition Advocate: Sheryl Goddard sheryl.goddard@nasa.gov

• Use reverse auctioning tools where appropriate

Through the use of reverse auctioning techniques, EPA has increased competition for various types of lab equipment and supplies that were thought to have been only available from limited sources. In FY 2007, EPA conducted 94 reverse auctions and received an average of 22 bids per auction. In addition, EPA saved almost 14% from the government estimate, and made more than half of its awards to small businesses.

Competition Advocate: Corinne Sisneros, sisneros.corinne@epa.gov

Agency Competition Advocates Listing as of June 2008

| Department/Agency | Competition Advocate's | E-Mail Address | | |
|---------------------------------|-------------------------------|-------------------------------|--|--|
| | Name | | | |
| Agriculture | Todd Repass, Jr. | todd.repass@usda.gov | | |
| Commerce | Darryl Anderson | danderson@doc.gov | | |
| Defense | Shay Assad | shay.assad@osd.mil | | |
| Education | Glenn Perry | glenn.perry@ed.gov | | |
| Energy | Edward Simpson | edward.simpson@hq.doe.gov | | |
| Environmental Protection | Corinne Sisneros | sisneros.corinne@epa.gov | | |
| Agency | | | | |
| General Services | Suzanne M. Neurauter | suzanne.neurauter@gsa.gov | | |
| Administration | | | | |
| Health and Human Services | Christie Goodman | christie.goodman@hhs.gov | | |
| Homeland Security | Tom Mason | thomas.mason@dhs.gov | | |
| Housing and Urban | Robert Morton | robert.b.morton@hud.gov | | |
| Development | | | | |
| Interior | Delia Emmerich | delia_emmerich@ios.doi.gov | | |
| Justice | H.B. Myers | h.b.myers@usdoj.gov | | |
| Labor | Valerie Veatch | veatch.valerie@dol.gov | | |
| NASA | Sheryl Goddard | sheryl.goddard@nasa.gov | | |
| NRC | Phyllis Bower | phyllis.bower@nrc.gov | | |
| NSF | Bart Bridwell | bbridwel@nsf.gov | | |
| OPM | Ronald C. Flom | ronald.flom@opm.gov | | |
| SBA | Karen Hontz | karen.hontz@sba.gov | | |
| SSA | Michael Gallagher | michael.gallager@ssa.gov | | |
| State | Jan Visintainer | visintainerjl@state.gov | | |
| Transportation | Linda J. Washington | linda.washington@dot.gov | | |
| Treasury | Kevin Youel Page | kevin.youel-page@do.treas.gov | | |
| Veterans Affairs | Efrain J. Fernandez | efrain.fernandez@va.gov | | |

Agency Use of Competition ¹ From Greatest Use to Least Use FY 2007

| Department ² | Competition Base (in Billions of Dollars) | Competed (in Billions of Dollars) | Percentage Competed (Dollars) | Percentage Competed FY2006 Ranking | Percentage Competed FY2005 Ranking |
|--|--|--------------------------------------|-------------------------------------|--|--|
| 1. ENERGY | \$22.58 | \$19.26 | 85% | 8 | 8 |
| 2. LABOR | \$1.91 | \$1.61 | 84% | 1 | 1 |
| 2. EDUCATION | \$1.26 | \$1.06 | 84% | 8 | 3 |
| 4. COMMERCE | \$1.82 | \$1.47 | 81% | 7 | 6 |
| 5. AGRICULTURE | \$3.95 | \$3.18 | 80% | 4 | 2 |
| 6. TREASURY | \$3.49 | \$2.67 | 76% | 6 | 8 |
| 6. HOUSING AND URBAN DEVELOPMENT | \$0.78 | \$0.59 | 76% | 12 | 13 |
| 6. TRANSPORTATION | \$2.57 | \$1.95 | 76% | 14 | 16 |
| 6. JUSTICE | \$4.40 | \$3.34 | 76% | 8 | 8 |
| 10. HEALTH AND HUMAN SERVICES 10. ENVIRONMENTAL PROTECTION | \$13.48 | \$10.17 | 75% | 2 | 4 |
| AGENCY | \$0.78 | \$0.59 | 75% | 3 | 7 |
| 12. INTERIOR | \$3.46 | \$2.50 | 72% | 5 | 8 |
| 12. GENERAL SERVICES ADMINISTRATION | \$7.64 | \$5.51 | 72% | 8 | 5 |
| 14. HOMELAND SECURITY | \$10.42 | \$7.25 | 70% | 18 | 14 |
| 15. STATE | \$4.18 | \$2.86 | 68% | 15 | 15 |
| 16. DEFENSE | \$314.17 | \$193.80 | 62% | 13 | 12 |
| 17. NASA | \$13.01 | \$6.32 | 49% | 17 | 18 |
| 18. VETERANS AFFAIRS | \$4.72 | \$1.84 | 39% | 16 | 17 |
| Total/Average ³ | \$414.63 | \$265.98 | 64% | | |

Source: FPDS (as of 02/26/08)

- 1. FPDS Standard Competition Report by Agency
- 2. Listed agencies have competition base of \$700 million or greater in FY 2007
- 3. Total/Average includes expenditures by listed agencies only. Agencies with competition bases less than \$700 million in FY 2007 cumulatively competed 75 percent of their competition base, or \$2.1 billion of \$2.8 billion



