

February 1, 2005



# Defense Infrastructure

DoD Workforce Employed to  
Conduct Public-Private Competitions  
Under the DoD Competitive Sourcing  
Program (D-2005-028)

Department of Defense  
Office of the Inspector General

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### **Acronyms**

DCMA	Defense Contract Management Agency
DLA	Defense Logistics Agency
DoDEA	Department of Defense Education Activity
DUSD(I&E)	Deputy Under Secretary of Defense (Installations and Environment)
OMB	Office of Management and Budget



INSPECTOR GENERAL  
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February 1, 2005

MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE  
(INSTALLATIONS AND ENVIRONMENT)

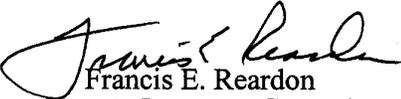
SUBJECT: Report on DoD Workforce Employed to Conduct Public-Private  
Competitions Under the DoD Competitive Sourcing Program  
(Report No. D-2005-028)

We are providing this report for review and comment. We performed this audit in response to the requirements of Section 328 of Public Law 108-375, the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. This report addresses Section 328 (1), the sufficiency of the DoD workforce. Section 328 (2), the comprehensive and reliable tracking system, will be addressed in another report. We considered management comments on a draft of this report in preparing the final report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Deputy Under Secretary of Defense (Installations and Environment) comments were partially responsive. We request additional comments on Recommendation 2. by March 1, 2005.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to [AudCM@dodig.osd.mil](mailto:AudCM@dodig.osd.mil). Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Henry F. Kleinknecht at (703) 604-9324 (DSN 664-9324) or Ms. Anella J. Oliva at (703) 604-9323 (DSN 664-9323). See Appendix D for the report distribution. The team members are listed inside the back cover.

  
Francis E. Reardon  
Deputy Inspector General  
for Auditing

## Office of the Inspector General of the Department of Defense

Report No. D-2005-028

February 1, 2005

(Project No. D2004CH-0188)

### DoD Workforce Employed to Conduct Public-Private Competitions Under the DoD Competitive Sourcing Program

#### Executive Summary

**Who Should Read This Report and Why?** Defense officials responsible for Office of Management and Budget (OMB) Circular No. A-76 (Revised) public-private competitions should read this report because it provides information on how DoD plans to use contractor support to augment its DoD competitive sourcing workforce and addresses the need for minimum training standards within DoD.

**Background.** We performed this audit in response to the requirements of Section 328 of Public Law 108-375, "Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005," October 28, 2004, which required the Inspector General of the Department of Defense to issue a report to Congress addressing whether DoD employs a sufficient number of adequately trained civilian employees to satisfactorily conduct the public-private competitions scheduled by DoD for the next fiscal year, and to administer any resulting contracts. (See page 1 of the report for the text of the statute.)

On May 29, 2003, OMB issued a revision to OMB Circular No. A-76, "Performance of Commercial Activities," which superseded previous versions of the circular. The DoD competitive sourcing official planned to limit and closely monitor the first group of competitions performed under the revised circular in order to standardize new approaches to the revised procedures and ensure successes were achieved. As of June 30, 2004, there were 32 public-private competitions that were either already announced or in various stages of preliminary planning. The DoD Office of Housing and Competitive Sourcing, Military Departments, two Defense agencies, and the DoD field activity we reviewed each had its own competitive sourcing office, which provided program management, policy, guidance, and oversight of competitive sourcing. Staffing within each office varied but consisted of a combination of 66 civilian, 14 military, and 7.5 contractor positions. (See page 3 of the report.) The Military Departments, Defense agencies, and DoD field activity we reviewed had awarded 10 contracts for competitive sourcing support, totaling \$5,306,500. (See Appendix C for details.)

**Results.** DoD does not maintain a sufficient experienced workforce needed to satisfactorily conduct all the scheduled public-private competitions and uses contractor support to augment its workforce. The DoD competitive sourcing program fluctuated from year-to-year due to various legislative and policy changes and most DoD personnel assigned to work on a public-private competition only participated in the program after their positions were selected for public-private competition. Consequently, maintaining a sufficient number of adequately trained civilian employees to satisfactorily conduct public-private competitions without contractor support would not be an effective use of

DoD resources. DoD also had not established minimum training standards for competition officials or inexperienced DoD functional and technical experts assigned to work on public-private competitions, and 6 of the 10 support contracts we reviewed did not include a key personnel clause. (See the Finding section of the report for details.)

We were unable to verify the sufficiency of the DoD workforce employed to administer any resulting contracts because none of the Military Departments, Defense agencies, or the DoD field activity we reviewed had reached a final performance decision from a public-private competition that favored a private sector provider. We plan to revisit this issue after DoD has completed more public-private competitions under the revised circular. (See Appendix B for details.)

The Deputy Under Secretary of Defense (Installations and Environment) should, in conjunction with the DoD Components, establish standardized training guidelines for DoD competitive sourcing program offices, to include DoD functional and technical experts assigned to work on public-private competitions. He should also establish minimum training standards for all DoD competition officials. Finally, he should advise DoD component competitive sourcing officials to include a key personnel clause in their competitive sourcing contracts to require that the contractor maintains the key personnel indicated in the contractor proposal, or personnel with at least substantially equal ability and qualifications. (See the Finding section of the report for the detailed recommendations.)

**Management Comments and Audit Response.** The Director, Housing and Competitive Sourcing generally concurred with the report and partially concurred with the recommendations; however, comments were only partially responsive. The Director stated that he does not have the authority to require the inclusion of a key personnel clause in competitive sourcing support contracts, but would remind the component competitive sourcing officials to make sure their competitive sourcing staffs are trained to monitor service contracts awarded in public-private competitions. We agree that proper oversight of service contracts awarded to assist with competitive sourcing is essential and while the Director, Housing and Competitive Sourcing may not have the authority to require that a key personnel clause be inserted into contracts, he can advise component competitive sourcing officials to include a key personnel clause, and can advertise the inclusion of a key personnel clause as a best practice on his SHARE A-76! Web site. We request that the Deputy Under Secretary of Defense (Installations and Environment) provide comments on the final report by March 1, 2005. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

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## FY 2005 Defense Authorization Act

Section 328 of Public Law 108-375, “Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005,” October 28, 2004, required that the Inspector General of the Department of Defense submit a report to Congress, no later than February 1, 2005, addressing whether the Department of Defense:

(1) employs a sufficient number of adequately trained civilian employees—

(A) to conduct satisfactorily, taking into account equity, efficiency and expeditiousness, all of the public-private competitions that are scheduled to be undertaken by the Department of Defense during the next fiscal year (including a sufficient number of employees to formulate satisfactorily the performance work statements and most efficient organization plans for the purposes of such competitions); and

(B) to administer any resulting contracts.

Section 328 (2) required the Inspector General of the Department of Defense to address whether the Department of Defense had implemented a comprehensive and reliable system to track and assess the cost and quality of the performance of functions of the Department of Defense by service contractors. We will address this requirement in another report.

## Background

**Office of Management and Budget Circular No. A-76 Guidance.** The Office of Management and Budget (OMB) Circular No. A-76, “Performance of Commercial Activities,” August 4, 1983, (Revised), and OMB Circular No. A-76 Revised Supplemental Handbook, March 1996 (Revised), established Federal policy regarding the performance of recurring commercial activities. The guidance sets forth the principles and procedures for implementing OMB Circular No. A-76, including the instructions for calculating the financial advantage to the Government of acquiring a service through in-house, contract, or inter-service support agreement resources. On May 29, 2003, OMB issued a revision to OMB Circular No. A-76, “Performance of Commercial Activities,” that requires agencies to centralize oversight responsibility to facilitate fairness in competitions and promote trust in the process. The May 29, 2003, revision supersedes the previous versions. Any new public-private competitions would be subject to the May 29, 2003, version of OMB Circular No. A-76 (revised circular).

**OMB Circular No. A-76 Transition.** When OMB issued the revised circular, DoD had 216 competitive sourcing initiatives in progress. The 216 competitive sourcing initiatives had to meet the transition requirements of the revised circular or the DoD competitive sourcing official had to request a deviation from OMB to continue under the previous circular. Of the 216 competitive sourcing initiatives, 150 required a deviation from OMB to continue under the previous circular,

55 met the transition requirements of the revised circular permitting them to continue under the previous circular, and 11 were expected to transition to the revised circular. On October 24, 2003, the Deputy Under Secretary of Defense (Installations and Environment) (DUSD[I&E]), the DoD competitive sourcing official, requested a deviation from OMB for the 150 competitive sourcing initiatives. On November 17, 2003, OMB authorized DoD to proceed under a deviation for the limited purpose of completing the 216 competitive sourcing initiatives identified in the DoD Transition Plan based on OMB specified application of the deviation. The status of the 216 competitive sourcing initiatives is shown in the following table.

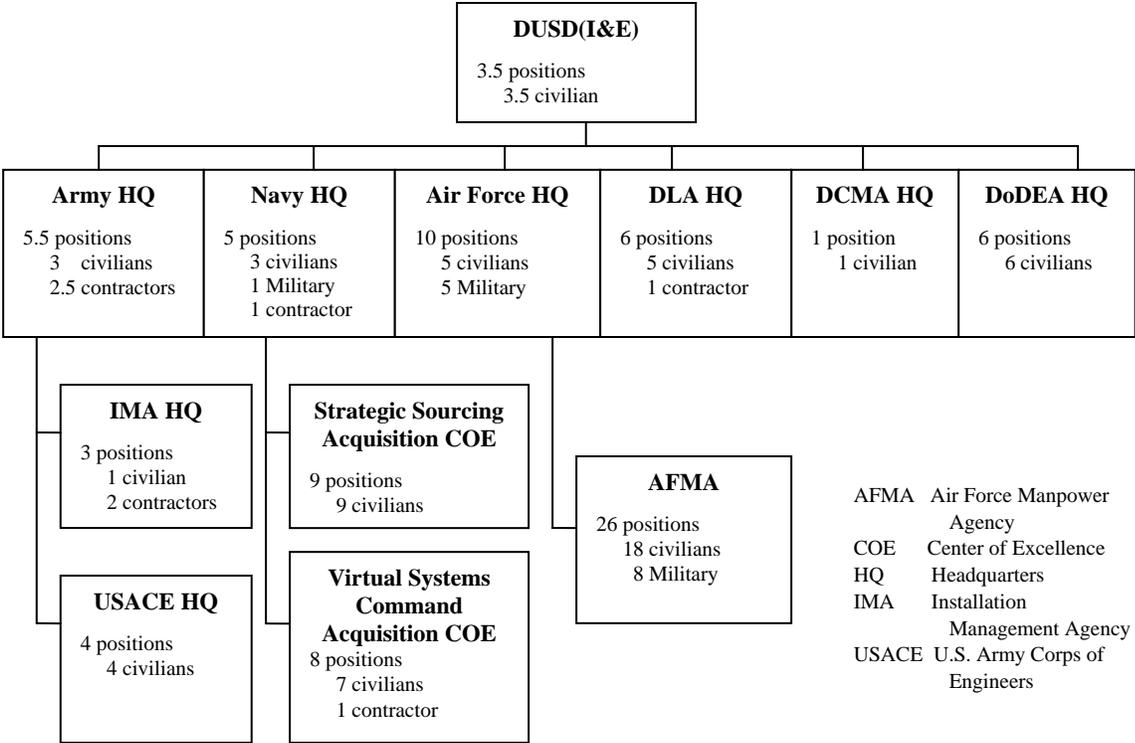
<b>Status of Competitive Sourcing Initiatives Identified in the DoD Transition Plan, as of December 2, 2004</b>	
	Competitive Sourcing Initiatives
Decisions Made	123
Cancellations Approved	75
Cancellations Pending	8
OMB Deviations Requested	<u>10</u>
<b>Total</b>	<b>216</b>

**DoD Oversight of Public-Private Competitions.** The DoD competitive sourcing official planned to limit and closely monitor the first group of competitions performed under the revised circular. He believed that a measured approach was essential to properly and successfully execute the new public-private competition procedures and that increased oversight of these initial public-private competitions was necessary to standardize new approaches to the revised procedures and ensure successes were achieved. On August 5, 2004, the Director for Housing and Competitive Sourcing issued a memorandum on the oversight of the initial DoD public-private competitions that directed DoD Components to obtain approval from the Office of Housing and Competitive Sourcing before making public announcement or congressional notification of a standard or streamlined public-private competition.

**Competitive Sourcing Guidance.** As of the date of this report, the Office of Housing and Competitive Sourcing had not formally issued guidance implementing the revised circular. The Office of Housing and Competitive Sourcing planned to reissue DoD Directive 4100.15, “Commercial Activities Program,” March 10, 1989, with the revised title, “Competitive Sourcing Program.” The Office of Housing and Competitive Sourcing was also providing increased oversight to the initial public-private competitions and then planned to incorporate any lessons learned into future guidance. However, some Military Departments and Defense agencies were not waiting for the reissue of DoD Directive 4100.15 and planned to issue their guidance implementing the revised circular and then update, as necessary, when the Office of Housing and Competitive Sourcing issued formal guidance.

**Announced or Planned Public-Private Competitions.** As of June 30, 2004, there were 32 public-private competitions that were either already announced or in various stages of preliminary planning under the revised circular. These standard or streamlined competitions belonged to the Army, the Army Corps of Engineers, the Navy, the Air Force, the United States Marine Corps, the Defense Logistics Agency (DLA), the Defense Contract Management Agency (DCMA), and the Department of Defense Education Activity (DoDEA).

**Staffing of Competitive Sourcing Offices.** The Military Departments, Defense agencies, and DoD field activity we reviewed each had its own competitive sourcing division at the headquarters level. Each of the competitive sourcing offices provided program management, policy, guidance, and oversight of their competitive sourcing programs. Staffing within each office varied, but consisted of a combination of government personnel (civilian and Military) and contractor support. Figure 1 shows the staffing of the competitive sourcing offices we reviewed. The Military Departments, Defense agencies, and DoD field activity may have subordinate competitive sourcing offices in the field, such as major commands or installations, in addition to the competitive sourcing offices shown in Figure 1.



**Figure 1. Staffing of the Competitive Sourcing Offices Reviewed**

In addition to headquarters competitive sourcing offices, the Military Departments had offices with additional personnel dedicated to competitive sourcing. The Army Installation Management Agency and the Army Corps of Engineers both had competitive sourcing offices that provided guidance and

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oversight for public-private competitions. The Navy established two Acquisition Centers of Excellence (the Strategic Sourcing Acquisition and the Virtual Systems Command Centers of Excellence) that will be responsible for the preliminary planning and performance work statement development stages of public-private competitions in the Navy and Marine Corps. The Air Force established a Competitive Sourcing Division within the Air Force Manpower Agency to implement the Air Force-wide commercial activities program.

**DoD Transition Team.** The DUSD(I&E) Assistant Director for Housing and Competitive Sourcing led a competitive sourcing transition team. According to the Assistant Director, the team reviews each DoD Component's approach to or problems with implementing aspects of the public-private competition process under the revised circular. The results of the transition team meetings would be used to develop guidance to standardize the DoD public-private competition procedures. The team members were from DoD competitive sourcing, acquisition, and human resources offices. Selected transition team members also participated as subject matter experts in advising the Defense Acquisition University on competitive sourcing training material for the Overview and Preliminary Planning Courses.

## Objective

Our overall audit objective was to determine whether DoD employs a sufficient number of adequately trained civilian employees to satisfactorily conduct the public-private competitions scheduled during the next fiscal year, including a sufficient number of employees to satisfactorily formulate the performance work statements and most efficient organization plans and to administer any resulting contracts. See Appendix A for a discussion of the scope and methodology and for prior coverage related to the objectives. See Appendix B for a discussion of the workforce employed to administer any resulting contracts.

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## Competitive Sourcing Workforce

DoD used, or planned to use, contractor support to augment its workforce conducting public-private competitions because it does not maintain a sufficient experienced workforce needed to perform preliminary planning and develop performance work statements, quality assurance plans, and agency tenders for public-private competitions under OMB Circular No. A-76 (competitive sourcing program). DoD did not maintain a sufficient experienced workforce because:

- the DoD competitive sourcing program fluctuated from year-to-year due to various legislative changes and policy changes. The number of public-private competitions DoD announced annually from FY 1995 through FY 2004 ranged from 453 competitions (FY 1999) to 19 competitions (FY 2004); and
- most DoD personnel assigned to work on a public-private competition only participated in the program after their positions were selected for public-private competition, and therefore were neither experienced nor adequately trained.

As a result, maintaining a sufficient number of adequately trained civilian employees to satisfactorily conduct public-private competitions without contractor support would not be an effective use of DoD resources. However, maintaining a highly trained core DoD workforce was essential for overseeing the contractor support and inexperienced DoD personnel. Additionally, assuring that contractor support staff was experienced and adequately trained was also significant to the process.

## Use of Contractor Support to Augment the Competitive Sourcing Workforce

The Military Departments, Defense agencies, and field activity (hereafter referred to as DoD Components in this report) routinely used, or planned to use, contractor support to augment their DoD competitive sourcing workforce. Specifically, contractor support was used, or was planned to be used, to perform preliminary planning and to develop performance work statements, quality assurance plans, and agency tenders for public-private competitions under the revised circular. The DoD Components we reviewed had awarded 10 contracts for competitive sourcing support, totaling \$5,306,500. See Appendix C for a summary of the awarded contracts.

**Contractor Support.** We reviewed planned competitions for the Army Installation Management Agency, the Army Corps of Engineers, Navy, Air Force, DLA, DCMA, and DoDEA. The Army Corps of Engineers, DCMA, and DoDEA announced 22 competitions under the revised circular and had awarded contracts and used contractor support to augment its competitive sourcing workforce. Even

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though the Army Installation Management Agency, Navy, Air Force, and DLA had not publicly announced any competitions, they had awarded, or planned to award, contracts for contractor support in anticipation of future public-private competitions.

**Army Installation Management Agency.** The Army Installation Management Agency used contractor support to augment its workforce in its Competitive Sourcing Office. In addition, the Installation Management Agency awarded a contract in anticipation of a future public-private competition to Management Analysis, Inc., for \$265,440, to provide general support for the public-private competition. The contract included preliminary planning tasks, performance work statement development, quality assurance surveillance plan development, and agency tender development.

**Army Corps of Engineers.** The Army Corps of Engineers used contractor support to augment its Strategic Sourcing Program Office workforce and used contractor support to augment its workforce in preparing performance work statements and agency tenders. The Army Corps of Engineers Strategic Sourcing Program Office provided policy and oversight for the competitive sourcing program of the command. The Army Corps of Engineers issued task orders to Logistics Management Institute, for \$551,941, to provide strategic sourcing implementation support and acquisition related analysis to the Strategic Sourcing Program Office.

The Army Corps of Engineers publicly announced two standard competitions under the revised circular, one in June 2004 and one in August 2004. The Army Corps of Engineers awarded a contract, with multiple delivery orders, to Interactive Technologies Group, for \$1,261,957, to provide preliminary planning tasks, quality assurance surveillance plan development, and performance work statement development for both of the competitions. The Army Corps of Engineers also awarded one contract to Sytel, Inc., for \$548,187, and another contract to E. L. Hamm and Associates, for \$68,632, to develop the agency tenders of the competitions.

**Navy.** The Navy used contractor support to augment its workforce in the Competitive Sourcing Office and planned to use contractor support to augment its workforce in preparing performance work statements and agency tenders for public-private competitions. The Navy Competitive Sourcing Office prepared guidance and policy for the Strategic Sourcing Program of the Navy. The Competitive Sourcing Office also provided funding for the program including contractor support. The Navy awarded a contract to Value Systems Services, for \$135,463, for technical and analytical support to complete the commercial activities products for a planned public-private competition. In addition, the Navy planned to obtain contractor support by awarding separate multiple award contracts for preliminary planning and development of performance work statements and development of agency tenders.

**Air Force.** The Air Force used contractor support to augment its workforce for preliminary planning and planned to use contractor support to augment its workforce in developing performance work statements and agency

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tenders for public-private competitions in the future. Specifically, the Air Force used a General Services Administration contract with Science Applications International Corporation for assistance with multiple preliminary planning efforts for a total of \$1.5 million. In the future, the Air Force will use GovWorks to award three blanket purchase agreements, one each for preliminary planning, developing the performance work statement, and developing the agency tender. GovWorks is a self-sustaining Franchise Fund entity of the Department of Interior's Minerals Management Service authorized to perform contracting functions for other Government agencies. The Franchise Fund agencies established fees to cover their total estimated costs for providing the services. The Air Force Competitive Sourcing and Privatization Division will be responsible for soliciting and awarding contracts for the three blanket purchase agreements. Once the blanket purchase agreements are in place, the major commands will be responsible for working with GovWorks to award individual task orders.

**DLA.** DLA used contractor support to augment its workforce in the Competitive Sourcing Division and planned to use contractor support to augment its workforce in preparing performance work statements and agency tenders for public-private competitions. The DLA Competitive Sourcing Division provided policy, guidance, and oversight for DLA public-private competitions. DLA also had commercial activities program offices at its major field commands, which would manage the public-private competitions. The staffing of the offices depended on the number of competitions being managed. According to the Chief of the Competitive Sourcing Division, DLA sites under study would provide subject matter experts to each study team and contractor support would be provided to each study team to develop the performance work statement and the agency tender to help ensure the study teams had professional assistance and a consistent approach.

**DCMA.** DCMA used contractor support to augment its workforce in preparing performance work statements and agency tenders for public-private competitions. DCMA had publicly announced 12 streamlined competitions under the revised circular. DCMA awarded a contract to BAE Systems, for \$112,174, to provide analysis of preliminary planning data, to develop the quality assurance surveillance plan and the performance work statement, and to assist with market research to develop private sector prices for the 12 competitions. DCMA also awarded a contract to Warden Associates, Inc., for \$106,409, to provide training and consultative support to the agency tender official and advice on developing the cost of the most efficient organization for the 12 competitions.

**DoDEA.** DoDEA used contractor support to augment its workforce in preparing performance work statements and agency tenders for public-private competitions. DoDEA had publicly announced eight public-private competitions under the revised circular. Two employees from the Commercial Activities Program Office were assigned to each competition, one to assist with preparing the performance work statement and one to assist with preparing the agency tender. DoDEA issued a task order against a General Services Administration contract with Warden Associates, Inc., for \$484,527, for initial study planning and performance work statement development for its competitions. DoDEA

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issued a second task order against that contract, for \$271,770, for development of the agency tenders for its competitions.

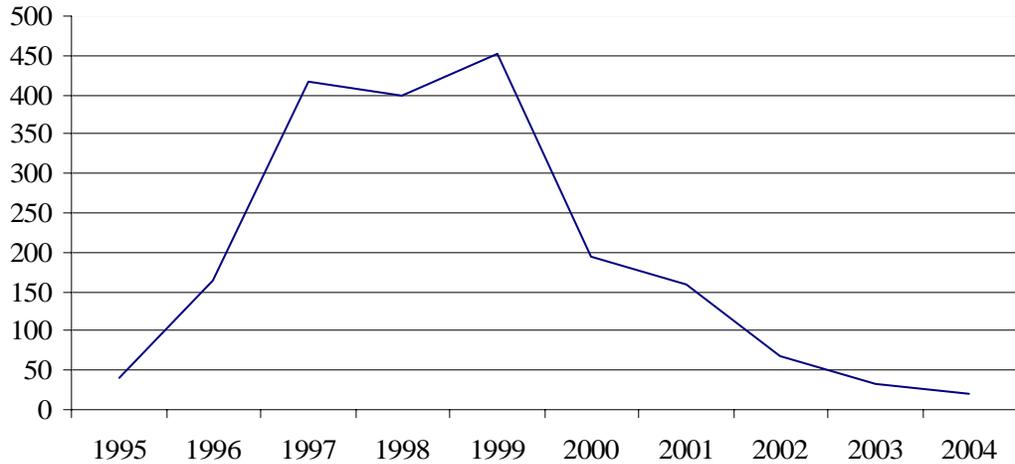
According to the Chief of the Commercial Activities Program Office, the procurement function of DoDEA was never staffed to handle the increase in workload brought about by the competitive sourcing program. As an alternative, DoDEA provided funding to GovWorks to review and advertise solicitations, accept bids, assist with vendor selection, and administer all contracts awarded through DoDEA public-private competitions. According to the Chief of the Commercial Activities Program Office, DoDEA would not have been able to execute its competitive sourcing program without the assistance of GovWorks.

## **Fluctuation of the DoD Competitive Sourcing Program**

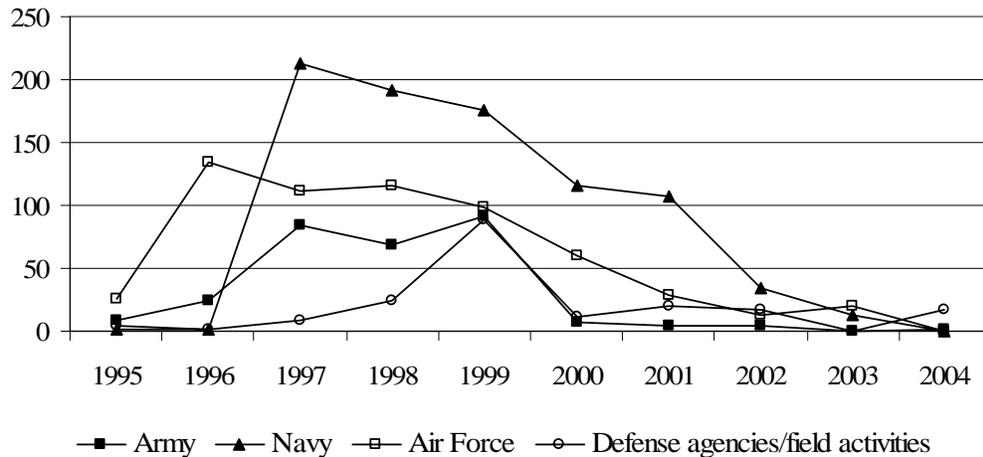
The DoD competitive sourcing program fluctuated from year-to-year because of various influences such as the Business Initiatives Council, OMB's major policy rewrite, and congressional legislative changes. These influences caused fluctuations to the number of competitive sourcing initiatives DoD announced each year. The number of competitive sourcing initiatives DoD announced annually from FY 1995 through FY 2004 ranged from 453 initiatives (FY 1999) to 19 initiatives (FY 2004).

**Number of Competitive Sourcing Initiatives Announced Annually.** DoD announced 41 competitive sourcing initiatives in FY 1995, 164 initiatives in FY 1996, 417 initiatives in FY 1997, and 400 initiatives in FY 1998. The announced number of competitive sourcing initiatives decreased significantly in FY 2002, when the Business Initiatives Council pursued alternatives to public-private competitions which occurred in conjunction with the congressionally mandated Commercial Activities Panel review of the previous circular, which led to OMB's major revisions to the circular issued in May 2003. Additionally, new legislation or legislative changes continued to affect the DoD competitive sourcing program. Section 335 of Public Law 108-136, "National Defense Authorization Act for Fiscal Year 2004," November 24, 2003, required DoD to delay implementation of the revised circular until 45 days after DoD submitted a report to Congress on the effects of the revision. DoD submitted the report and DoD implementation of the revised circular started in April 2004.

Figure 2 shows the overall fluctuation of the DoD competitive sourcing program and Figure 3 shows the fluctuation of the number of competitive sourcing initiatives announced by the Army, Navy, Air Force, and Defense agencies and field activities.



**Figure 2. Number of Competitive Sourcing Initiatives Announced by DoD from FY 1995 to FY 2004**



**Figure 3. Number of Competitive Sourcing Initiatives Announced by the Army, Navy, Air Force, and Defense Agencies and Field Activities from FY 1995 to FY 2004**

## DoD Personnel Participating in the Competitive Sourcing Program

Typically, DoD personnel assigned to participate in a public-private competition as a member of the performance work statement team or the most efficient organization team were functional or technical experts in their field and were selected to participate on the public-private competition because their function

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was scheduled to be competed. Therefore, most DoD personnel assigned to the teams were neither experienced nor adequately trained on the competitive sourcing process. The DoD Components would plan for contractors to provide just-in-time training on the competitive sourcing process to these personnel.

**Functional and Technical Experts.** The revised circular required performance work statement and most efficient organization teams to be composed of functional and technical experts. Functional and technical experts generally work in the function being competed and, therefore, possess the knowledge needed to develop a performance based work statement and an accurate agency tender. The functional and technical experts involved in the development of the performance work statement and agency tender, however, rarely possessed prior public-private competition experience or had competitive sourcing training. Prior to being selected to work on the public-private competition, the job duties of these experts would not have a requirement for public-private competition experience.

**Just-In-Time Training.** The DoD Components recognized that functional and technical experts did not possess the experience needed to develop performance work statements or agency tenders and required contractors to provide just-in-time training to the personnel. Of the 10 contracts reviewed, 7 required the contractor to provide training. For example, the Army Corps of Engineers performance work statement team was composed of six functional and technical experts, who were engineers and union representatives. Although two members had extensive experience in the development of performance based work statements, none of the team members had experience in public-private competitions. Consequently, the Army Corps of Engineers required that Interactive Technologies Group provide training to these individuals in addition to performing preliminary planning and developing the performance work statement and quality assurance surveillance plan. DoDEA also required its support contractor, Warden Associates, Inc., to provide just-in-time training to the performance work statement team. One DoDEA employee we interviewed was involved in a public-private competition and had no prior competitive sourcing experience and did not expect to be involved in another competition in the future.

Ensuring that all personnel identified as performing commercial activities were trained in competitive sourcing or to conduct public-private competitions would not be practical or an efficient use of DoD resources; however, the DUSD(I&E) should establish standardized training guidelines tailored for DoD competitive sourcing program offices, to include functional and technical experts assigned to work on public-private competitions.

## **Maintaining a Highly Trained DoD Workforce**

Maintaining a highly trained core DoD workforce was essential for overseeing the contractor support and inexperienced DoD personnel. In addition, assuring contractor support staff is experienced and adequately trained is also significant to the process.

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**Personnel Dedicated to Competitive Sourcing.** The DoD Components each had its own competitive sourcing office. The competitive sourcing offices were staffed with a core workforce that provided program management, policy, guidance, and oversight of competitive sourcing. In addition to headquarters competitive sourcing offices, the Military Departments had offices with additional personnel dedicated to competitive sourcing; however, they provided expertise and oversight in different ways.

**Army Installation Management Agency.** The Army Installation Management Agency had competitive sourcing offices that provided guidance and oversight for public-private competitions. The Installation Management Agency had competitive sourcing personnel at five of its seven regions, providing guidance and oversight for public-private competitions. According to the Office of the Assistant Chief of Staff for Installation Management, the Army considered developing a central group of core individuals, but determined it would be best to maintain control of the competitive sourcing process at the installation level.

**Navy Acquisition Centers of Excellence.** The Navy established two Acquisition Centers of Excellence (the Strategic Sourcing and the Virtual Systems Command Acquisition Centers of Excellence) that were composed of a core group of individuals within the Navy maintaining expertise in the competitive sourcing process to work with claimants/activities and provide oversight of contractor support during preliminary planning and development of the performance work statement. The Centers of Excellence will be responsible for the preliminary planning and performance work statement development stages of public-private competitions in the Navy and Marine Corps and will also provide acquisition support for the competitions. The Navy anticipates that the use of the Navy Acquisition Centers of Excellence should result in eliminating inefficiencies that arise from conducting public-private competitions for similar functions at multiple sites, focusing on execution of timely studies, analyses, and competitions, and ensure independence from external influences.

**Air Force Manpower Agency.** The Air Force also established a competitive sourcing division within the Air Force Manpower Agency to implement the Air Force commercial activities program. The competitive sourcing division personnel provided technical assistance for strategic sourcing preliminary planning studies and competitive sourcing studies, to include data validation and policy development and review. In addition, the competitive sourcing division managed the Air Force's portion of the Defense Commercial Activity Management Information System and maintained commercial activities guidebooks.

**Minimum Training Standards.** On February 1, 2001, the Deputy Under Secretary of Defense (Installations) issued a memorandum regarding OMB Circular No. A-76 training standards and stated that DoD must continually strive to improve and strengthen education and training of those involved to preserve fairness in the process and reduce the likelihood of errors. The memorandum directed DoD Components to set minimum training standards for key individuals involved in public-private competitions. The training policy remains relevant although it was issued prior to the revised circular.

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Of the DoD Components reviewed, only the Army Corps of Engineers and DLA had formally established minimum training standards. The Army Corps of Engineers established minimum training standards in its Strategic Sourcing Program Management Plan and DLA established minimum training standards in its *A-76 Competition Guidebook*.

**DoD Standardized Competitive Sourcing Training.** Section 335 of Public Law 108-136, “National Defense Authorization Act for Fiscal Year 2004,” November 24, 2003, required DoD to submit a report to Congress on the effects of the revisions to the OMB Circular No. A-76. DoD was required to respond on its plans to provide training to DoD personnel regarding the revised circular, including how the training would be funded, how personnel would be selected to receive the training, and the number likely to receive training.

In February 2004, DoD reported to Congress that standardized training on the competitive sourcing procedures required by the revised circular was being developed by the Air Force in conjunction with the Defense Acquisition University. The report stated that approximately seven competitive sourcing related courses were being developed. The report further stated that once courses were institutionalized at the Defense Acquisition University, DoD Components would be required to budget for competitive sourcing training, just as they include funding in their budgets for any DoD training requirement.

**Defense Acquisition University.** The Defense Acquisition University, in conjunction with the Air Force, developed two courses, Preliminary Planning and Executive Overview, which the Defense Acquisition University is now offering. In addition, the Defense Acquisition University plans to offer four additional courses, Cost Estimate and Baseline Cost Development, Acquisition Responsibilities for Public-Private Competitions, Development of Agency and Public Reimbursable Tenders, and Post Competition Accountability.

The Defense Acquisition University relied on \$445,000 in funding provided by the Air Force to develop the Preliminary Planning and Executive Overview courses. The Defense Acquisition University was attempting to obtain funding under the Service Acquisition Reform Act that could be used for the development of future competitive sourcing training courses. The President of the Defense Acquisition University stated that the University is committed to providing competitive sourcing training, and if funding through the Service Acquisition Reform Act does not transpire, priorities within the University would need to be adjusted to accomplish competitive sourcing training. However, he emphasized that the Service Acquisition Reform Act funding was really required.

The DUSD(I&E), in conjunction with the DoD Components, should establish minimum training standards for all DoD competition officials and review all Defense Acquisition University courses for standardization and consistency with the DoD Competitive Sourcing Program.

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## Experienced Contractor Personnel

It is important to ensure that the contractor support staff used to augment Military Department and Defense agency competitive sourcing personnel is experienced and adequately trained. Skilled experienced professional and technical personnel are essential for successful contractor accomplishment of preliminary planning, performance work statement, and agency tender. One method of ensuring skilled and experienced contractor support is to include contractor proposal evaluation factors for corporate experience and personnel resources in the solicitation. Corporate experience should be efforts performed by the contractor key personnel in contracts that are similar in scope, complexity, and size to the requirements of the request for proposals. The offeror should also demonstrate a feasible approach for providing the key personnel resources and management required to deliver quality products and services as required by the request for proposal.

The inclusion of a key personnel clause in the contract is a means to ensure that the contractor maintains the key personnel indicated in the contractor proposal. If a key personnel clause is included in the contract, the contractor agrees that key personnel will not be removed from the contract work or replaced without first notifying the contracting officer. If key personnel become unavailable for work, or are expected to devote substantially less effort to the work than indicated in the proposal, the contractor must promptly replace such personnel with personnel of at least substantially equal ability and qualifications. The contractor must provide a resume for the proposed substitute for the contracting officer's approval. Of 10 contracts we reviewed, only 4 included a key personnel clause. Including a key personnel clause in contracts will help ensure that the contractor support personnel is experienced in conducting work associated with the revised circular and that the level of expertise indicated in the contractor's proposal is maintained throughout the contract performance period.

## Conclusion

Due to the significant program fluctuation from year-to-year and various legislative and policy changes, maintaining a sufficient number of adequately trained civilian employees to satisfactorily conduct public-private competitions without contractor support would not be an effective use of DoD resources. Furthermore, it would not be practical or an effective use of DoD resources to ensure that all personnel identified as performing commercial activities were trained in competitive sourcing or to conduct public-private competitions, especially when functional and technical experts generally do not participate in more than one public-private competition. In FY 2003, DoD identified 207,652 civilian positions dedicated to performing commercial activities. These positions were identified as potential candidates for competition under the provisions of OMB Circular No. A-76. We believe it is reasonable that DoD used and planned to use contractor support to augment its workforce conducting public-private competitions and to provide just-in-time training. However, maintaining a highly trained core DoD workforce is essential for overseeing the contractor support and inexperienced DoD personnel. Additionally, DoD should

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ensure that contractor support personnel are experienced in conducting public-private competitions and that this level of expertise is maintained throughout the performance of the contract.

## **Recommendations, Management Comments, and Audit Response**

**1. We recommend that the Deputy Under Secretary of Defense (Installations and Environment), in conjunction with the DoD Components,**

**a) establish standardized training guidelines for DoD competitive sourcing program offices, to include DoD functional and technical experts assigned to work on public-private competitions, and**

**b) establish minimum training standards for all DoD competition officials.**

**Management Comments.** The Director, Housing and Competitive Sourcing, partially concurred stating that he plans to establish minimum standardized training guidelines for the DoD competitive sourcing program. He intends to focus on the training of the oversight and management of the competitive sourcing program, specifically for the individuals who need the core expertise to sustain a Component's competitive sourcing program. The training should include the designation and oversight of inherently governmental and commercial activities, preparation of annual inventories, management of budgets for competitions, responses to administrative disputes and litigation, development and interpretation of program policy, oversight of public-private competitions, and management of competitive sourcing service contracts. He also plans to establish minimum standardized training guidelines for individuals who are directly involved in performing competitions, specifically the five competition officials, and all members of the source selection evaluation board, the most efficient organization team, and the performance work statement team. The Director stated that the competitive sourcing program's policy and procedures must be established before training requirements are established and therefore does not anticipate taking the actions described above before FY 2006.

**Audit Response.** The Director, Housing and Competitive Sourcing, comments are responsive and meet the intent of the recommendation. We agree with the Director's plan for establishing minimum standardized training guidelines for the individuals who need the core expertise to sustain a Component's competitive sourcing program and for all members of the source selection evaluation board, most efficient organization team, and performance work statement team, including the competition officials. No further comments are required.

**2. We recommend that the Deputy Under Secretary of Defense (Installations and Environment) advise the DoD component competitive sourcing officials to include a key personnel clause in their competitive sourcing contractor support contracts to require that the contractor maintains the key personnel**

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**indicated in the contractor proposal, or personnel with at least substantially equal ability and qualifications.**

**Management Comments.** The Director, Housing and Competitive Sourcing partially concurred stating that the DUSD(I&E) does not have the authority to require the inclusion of a clause in a service contract and that any initiative to establish a key personnel clause should be under the purview of the Federal Acquisition Council. The Director stated that he shared the auditors concerns about maintaining the quality of contractor personnel throughout a competition; however, he believes that some of the problems associated with competitive sourcing service contracts may be attributable to the lack of proper oversight of service contracts awarded to assist with competitive sourcing. He proposes that the DoD competitive sourcing official send a memo to the component competitive sourcing officials, reminding them to ensure that their competitive sourcing staffs are trained to monitor service contracts awarded in public-private competitions, in accordance with Federal Acquisition Regulation Subpart 37.5 and Office of Federal Procurement Policy Letter 93-1.

**Audit Response.** Although the Director, Housing and Competitive Sourcing partially concurred with the recommendation, we do not consider the comments responsive. We agree that proper oversight of service contracts awarded to assist with competitive sourcing is essential; however the intent of the recommendation was to advise component competitive sourcing officials to include a key personnel clause to ensure support contractors maintained experienced personnel throughout the duration of the contract. While the Director, Housing and Competitive Sourcing may not have the authority to require that a key personnel clause be inserted into contracts, he can advise component competitive sourcing officials to include a key personnel clause, and can encourage the inclusion of a key personnel clause as a best practice on his SHARE A-76! Web site. We believe that the inclusion of a key personnel clause in competitive sourcing support contracts will help to ensure that the contractor support personnel is experienced in conducting work associated with the revised circular and that the level of expertise indicated in the contractor's proposal is maintained throughout the contract performance period. Therefore, we ask that he reconsider his position and provide additional comments in response to the final report.

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## Appendix A. Scope and Methodology

We performed this audit in response to the requirements in Section 328 of Public Law 108-375, "Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005," October 28, 2004. We based the audit finding on a review of the DUSD(I&E) Office of Housing and Competitive Sourcing list of public-private competitions that were either already announced or in various stages of preliminary planning. As of June 30, 2004, there were 32 competitions on the list, but 4 of the competitions were removed from the list during the course of the audit. The remaining 28 competitions belonged to the Army Corps of Engineers, the Navy, the Air Force, DLA, DCMA, and DoDEA.

We reviewed applicable OMB guidance and DoD Directives, Instructions, and Memorandums, dated from September 1985 through August 2004, related to the competitive sourcing program. We reviewed the draft instructions for the commercial activities programs of the Army, Navy, Air Force, and DLA. We reviewed the competitive sourcing programs of the Army, Navy, Air Force, DLA, DCMA, and DoDEA. We interviewed and obtained documentation from competitive sourcing personnel from the DUSD(I&E) Office of Housing and Competitive Sourcing and the competitive sourcing offices listed in Appendix C. We also held teleconferences with the performance work statement and most efficient organization team leaders for the Army Corps of Engineers competitions, met with the performance work statement team leader for a DoDEA competition, and held a teleconference with the agency tender official for a DoDEA competition.

We reviewed 10 contracts that were awarded for competitive sourcing support with the Army, Navy, Air Force, DCMA, and DoDEA, to identify contract requirements for performance work statement, quality assurance plan, and agency tender development; key personnel clauses; and just-in-time training requirements. We reviewed data obtained from the DoD Commercial Activities Management Information System to identify the number of public-private competitions that DoD announced from FY 1995 through FY 2004. We also attended the pilot offering of the Executive Overview course at the Defense Acquisition University, Fort Belvoir, Virginia; and met with and obtained documentation from the instructor responsible for developing and teaching the competitive sourcing courses at the Defense Acquisition University. We also met with the President, Defense Acquisition University to discuss plans for developing, delivering, and funding competitive sourcing courses in the future.

We performed this audit from June 2004 through December 2004 in accordance with generally accepted government auditing standards.

The scope was limited in that we did not review the management control program because the audit scope was limited to the objective specifically required by the National Defense Authorizations Act for Fiscal Year 2005.

**Use of Computer-Processed Data.** We relied on the DoD Commercial Activities Management Information System to identify the number of public-private

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competitions that DoD announced from FY 1995 through FY 2004. Due to time constraints, we did not test the accuracy of the computer-processed data; however, we did not find any errors that would preclude use of the data to meet the audit objective or that would change the conclusions in this report.

**Government Accountability Office High-Risk Areas.** The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the Strategic Human Capital Management, Defense Infrastructure Management, and Defense Contract Management high-risk areas.

## **Prior Coverage**

During the last 5 years, the Government Accountability Office and the Inspector General of the Department of Defense have issued numerous reports discussing the OMB Circular No. A-76 process and public-private competitions. Unrestricted Government Accountability Office reports can be accessed at <http://www.gao.gov>. Unrestricted Inspector General of the Department of Defense reports can be accessed at <http://www.dodig.osd.mil/audit/reports>.

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## Appendix B. Administering Resulting Contracts

None of the Military Departments, Defense agencies, or the field activity we reviewed had reached a final performance decision from a public-private competition that favored a private sector provider. Therefore, although we were able to determine the plans of the DoD Components reviewed, we were unable to actually verify the sufficiency of the DoD workforce employed to administer any resulting contracts from planned public-private competitions. We plan to revisit this issue after DoD has completed more public-private competitions under the revised circular.

The Army Corps of Engineers had publicly announced 2 standard competitions, DCMA had publicly announced 12 streamlined competitions, and DoDEA had publicly announced 8 streamlined competitions under the revised circular; however, only 15 streamlined public-private competitions were completed by January 19, 2005, and none had resulted in a contract award.

**Contract Administration for Standard Competitions.** The revised circular stated that an agency shall implement the performance decision resulting from a standard competition favoring a private sector source by awarding a contract in accordance with the Federal Acquisition Regulation. A standard competition should not exceed 12 months (18 months with a waiver) from public announcement (start date) to performance decision (end date).

The Army Corps of Engineers publicly announced two standard competitions, one in June 2004 and one in August 2004. Performance decisions were not expected for approximately 12 to 18 months after the public announcement was made. If a performance decision favored a private sector source, the Army Corps of Engineers planned to administer the resulting contract through its Baltimore District Office. According to the Strategic Sourcing Program Manager, the Baltimore District Office was selected to provide contracting support for all Army Corps of Engineers competitions to provide consistency across the command.

**Contract Administration for Streamlined Competitions.** The revised circular stated that an agency shall implement the performance decision resulting from a streamlined competition favoring a private sector source by issuing a solicitation to determine a private sector provider and awarding a contract in accordance with the Federal Acquisition Regulation. A streamlined competition should not exceed 90 days (135 days with a waiver) from public announcement (start date) to performance decision (end date).

DoDEA publicly announced four streamlined competitions in July 2004. In November 2004, DoDEA made performance decisions in favor of the agency provider for the four competitions. DoDEA publicly announced another streamlined competition in August 2004. On December 13, 2004, DoDEA posted a special notice on the FedBizOps Web site stating that the streamlined competition indicated private sector performance may be more cost-effective.

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The decision to convert to contract performance was pending receipt of private sector offers in response to a solicitation. DoDEA planned to perform a standard competition to solicit private sector offers, which should take 6 to 9 months. DoDEA announced three additional streamlined competitions in November 2004. Performance decisions were not expected for 135 days. If the performance decision for any of the competitions favored a private sector provider, DoDEA planned for GovWorks to administer the resulting contracts.

DCMA publicly announced 12 streamlined competitions in August 2004. In December 2004, DCMA made performance decisions in favor of the agency provider for 11 of the 12 competitions. DCMA also made an interim decision to issue a solicitation to the private sector for the remaining competition. The final performance decision on the competition will be made after responses to the solicitation are analyzed. According to the Competitive Sourcing Program Manager, if the performance decision favored a private sector provider, DCMA planned to administer the contract through its headquarters procurement division.

The Army Installation Management Agency, Navy, and Air Force had not publicly announced any public-private competitions under the revised circular.

**Army Contract Administration.** The Army Installation Management Agency had not publicly announced any public-private competitions under the revised circular. However, according to personnel at the Army Contracting Agency, any contracts resulting from a performance decision favoring a private sector provider in a public-private competition would be administered by the Army Contracting Agency personnel at the installation where the competition was conducted.

**Army Contracting Agency.** The Army Contracting Agency is a field operating agency reporting to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology. The Army Contracting Agency became an operational agency on October 1, 2002. The mission of the Army Contracting Agency is to provide command and control of the regional and installation contracting offices. The Army Contracting Agency was created to ensure that Army contracting was reshaped to consolidate similar and common-use contracts to reduce redundancy and leverage economies of scale, and to reduce management overhead and realign personnel to maximize efficient and effective operations.

The Army Contracting Agency directly supports the Installation Management Agency, a major customer of the Army Contracting Agency, by providing the base operations contracting support within the Directorate of Contracting for all training and warfighter Army installations. On October 1, 2002, installation contracting offices on Army installations were assigned to the Army Contracting Agency to provide support to the garrison commanders.

**Army Contracting Agency Concerns.** The Army Contracting Agency expressed concerns about the staffing requirement for administering resulting contracts from public-private competitions. In a March 2004 information paper, Army Contracting Agency personnel stated there was an unfinanced OMB Circular No. A-76 requirement because of additional contract administration and

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oversight it received as a result of a consolidation of Army contracting activities. The OMB Circular No. A-76 establishes contract administration factors and allowable grades based on the staffing of the most efficient organization. However, according to the Army Contracting Agency, the positions that should have been directed to perform contract administration based on the OMB Circular No. A-76 conversion chart belonged to the garrison commanders at the time the public-private competitions were completed and the positions were diverted to other areas, with no transfer of dollars or positions to the Director of Contracting that supports OMB Circular No. A-76 contract administration. The Army Contracting Agency stated that ongoing OMB Circular No. A-76 studies presented challenges in an area already understaffed and under-resourced, increasing future resource concerns.

The Army Audit Agency identified a significant weakness in the ability of the Army to perform adequate contract administration of service contracts in Report No. A-2002-0580-AMA, "Managing Service Contracts," September 23, 2002. The significant audit findings included ineffective planning for quality assurance requirements and lack of surveillance plans overall. The Acting Secretary of the Army stated in the FY 2003 Annual Statement of Assurance that several major commands had actions ongoing to improve various aspects of contract administration; however, an overall strategy for administering service contracts was needed. The targeted correction date for the weakness was the second quarter of FY 2005.

In an FY 2003 Memorandum of Understanding between the Installation Management Agency and the Army Contracting Agency, the Installation Management Agency agreed to provide contract administration spaces to the Directorates of Contracting when a public-private competition was awarded to a contractor. According to an Installation Management Agency official, the Installation Management Agency will fulfill its obligation for contract administration positions resulting from competitions going forward, but did not commit to fix problems regarding contract administration shortfalls resulting from legacy competitions that were executed by the predecessors of the Installation Management Agency.

**Navy Contract Administration.** The Navy had not publicly announced any public-private competitions under the revised circular. However, according to personnel at the Navy Competitive Sourcing Office and the Strategic Sourcing Acquisition Center of Excellence, any contracts resulting from a performance decision favoring a private sector provider in a public-private competition would be administered by the responsible claimant or activity.

**Air Force Contract Administration.** The Air Force had not publicly announced any public-private competitions under the revised circular. However, according to personnel at the Air Force Competitive Sourcing and Privatization Division and the Air Force Manpower Agency Competitive Sourcing Division, any contracts resulting from a performance decision favoring a private sector provider in a public-private competition would be administered by the responsible major command.

## Appendix C. Number of Public-Private Competitions and Contracts Awarded

<u>Sites Visited and/or Competitive Sourcing Personnel Interviewed</u>	<u>Number of Competitions</u>		<u>Final Performance Decisions</u>		<u>Support Contractors Used</u>	<u>Estimated Contract Amount</u>
	<u>Planned</u>	<u>Announced</u>	<u>In-house</u>	<u>Contractor</u>		
Office of the Assistant Chief of Staff for Installation Management	0	0	0	0		
Army Corps of Engineers Headquarters	2	2	0	0	Sytel, Inc.	\$ 548,187
					Interactive Technologies Group, Inc.	1,261,957
					E. L. Hamm & Associates, Inc.	68,632
					Logistics Management Institute	551,941
Army Contracting Agency Headquarters	0	0	0	0		
Army Contracting Agency-Northeast	0	0	0	0		
Installation Management Agency Headquarters	1	0	0	0	Management Analysis, Inc.	265,440
Installation Management Agency-Northeast	0	0	0	0		
Navy Strategic Sourcing Office Headquarters	2	0	0	0	Value Systems Services	135,463
Acquisition Center of Excellence	0	0	0	0		
Air Force Headquarters						
Competitive Sourcing Privatization Division	1	0	0	0	Science Application International Corporation	1,500,000
Air Force Manpower Agency	0	0	0	0		
Marine Corps Headquarters						
Business Enterprise Office	1	0	0	0		
Defense Logistics Agency						
Competitive Sourcing Division	3	0	0	0		
Defense Contract Management Agency					BAE Systems Analytical Solutions Inc.	112,174
Competitive Sourcing Office	12	12	11	0	Warden Associates, Inc.	106,409
Department of Defense Education Activity						
Commercial Activities Program Office	10	8	4	0	Warden Associates, Inc.	756,297
<b>Total</b>	<b>32</b>	<b>22</b>	<b>15</b>	<b>0</b>		<b>\$5,306,500</b>

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## **Appendix D. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics  
Deputy Under Secretary of Defense (Installations and Environment)  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
Deputy Chief Financial Officer  
Deputy Comptroller (Program/Budget)  
Under Secretary of Defense for Personnel and Readiness

### **Department of the Army**

Auditor General, Department of the Army

### **Department of the Navy**

Naval Inspector General  
Auditor General, Department of the Navy

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller)  
Auditor General, Department of the Air Force

### **Combatant Command**

Inspector General, U.S. Joint Forces Command

### **Other Defense Organizations**

Director, Defense Logistics Agency  
Director, Defense Contract Management Agency  
Director, Department of Defense Educational Activity

### **Non-Defense Federal Organization**

Office of Management and Budget

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## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations  
Senate Subcommittee on Defense, Committee on Appropriations  
Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on Defense, Committee on Appropriations  
House Committee on Armed Services  
House Committee on Government Reform  
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform  
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform  
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform



# Deputy Under Secretary of Defense (Installations and Environment) Comments



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

## OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

January 21, 2005

MEMORANDUM FOR PROGRAM DIRECTOR, CONTRACT MANAGEMENT  
ODOD(IG)

THROUGH: DIRECTOR, AR&A *for PJ* JAN 28 2005

SUBJECT: Report on DoD Workforce Employed to Conduct Public-Private  
Competitions Under the DoD Competitive Sourcing Program (Project No.  
D-2004CH-0188)

This memorandum responds to your request for comments on the subject draft report. We appreciate your staff's willingness to work with my staff and the DoD Components to gather the details for this report. While we generally concur with the report, we partially concur with the recommendations as provided below.

### Recommendations 1.a. and 1.b.

We partially concur with recommendations 1.a. and 1.b. To implement recommendation 1.a., we plan to establish minimum standardized training guidelines for DoD competitive sourcing program offices. We plan to establish minimum standardized training guidelines for DoD individuals participating in public-private competitions (i.e., competition officials and individuals assigned to work on public-private competition teams) to implement recommendation 1.b.

We believe that establishing standardized training guidelines falls solely under the purview of the DoD Competitive Sourcing Official (CSO), and that both recommendations reflect the same requirement to establish "minimum standardized training guidelines." The difference between "standardized training guidelines" (in the first recommendation), and "minimum training standards" (in the second recommendation), is unclear, and may lead to an interpretation that the training requirements differ. Furthermore, the two recommendations would be more appropriate if the first were to focus on training in the oversight and management of a competitive sourcing program, and the second on competition-specific training.

The training requirements proposed in recommendation 1.a. would serve the Department better by focusing on the individuals who need the core expertise to sustain a Component's competitive sourcing program. This training would encompass far more than the public-private competition process. These individuals have competitive sourcing program oversight responsibilities to implement all aspects of Office of Management and Budget Circular No. A-76 (Revised), Performance of Commercial Activities. Therefore, their training should extend beyond the competitive process, to include the designation



and oversight of inherently governmental and commercial activities, preparation of annual inventories, management of budgets for competitions, responses to administrative disputes and litigation, development and interpretation of program policy, oversight of public-private competitions, and management of competitive sourcing service contracts. The training requirement proposed in recommendation 1.b. is unclear in its reference to "DoD core competitive sourcing officials." The terms "competitive sourcing official" and "competition officials" are defined in the Circular, but the term "core competitive sourcing officials" is not used in the Circular. The Circular requires that one agency official be designated as the "competitive sourcing official" [in the Department's case, the Deputy Under Secretary of Defense (Installations and Environment) (DUSD(I&E))] and that multiple individuals be appointed to perform the requirements for a specific competition. We believe that the purpose of this recommendation is to establish training requirements for individuals that are directly involved in performing competitions who are identified in the Circular as the five competition officials and all members of the source selection evaluation board, most efficient organization team, and performance work statement team. Otherwise, the report would ignore key participants in a competition who are not considered functional or technical experts. Our position is that such training should be provided to all individuals participating in competitions. While these individuals may not be functional or technical experts, their expertise (e.g., human resources, contracting, costing) is invaluable to public-private competition process .

We do not anticipate that we will establish training requirements until we have completed our update to the DoD implementing guidance for the revised Circular (DoD Directive 4100.15 and DoD Instruction 4100.33). While the DoD Directive is currently in formal coordination, the DoD Instruction will not be finalized for formal coordination until we have completed some of our initial public-private competitions under the revised Circular. The revised DoD Instruction may incorporate some of our lessons learned from these competitions as well as expertise provided by the DoD Components through the DoD A-76 Transition Team. Before we can establish training guidelines for the competitive sourcing program, we must establish the program's policy and procedures. Therefore, we do not expect to take the actions described above until some time in Fiscal Year 2006.

**Recommendation 2.**

We partially concur with recommendation 2, in recognition of the limits of the DUSD(I&E)'s authority. The DUSD(I&E) does not have the authority to require the inclusion of a clause in a service contract. The Federal Acquisition Regulation (FAR) prescribes the use of standard clauses, and, therefore, any initiative to establish a key personnel clause should be under the purview of the Federal Acquisition Council. Moreover, the incorporation of a clause in the Department's service contracts will not

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solve the problems identified in the report. We share your concern about maintaining the quality of contractor personnel throughout a competition, it is not obvious to us how this recommendation solves the problem. We believe that some of the problems associated with competitive sourcing service contracts may be attributable to the lack of proper oversight of service contracts awarded to assist with competitive sourcing. Thus, we will propose that the DoD CSO send a memo to the Component CSOs, reminding them to ensure that their competitive sourcing staffs are trained to monitor service contracts awarded in public-private competitions, in accordance with FAR Subpart 37.5 and Office of Federal Procurement Policy Letter 93-1.

My action officer for the subject report is Mrs. Annie L. Andrews, Assistant Director for Housing and Competitive Sourcing, (703) 602-2608.



Joseph K. Sikes  
Director, Housing and Competitive Sourcing

cc:  
Director, Defense Procurement and Acquisition Policy

## **Team Members**

The Office of the Deputy Inspector General for Auditing of the Department of Defense, Contract Management prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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