

Snapshot of Three OFPP Initiatives

Competitive Sourcing
Interagency Contracting
Use of T&M and L&H Contracts

March 31, 2006

Competitive Sourcing: Results

FY 2005

- 181 competitions completed involving nearly 10,000 FTEs.
- Net savings or cost avoidances projected to be \$3.1 billion over the next 5-10 years. Savings generated through operational consolidations, process reengineering, workforce realignments, better use of technology, and lower contractor support costs.
- Competitions focused largely on logistics, maintenance & property mgmt, IT, finance & accounting, and HR.
- For more information, go to: www.results.gov

Competitive Sourcing: Results (con't.)

Three-year results

- More than 1,000 competitions completed involving over 40,000 FTEs. 25 of 26 PMA agencies announced or completed competitions.
- Net savings or cost avoidances projected to be \$5.6 billion over the next 5-10 years. One-time, out-of-pocket expenses were about \$210 million, representing a return of about \$27 for every dollar spent on competition.
- Best value tradeoffs produced estimated annual net savings of \$68,000 per FTE, roughly three times the overall average of \$23,000.
- Federal employees fared well, receiving more than 80% of the work competed during FYs 2003,2004, & 2005.
- 80% of work (as measured by FTEs) competed through standard competitions.

Competitive Sourcing: Legislative Issues

Provisions affecting process

- Limitations on the use of best value tradeoffs. (Section 842 of P.L. 109-115; section 341 of FY 06 Defense Authorization Act, amending 10 U.S.C. 2461).
- Requirement for health benefit cost comparability in DOD competitions (section 8014 of the Defense Appropriations Act, FY 2006).
- Requirement for DOD to develop guidelines for considering when work should be insourced (section 343 of FY 06 Defense Authorization Act).

Provisions limiting funding

- Decreased funding for competitive sourcing in civil works program account (Energy & Water Development Appropriations Act).
- Funding caps on appropriations for competitions at DOI & Forest Service (Interior Appropriations Act).

Competitive Sourcing: Leg. Issues (con't.)

Prohibitions on application

- Prohibition on use of competition for rural development & farm loan programs (Agriculture Appropriations Act).
- Prohibition on use competition for immigration information activities (Homeland Security Appropriations Act).

Limited lifting of current restriction

- 2005 Veterans Health Care Act (S. 1182) would authorize limited resumption of competitive sourcing at the Department of Veterans Affairs.

Competitive Sourcing: Initiatives

- Tracking results of competitions.
 - Government-wide database to monitor trends more effectively, promote successes and make adjustments where weaknesses are identified.
 - Data elements build on current government-wide “section 647” reporting requirements.
 - OMB reporting guidance requires agencies to identify cost projections by performance period.
- Improved accountability for results.
 - DOD using standardized methodology for establishing baselines.
 - Agencies establishing internal processes to independently validate results from completed competitions.
 - Focus on best practices for post-competition accountability.
- Continued integration of competitive sourcing and human capital initiatives.

Interagency Contracting

- OFPP initiative to improve the management and use of interagency contracts.
- Interagency contracts offer important benefits, including efficiency and the ability to leverage resources.
- Address documented weaknesses, such as those identified by GAO, and recommendations by Section 1423 Acquisition Advisory Panel.
- OFPP established an interagency group. Its main tasks include:
 - Developing guidance to address the roles and responsibilities of interagency contract managers and their customers.
 - Looking at ways to improve the strategic use of these vehicles (e.g., share information to facilitate more coordinated buying).

Interagency Contracting (con't.)

- OFPP data call issued to agencies in February to establish a clearer understanding of:
 - number of interagency contracts, scope of vehicles, primary users, & rationale for establishment & renewal;
 - number of interagency acquisitions conducted on customer agency's behalf by another agency (i.e., assisted acquisitions); and
 - number of agency-wide (enterprise-wide) contracts, scope of vehicles, & rationale for establishment & renewal.
- For more information, go to:
http://www.whitehouse.gov/omb/procurement/index_interagency_acq.html

Use of T&M and LH Contracts

- Section 1432 of the Services Acquisition Reform Act (SARA) authorizes the use of time-and-materials (T&M) and labor-hour (LH) contracts for the acquisition of commercial services under specific conditions.
- Authorized categories for use:
 - Commercial services procured for support of a commercial item as described in section 4(12)(E) of the OFPP Act (i.e., installation, maintenance, repair, training & other services, if the services are procured for support of a commercial item & offeror provides similar services to the public under similar terms & conditions).
 - Any other category of commercial services designated by OFPP on the basis that the service is commonly sold to the general public using T&M or LH contracts & authorized use of T&M or LH contracts to procure the services is in the best interests of the government.

Use of T&M and LH Contracts (con't)

- OFPP (with regulatory Councils' support) reviewed information on types of services commonly acquired by the general public on a T&M/LH basis & circumstances for use.
- Information considered included public comments and GAO survey of private sector practices.
- OFPP made 3 findings:
 - (1) T&M and LH contracts are commonly used when requirements are not sufficiently well understood & risk can be managed.
 - (2) Commercial services sold on a T&M or LH basis are also generally offered on a fixed-price basis.
 - (3) A few types of services are sold predominantly on a T&M and LH basis (emergency repair services)

Use of T&M and LH Contracts (con't)

OFPP Recommendations on Authorized Use (as stated in proposed FAR rule)

- Allow agency to purchase any commercial service on a T&M or LH basis if the following conditions are met:
 1. D&F is issued with sufficient facts & rationale to justify that a fixed-price arrangement is not suitable; and
 2. Other conditions of section 8002(d) of FASA are met.