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To: David C. Childs A-76comments/OMB/EOP@EOP

cc:

Subject: Fwd: 2nd attempt on A-76 comments

Please accept my attached comments on the draft revision of OMB Circular A-76. My original email with comments was returned undelivered as the Email address listed in the Fed Reg was confusing as it broke off "A-" on a separate line making the apparent address 76comments@omb.eop.gov Thank you for your consideration.

Ron O'Hanlon

Mr. David Childs
Office of Federal Procurement Policy
Office of Management and Budget
725 17th Street NW.
New Executive Office Building Rm 9013
Washington, D.C.20503

December 19, 2002

Dear Mr. Childs

Thank you for the opportunity to comment on the the proposed revisions to OMB Circular A-76 and Attachments. I agree that the Federal Government should, as much as is practicable and cost effective, use private sources for 'commercial' services. However, I also believe that many agency employees are already providing the 'best value' service to the American public.

I have spent over 20 years working with both agency employees and private contractors on over 100 federal contracts. From my experience, I would say that the agency employees have a greater dedication to the mission of the agency and quality results than contractors. Some contractors have exhibited a high regard for quality work but the majority have been focused on meeting the minimum standards required to get payment. Neither price nor dedication to quality can be correlated to the size of the company. The only clear correlation I have seen is that larger companies with the most experience with government contracts tend to file more claims and ask for 'budget augmentations'.

I do agree with the new A-76 in the use of the Federal Acquisition Regulations to control the solicitation and source selection processes. The use of the 'best value' approach where past performance becomes part of the source selection evaluation criteria should be very useful.

I have read the report prepared by the Commercial Activities Panel and feel that the new A-76 includes most of their recommendations. I think another of their recommendations that should have been incorporated was the idea of the 'Highly Performing Organizations (HPO's) being exempt from competition. There are some agencies like the USDA Forest Service that have developed internal market driven entrepreneurial service groups that provide services to itself and other Federal agencies on a 'fee for service' basis. These groups were formed to provide innovative ways of moving toward a government that 'works better and costs less'. These groups are also identified as part of the Strategic Management of Human Capital section of the President's Management Agenda.

My assumption is that if a public reimbursable source has less than \$1 million in annual revenue then the rest of Attachment D and all of the other Attachments only apply to public reimbursable sources with greater than \$1 million in annual revenues. Section **1. Timeframe**. Follows suit and uses the term "all applicable existing Commercial ISSAs" but section **2. Recompensation**

The \$1 million in annual revenue figure is also confusing. Section **A. Applicability** directs customer agencies to compete ISSA's with greater than \$1 million in annual revenue. Does this mean that the customer is buying greater than \$1 million via a single ISSA or that the source is providing greater than \$1 million in annual services to all its customers combined? It's not likely that the customer would know which providers are grossing greater than \$1 million in annual revenues.

All of the references to **Public Reimbursable Sources** in the other Attachments need to be reviewed to see if there should be clarification of those **Public Reimbursable Sources** that fall under the Applicability section of Attachment D. For example, Attachment B Paragraph A. 2. **b.To Justify a Source**. says

"Agencies shall use Standard Competitions to justify the following:

(1)Commercial Inter-Service Support Agreement (ISSA).A Commercial ISSA performed by a public reimbursable source."

Does this include an existing ISSA for a **Public Reimbursable Sources** with \$1 million or less annual revenue?

Also, Attachment D Section B. 2. Recompensation refers back to Attachment B Section 5. Post Competition requirements. In Attachment B Section 5. b. **(2)Agency or Public Reimbursable Source Decision**, it states that the ISSA should include the date of re-competition. Based on Attachment D Section **A. Applicability**, this does not apply to

I think there is a type in Attachment C E. 2. " c.Post Conversion and Recompensation Phase..Agencies shall implement the decision, administer performance,and re-compete the activity in accordance with paragraph C.6.in Attachment B." I believe this should be referring to paragraph C.5 in Attachment B.

Attachment E B. 1 c.Full-Time Equivalents. The use of 1776 hours to represent a FTE may cause agencies to understaff their MEO's; cause them to perform below acceptable levels and cause them to lose some activities. This figure is high even for technical or labor intensive activities. The OMB reported that the average federal worker is age 45+. Using 2080 hours of paid time; 10 holidays (80 hours), 4 weeks of annual leave (160

I endorse the concept of Competitive Sourcing with the caveat that it should start with programs where there are stable, well defined missions that have substantial number of personnel doing similar tasks. Once those have been studied, then work down to smaller agencies, and utilize what was learned from past studies. It doesn't make fiscal sense to have all agencies conduct expensive studies just to meet a number quota. There are many agencies where the workforce is not segregated by functions and utilize cross functionality to provide efficiency in delivery of services to the public. For example,

An analogy could be made between two farms that raise chickens and the broad brush approach to the application of Competitive Sourcing to all civilian agencies. The DOD could be represented by a corporate chicken ranch with 10,000 birds and the USDA Forest Service by a small farm that has multiple crops but has a dozen chickens running loose in the yard. The corporate chicken rancher's emphasis is maximizing profits through the sale of meat, eggs, and fertilizer. The small farmer's main purpose for his chickens is to provide eggs and insect control.

A review needs to be made to find out where the 'best value' can be found in applying Competitive Sourcing and where the point of diminishing return will cause a reduction in delivery of service to public.

Please keep me informed of any new developments in this program.

Sincerely

/s/

Ron O'Hanlon