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DoD Inspector General Report to Congress on Section 325 of the “National Defense Authorization Act for Fiscal Year 2008”

**Office of Management and Budget Influence
Over DoD Public-Private Competitions**

Report No. D-2009-034

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December 15, 2008

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Acronyms

AETC	Air Education and Training Command
ATO	Agency Tender Official
IG	Inspector General
MEO	Most Efficient Organization
NAVFAC	Naval Facilities Engineering Command
NSPS	National Security Personnel System
OMB	Office of Management and Budget
OSD	Office of the Secretary of Defense
PWS	Performance Work Statement

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Results in Brief

Section 325 of the “National Defense Authorization Act for Fiscal Year 2008” prohibits the Office of Management and Budget (OMB) from directing or requiring the Secretary of Defense or Secretary of a Military Department to undertake a public-private competition under OMB Circular No. A-76. Section 325 also requires the Inspector General of the Department of Defense to submit an interim report to Congress not later than 90 days after the enactment of the Act, and requires a final report by December 31, 2008, addressing DoD compliance during calendar year 2008 with the section requirements. As required, we issued Report No. D-2008-088, “DoD IG Interim Report to Congress on Section 325 of the National Defense Authorization Act for Fiscal Year 2008: Office of Management and Budget Influence Over DoD Public-Private Competitions,” on April 22, 2008. We found no indication that OMB was either directing or requiring the Secretary of Defense or Secretary of a Military Department to undertake a public-private competition under OMB Circular No. A-76.

DoD Guidance on Section 325. On March 20, 2008, the Deputy Under Secretary of Defense for Installations and Environment issued to the DoD Components competitive sourcing guidance related to restrictions in the FY 2008 Defense Authorization Act. He stated that restrictions in the FY 2008 Defense Authorization Act limit, but do not entirely prohibit, the use of the competitive sourcing tool. He stated that DoD independently determines its competitive sourcing program during the normal program and budget review process. Annual and out-year plans are established by each Component and submitted via the DoD Comptroller’s PB-42 budget exhibit (PB-42) and **“Components are expected to execute these plans.”** [emphasis added] He stated that competitive sourcing is an important and essential management tool, and therefore encouraged Components **“to continue to use competitive sourcing to the maximum extent possible”** [emphasis added] to determine the most cost-effective business methods to perform commercial activities.

President’s Management Agenda and Changes to DoD Competitive Sourcing Requirements. In the interim report, we explained that competitive sourcing was the second initiative in the President’s Management Agenda and as a result, there was pressure on DoD to conduct public-private competitions. In FY 2002, OMB directed DoD to conduct competitions on 50 percent of its Federal Activities Inventory Reform Act inventory, or [REDACTED]. The Under Secretary of Defense (Comptroller) approved a revised goal of [REDACTED] to meet the OMB goal on December 22, 2003, via Program Budget Decision 729. According to the draft FY 2009 PB-42, dated March 2008, as of FY 2007 DoD had completed public-private competitions, military-to-civilian conversions, and alternatives to public-private competitions for [REDACTED], 59 percent of the President’s Management Agenda goal of [REDACTED]; and had public-private competitions, military-to-civilian conversions, and alternatives to public-private competitions in-progress or planned for [REDACTED] through FY 2013. The final FY 2009 PB-42, dated September 2008, shows a significant decrease in planned DoD public-private competitions. Specifically, from FY 2009 through FY 2014, the Army has zero positions planned for competition, the Navy has [REDACTED] planned for competitions, and the Air Force has competitions planned for [REDACTED]. According to the Defense Commercial Activities Management Information System, as of October 14, 2008, DoD had 39 public-private competitions (9,006 positions) in-progress, but officials for all three Military Departments stated that they did not plan to announce more competitions in calendar year 2008.

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On May 22, 2008, OMB renamed the Competitive Sourcing initiative to Commercial Services Management to recognize that agencies are improving commercial functions using a number of management tools, including competitive sourcing, business process reengineering, and the establishment of high performing organizations. On November 4, 2008, the Office of the Secretary of Defense (OSD), Office of Housing and Competitive Sourcing Deputy Director of Competitive Sourcing stated that DoD has not rescinded Program Budget Decision 729; however, DoD Components were no longer required to meet the targets.

Discussions With DoD Competitive Sourcing and Competition Officials. For our interim report, we discussed pressure to conduct public-private competitions with DoD competitive sourcing officials and headquarters-level competitive sourcing officials for the three Military Departments. All stated that they were not directed by and did not feel pressure from OMB to conduct public-private competitions. However, at the time, the Army was feeling extreme pressure from OSD to conduct public-private competitions. In addition to speaking with headquarters-level officials to discuss pressure to conduct public-private competitions, we also selected ongoing competitions within each of the three Military Departments to discuss pressure with competition officials. Although many competitive sourcing representatives that we met with had concerns about the competitive sourcing process, the Major Command and Budget Submitting Office competitive sourcing officials agreed with the statements made by headquarters-level officials, and stated that the pressure to conduct public-private competitions was not directly from OMB or OSD, but from the chain of command.

Concerns About the Competitive Sourcing Process and OSD Comments. In addition to the pressure to conduct public-private competitions, we discussed concerns about the competitive sourcing process with competition officials. Officials within the Military Departments raised many of the same concerns about the competitive sourcing process. The main concerns included staffing, specifically the strain created by removing people from their regular duties to complete a competition as well as the strain placed on the workforce under competitions; changing guidance, with the main concern being costing of personnel under the National Security Personnel System; and how firewalls used to separate the performance work statement and most efficient organization teams should be implemented throughout the chain of command. Additional concerns included follow-on competitions, qualifications for the agency tender official (the Government official responsible for the in-house proposal), support contractors, training, and other contracting issues. The OSD Office of Housing and Competitive Sourcing, Deputy Director for Competitive Sourcing also provided comments on the concerns raised about the competitive sourcing process.

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FY 2008 Defense Authorization Act

SEC. 325. RESTRICTION ON OFFICE OF MANAGEMENT AND BUDGET INFLUENCE OVER DEPARTMENT OF DEFENSE PUBLIC-PRIVATE COMPETITIONS.

(a) **RESTRICTION ON OFFICE OF MANAGEMENT AND BUDGET.**—The Office of Management and Budget may not direct or require the Secretary of Defense or the Secretary of a military department to prepare for, undertake, continue, or complete a public-private competition or direct conversion of a Department of Defense function to performance by a contractor under Office of Management and Budget Circular A–76, or any other successor regulation, directive, or policy.

(b) **RESTRICTION ON SECRETARY OF DEFENSE.**—The Secretary of Defense or the Secretary of a military department may not prepare for, undertake, continue, or complete a public-private competition or direct conversion of a Department of Defense function to performance by a contractor under Office of Management and Budget Circular A–76, or any other successor regulation, directive, or policy by reason of any direction or requirement provided by the Office of Management and Budget.

(c) **INSPECTOR GENERAL REVIEW.**—

(1) **COMPREHENSIVE REVIEW REQUIRED.**—The Inspector General of the Department of Defense shall conduct a comprehensive review of the compliance of the Secretary of Defense and the Secretaries of the military departments with the requirements of this section during calendar year 2008. The Inspector General shall submit to the congressional defense committees the following reports on the comprehensive review:

(A) An interim report, to be submitted by not later than 90 days after the date of the enactment of this Act.

(B) A final report, to be submitted by not later than December 31, 2008.

(2) **INSPECTOR GENERAL ACCESS.**—For the purpose of determining compliance with the requirements of this section, the Secretary of Defense shall ensure that the Inspector General has access to all Department records of relevant communications between Department officials and officials of other departments and agencies of the Federal Government, whether such communications occurred inside or outside of the Department.

DoD Guidance on FY 2008 Defense Authorization Act

On March 20, 2008, the Deputy Under Secretary of Defense for Installations and Environment issued to the DoD Components competitive sourcing guidance related to restrictions in the FY 2008 Defense Authorization Act. For the full text of the guidance, see the Appendix. The purpose of the memorandum was to reaffirm DoD's commitment to the administration's public-private competition program as an important and essential management tool. The Deputy Under Secretary stated that the restrictions in the FY 2008 Defense Authorization Act limit, but do not entirely prohibit, the use of the competitive sourcing tool. He stated that it is imperative that the Department continue to use competitive sourcing to the greatest extent possible, and encouraged Components **“to continue to use competitive sourcing to the maximum extent possible to determine the most cost-effective business methods to perform commercial activities.”** [emphasis added]

The Deputy Under Secretary stated that section 325 prohibits the Office of Management and Budget (OMB) from directing or requiring the Secretary of Defense or Secretary of a Military Department to undertake a public-private competition under OMB Circular No. A-76; however, DoD does not conduct public-private competitions at the requirement or direction of OMB. Specifically, he stated:

The Department independently determines its competitive sourcing program during the normal program and budget review process. Annual and out-year plans are established by each Component and submitted via the DoD Comptroller's PB-42 budget exhibit and **Components are expected to execute these plans.** [emphasis added]

Section 325 Interim Report Results

On April 22, 2008, the DoD Inspector General (IG) issued an interim report to Congress on section 325 of the “National Defense Authorization Act for Fiscal Year 2008” (<http://www.dodig.mil/Audit/reports/fy08/08-088.pdf>). In DoD IG Report No. D-2008-088, “DoD IG Interim Report to Congress on Section 325 of the National Defense Authorization Act for Fiscal Year 2008: Office of Management and Budget Influence Over DoD Public-Private Competitions,” we discussed the President’s Management Agenda, the history of the DoD target for competitive sourcing, and the OMB scorecard. We informed Congress that on March 20, 2008, the Deputy Under Secretary of Defense for Installations and Environment issued guidance related to the restrictions of section 325, stating that DoD independently determines its competitive sourcing program and he expected Components to execute these plans and to continue to use competitive sourcing to the maximum extent possible. We also informed Congress that the fact that competitive sourcing was a President’s Management Agenda item created pressure on DoD to conduct public-private competitions.

President’s Management Agenda and OMB Pressure. Competitive sourcing was the second initiative on the President’s Management Agenda.¹ In FY 2002, OMB directed DoD to complete public-private competitions on 50 percent of the DoD Federal Activities Inventory Reform Act inventory [REDACTED] by FY 2005. OMB informed DoD that DoD’s Federal Activities Inventory Reform Act inventory was more than half of the Government-wide inventory, and therefore, the DoD share was “critical to the overall success (or failure)” of the competitive sourcing initiative. OMB rates DoD’s competitive sourcing efforts using the Executive Management Branch Scorecard. In FY 2004, DoD achieved a successful “green” rating on the scorecard; however, the majority of DoD’s ratings in FY 2005 and FY 2006 were unsatisfactory, or “red.” In FY 2008, OMB rated DoD’s competitive sourcing initiative as “yellow” for mixed results, meaning that DoD needed to make adjustments to the program in order to achieve objectives on a timely basis.

DoD Competitive Sourcing Targets. In June 2003, the DoD Business Initiative Council approved revised goals to meet the OMB directed goal of [REDACTED] to be studied. The Under Secretary of Defense (Comptroller) approved the revised goals on December 22, 2003, via Program Budget Decision 729. Program Budget Decision 729 reflected the revised goal of [REDACTED] and directed the Services and Defense agencies to fund the studies of these positions from FY 2004 through FY 2008, so that they all would be completed by FY 2009, as directed by OMB. According to the draft FY 2009 DoD Comptroller’s PB-42 budget exhibit (PB-42), as of FY 2007, DoD had completed public-private competitions, military-to-civilian conversions, and alternatives to public-private competitions for [REDACTED], 59 percent of the President’s Management Agenda goal of

¹ On May 22, 2008, OMB renamed the Competitive Sourcing initiative to Commercial Services Management to recognize that there are other management tools to achieve efficiencies and improve commercial functions, including competitive sourcing, business process reengineering, and the establishment of high performing organizations.

[REDACTED]; and had public-private competitions, military-to-civilian conversions, and alternatives to public-private competitions in-progress or planned for [REDACTED] through FY 2013.²

Discussions With DoD Competitive Sourcing Officials. We held meetings with officials from the Office of the Secretary of Defense (OSD) and representatives at the headquarters level of each of the Military Departments to discuss OMB and OSD pressure to conduct competitive sourcing efforts. During those meetings we received a variety of responses regarding the pressure to conduct public-private competitions. The following is a list of the headquarters officials we interviewed for the interim report and the information they provided regarding the pressure to conduct competitive sourcing.

- **OSD—Office of Housing and Competitive Sourcing.** The Director of the Office of Housing and Competitive Sourcing stated that he is not directed by OMB to complete a specific number of public-private competitions. He also stated that he does not require the DoD Components to complete a specific number of competitions, but that the DoD Components provide an estimate of positions to be competed each year.
- **Army—Office of the Assistant Secretary of the Army for Installations and Environment and Office of the Assistant Chief of Staff for Installation Management.** The Army had difficulties with implementing the competitive sourcing program and had extreme pressure from OSD to conduct public-private competitions. According to the Chief of the Business Policy and Development Division, the Army was held to a target of [REDACTED] established by the DoD Business Initiative Council in FY 2003, and although the Army had asked for relief on completing this target, formal relief had not been granted.³ The Army was undergoing many efforts that impacted competitive sourcing planning, such as Base Realignment and Closure, growing the Army, and the war, making it difficult to effectively implement the program.
- **Navy—Office of the Assistant Secretary of the Navy for Installations and Environment and Office of the Chief of Naval Operations.** The Deputy Assistant Secretary of the Navy for Infrastructure Strategy and Analysis stated that the Navy used competitive sourcing as a tool to achieve efficiencies and did not feel any pressure from OMB and only appropriate management pressure from OSD to complete public-private competitions.
- **Air Force—Directorate of Manpower, Organization, and Resources.** The Air Force Deputy of the Directorate of Manpower, Organization, and Resources stated that he did not feel direct OMB pressure to complete public-private competitions, but there was pressure in the budget to conduct the competitions.

² The number of planned public-private competitions and military-to-civilian conversions significantly decreased in the final FY 2009 PB-42, dated September 2008. See the DoD Comptroller's PB-42 Budget Exhibit section of this report for further details.

³ On September 2, 2008, the Chief of the Business Policy and Development Division stated that the Army was no longer receiving pressure from OSD to conduct public-private competitions.

In-Progress and Planned Competitions for Calendar Year 2008

In-Progress Public-Private Competitions. As of October 14, 2008, DoD had 39 public-private competitions listed as in-progress in the Defense Commercial Activities Management Information System. The table shows the details by Military Service and Defense agency.

Table. DoD In-Progress Public-Private Competitions		
<u>DoD Component</u>	<u>Competitions</u>	<u>Positions</u>
Army	14	1,956
Navy	8	6,002
Air Force	14	694
Marine Corps	2	75
Defense Logistics Agency	1	279
Total	39	9,006

Planned Public-Private Competitions for Calendar Year 2008. In September and October 2008, we spoke with competitive sourcing officials for the Army, Navy, and Air Force to discuss additional competitions planned for the remainder of calendar year 2008. Officials for the three Military Departments stated that they did not plan to announce more competitions in calendar year 2008. Reasons given for not announcing additional public-private competitions included changes in the President's Management Agenda and the proposed 3-year moratorium on DoD public-private competitions in House Resolution 5658, "National Defense Authorization Act for Fiscal Year 2009." However, Public Law 110-417, "Duncan Hunter National Defense Authorization Act for Fiscal Year 2009," October 14, 2008, did not place a moratorium on DoD public-private competitions. The Deputy Director, Navy Commercial Services Management Program stated that the Navy may announce a few streamlined competitions involving only military positions in support of planned military-to-civilian conversions in FY 2009.

DoD Comptroller's PB-42 Budget Exhibit

The DoD Comptroller's PB-42 budget exhibit, "Competitive Sourcing and Alternatives," is an annual budget submission that provides Congress and OMB with budget justification data for public-private competitions and approved alternatives. Figure 1 shows the completed public-private competitions and the completed military-to-civilian conversions in each PB-42 for FY 2005 through FY 2009. As shown in the figure, the number of completed public-private competitions and military-to-civilian conversions slightly increased over the past five budget exhibits.

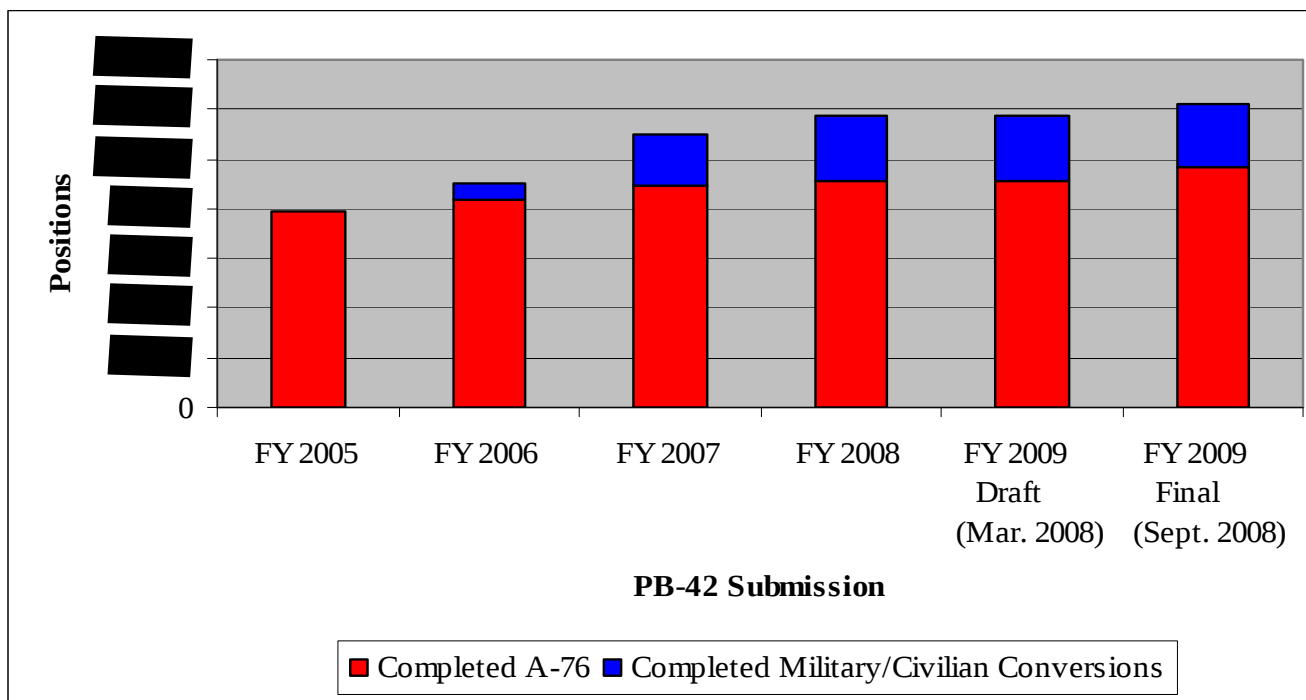


Figure 1. Completed Public-Private Competitions and Military-to-Civilian Conversions in the FY 2005 Through FY 2009 PB-42 Submissions (Cumulative)

Figure 2 shows the planned public-private competitions and the planned military-to-civilian conversions in each PB-42 for FY 2005 through FY 2009.

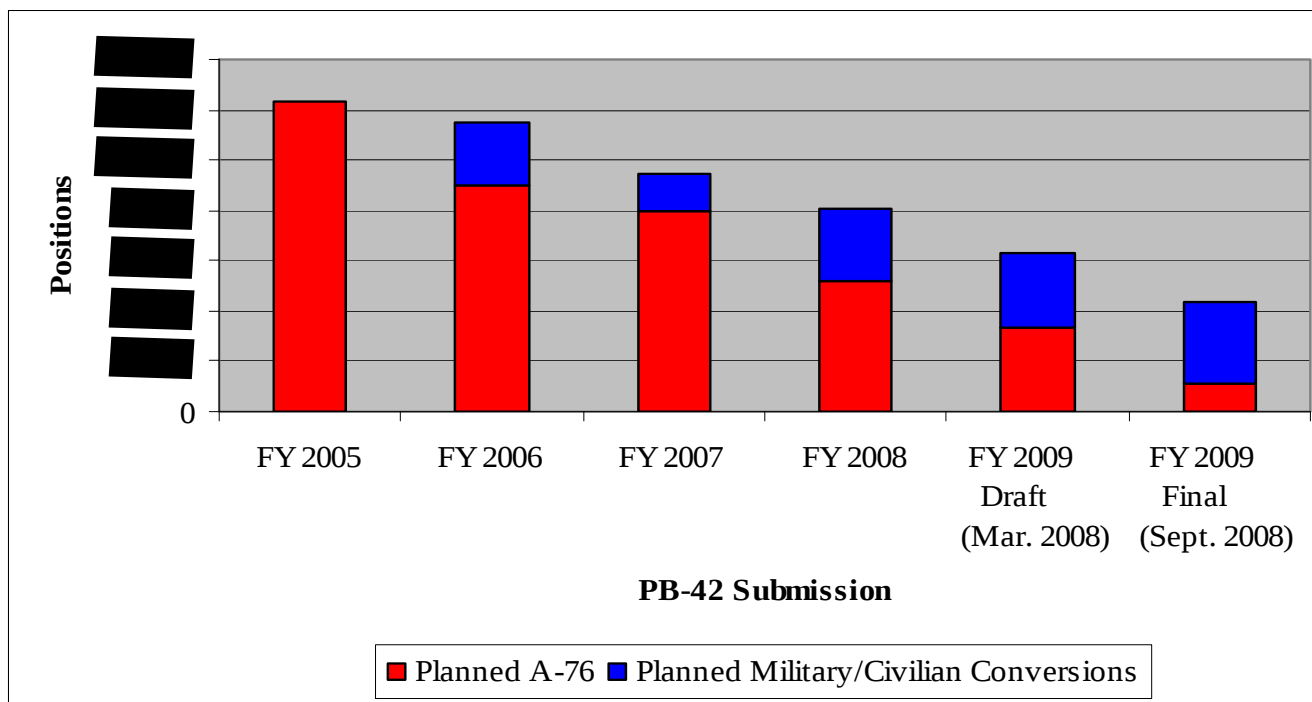


Figure 2. Planned Public-Private Competitions and Military-to-Civilian Conversions in the FY 2005 Through FY 2009 PB-42 Submissions

As shown in the figure, the number of planned public-private competitions and military-to-civilian conversions significantly decreased with each budget exhibit. As of the issuance of our interim report, the draft FY 2009 PB-42, dated March 2008, showed public-private competitions planned for [REDACTED] and military-to-civilian conversions planned for [REDACTED] through FY 2013. However, the final FY 2009 PB-42, dated September 2008, shows planned public-private competitions for only [REDACTED] and military-to-civilian conversions planned for [REDACTED] through FY 2014. The number of planned public-private competitions decreased by almost 68 percent between the draft and final FY 2009 PB-42. Specifically, from FY 2009

through FY 2014, the Army has zero public-private competitions planned, the Navy has public-private competitions planned for [REDACTED], and the Air Force has public-private competitions planned for [REDACTED].

On November 4, 2008, the OSD Office of Housing and Competitive Sourcing Deputy Director of Competitive Sourcing stated that DoD had not rescinded Program Budget Decision 729; however, DoD Components were no longer required to meet the targets. In interviews for our interim report the Army stated that they had extreme pressure from OSD to conduct public-private competitions and were being held to a competition target established in FY 2003. However, on September 2, 2008, the Army Chief of the Business Policy and Development Division stated that the Army was no longer receiving pressure from OSD to conduct public-private competitions. The March 20, 2008, Deputy Under Secretary of Defense for Installations and Environment competitive sourcing guidance related to the restrictions in the FY 2008 Defense Authorization Act stated that annual and out-year plans are established by each Component and submitted via the DoD Comptroller's PB-42 and DoD Components are expected to execute these plans. In the final FY 2009 PB-42, the Army has zero planned public-private competitions through FY 2014. As evidenced by the decrease in planned public-private competitions from the draft to the final FY 2009 PB-42, for the Army and the other Military Departments, the perceived OSD pressure to conduct public-private competitions no longer exists.

Results—Pressure to Conduct Public-Private Competitions at the Installation Level

In the section 325 interim report, we informed Congress that we planned to interview individuals conducting competitive sourcing efforts to identify the extent of any OMB or OSD pressure to conduct public-private competitions. In addition to speaking with competitive sourcing officials at the headquarters level, we determined it would be beneficial to speak with the individuals conducting competitive sourcing efforts at the regional and installation level. We selected two of the larger competitions from each of the Military Departments to discuss the extent of OMB or OSD pressure and concerns about the competitive sourcing process with competition officials. In general, the Army officials we met with felt the most pressure to conduct public-private competitions; the Air Force officials we met with felt some pressure from the budget to conduct public-private competitions; and the Navy officials we met with did not feel pressure to conduct public-private competitions.

Army. As previously stated, according to officials from the Office of the Assistant Secretary of the Army for Installations and Environment and the Office of the Assistant Chief of Staff for Installation Management, the Army was feeling extreme pressure to conduct public-private competitions. On April 22, 2008, the Army discussed challenges and concerns it had with executing its competitive sourcing program with the Deputy Under Secretary of Defense for Installations and Environment. On May 29, 2008, the Deputy Under Secretary encouraged the Army to resume competitions identified in its competitive sourcing plan. Specifically, he stated that the Army's last valid inventory identified more than [REDACTED] reviewable positions that could be considered for competition and that the Army's FY 2007 competitive sourcing plan included [REDACTED] to be competed, but only [REDACTED] were announced. Therefore, he encouraged the Army to resume competition on the remaining [REDACTED] identified for competition in the competitive sourcing plan. As a result of this "encouragement," on June 18, 2008, the Assistant Secretary of the Army for Installations and Environment required both Army Materiel Command and Army Installation Management Command to identify additional positions for competition.

We met with competitive sourcing officials from Army Materiel Command and Army Installation Management Command, which were the only two Army major commands conducting public-private competitions in 2008. Officials from both commands stated that the competitions within their command were announced as a result of pressure to reach the Army's Program Budget Decision 729 target of [REDACTED]. Within the Army Installation Management Command, we met with competitive sourcing officials at the Northeast Region and West Region, and also spoke with representatives actively involved in the Directorate of Public Works competition at West Point, New York, and the Directorate of Logistics competition at Fort Leonard Wood, Missouri, to discuss pressure to conduct the competitions along with any general concerns or suggestions they had about the overall competitive sourcing process. This included members of the most efficient organization (MEO) and performance work statement (PWS) teams, agency tender officials⁴ (ATO), and representatives from the installation Plans Analysis and Integration Offices. Individuals at both

⁴ The Government official responsible for the in-house proposal.

the regional and installation level stated that they had no direct communication with OMB or OSD; however, there was pressure from the chain of command to conduct public-private competitions.

Officials at both West Point and Fort Leonard Wood stated they had requested cancellation of their competitions. The garrison commander at West Point raised concerns about the cumulative effect of conducting public-private competitions for public works and custodial functions, a utilities privatization study, as well as transitioning to housing privatization all at the same time, and the effect it was having on his workforce and ability to sustain operations. The supervisor of Business Transformation, Army Installation Management Command Northeast Region stated that there needs to be sufficient justification to cancel a competition, and she did not think that West Point had sufficient justification to cancel a competition. In addition, the many resources already spent on the competition made cancellation unacceptable. The garrison commander at Fort Leonard Wood stated that the public-private competition should be cancelled until the Army transformation is completed, the Global War on Terror is won, and the Army returns from Operation Iraqi Freedom and Operation Enduring Freedom. He stated that Fort Leonard Wood plays a major role in the Army's transformation, the Global War on Terror, and Base Realignment and Closure, which would increase Fort Leonard Wood's population by more than 11,000 military personnel. Therefore, it did not make good management or business sense to transition a trained, knowledgeable, and highly motivated workforce during such a critical period. The garrison commander at Fort Leonard Wood stated that he was verbally told to continue with the public-private competition. Both garrison commanders stated that improvements and efficiencies could be achieved through the use of continuous improvement techniques, such as Lean Six Sigma or high performing organizations, as opposed to competitive sourcing, which in their experience basically just reduced the Government workforce.

Navy. As previously stated, the Deputy Assistant Secretary of the Navy for Infrastructure Strategy and Analysis stated that the Navy used competitive sourcing as a tool to achieve efficiencies and did not feel pressure from OMB, and only appropriate management pressure from OSD to complete public-private competitions. We met with competitive sourcing officials from the Naval Installations Command and the Naval Facilities Engineering Command (NAVFAC). Officials at both commands stated that they did not receive pressure from OMB, OSD, or the Navy to conduct public-private competitions, and both saw competitive sourcing as a good management tool to improve the Navy's business processes. The NAVFAC Competitive Sourcing Program Manager stated, however, that NAVFAC is starting to move away from competitive sourcing and is looking into continuous improvement techniques, such as Lean Six Sigma and high performing organizations.

The Naval Installations Command Competitive Sourcing Director stated that the Naval Installations Command uses the competitive sourcing process to identify consistent approaches to functions that are used worldwide, and therefore conducts multi-location, single-function competitions. We interviewed representatives actively involved in the multi-location, public-private competitions for Non Guard Security Support Services and Pay, Personnel, and Passenger Transportation Support Services to determine the pressure to conduct these particular competitions. We spoke with regional competitive sourcing representatives from the Mid-Atlantic, Southeast, and Southwest regions, which were the largest regions involved in both competitions. We also interviewed the ATO and MEO team leaders assigned to both competitions. The competitive sourcing representatives stated the regions fully agreed to be a

part of the competitions and were not pressured to conduct the competitions. The ATO and MEO team leaders stated there was no pressure to conduct the competitions. The ATO saw the competitive sourcing process as a viable tool to achieve significant cost savings. An MEO team leader stated that competitive sourcing is a management tool that the Naval Installations Command uses to identify efficiencies and create continuity and standardization across all 79 installations.

We also met with representatives involved in the Mid-Atlantic Environmental Services competition, which is under the purview of NAVFAC, to determine the pressure competition officials received to conduct the competitions. Specifically, we met with the MEO team leader, PWS team leader, ATO, and the NAVFAC Mid-Atlantic Business Manager. All officials we met with stated there was no pressure from OMB or OSD to conduct the competition and if there was any pressure it came from the chain of command. Some officials stated that they hoped the competition would be cancelled when the FY 2008 Defense Authorization Act was enacted, but in response to the commanding officer's request for clarification on how section 325 affected the on-going competition, the Commander, NAVFAC stated that all publicly announced competitions should be completed.

Air Force. As previously stated, the Air Force Deputy of the Directorate of Manpower, Organization, and Resources stated that he did not receive direct OMB pressure to complete public-private competitions, but there was pressure in the budget to conduct the competitions. We met with competitive sourcing officials from the Air Education and Training Command (AETC) because AETC was responsible for the largest Air Force public-private competitions. Officials at AETC stated that they received no direct pressure from OMB or OSD to conduct public-private competitions under OMB Circular No. A-76; however, they agreed with the Deputy of Manpower, Organization, and Resources that there was budget pressure to conduct the competitions. According to the Deputy Director of Manpower, Organization, and Resources, the Air Force began using competitive sourcing in the 1997 Quadrennial Defense Review when the Chief of Staff needed money to build force structure. Major Commands within the Air Force were asked to identify commercial activity positions that could be competed with the private sector. A total of [REDACTED] were identified as possible candidates for competitions and of those positions, AETC was responsible for about [REDACTED]. The AETC Deputy Chief of Manpower and Organization stated that in order to achieve the [REDACTED] target, AETC decided to implement a "Pick-a-Base" philosophy. This allowed AETC to review competitive sourcing from a base perspective and consider all base support functions. In addition, Program Budget Decision 729 tasked the Air Force to compete [REDACTED], and AETC was responsible for [REDACTED] of those positions. The AETC Deputy Chief of Manpower and Organization stated that AETC was still completing its "Pick-a-Base" competitions and had not started competitions to address the Program Budget Decision 729 target; therefore, when the FY 2008 Defense Authorization Act passed, he did not feel any pressure to meet that target.

We also met with representatives from the Base Support Functions competitions at Sheppard Air Force Base, Texas, and the Base Operating Support competition at Goodfellow Air Force Base, Texas, to discuss the pressure to conduct the competitions along with any general concerns about the overall competitive sourcing process. At both sites we met with members of the MEO team, PWS team, ATO, and other competitive sourcing officials involved with the competitions. Officials at both Sheppard Air Force Base and Goodfellow Air Force Base stated that they had no direct contact with OMB or OSD and they were conducting the competitions because AETC had instructed them to do so. The Sheppard Air Force Base Director of Competitive Sourcing stated that she verbally requested to conduct business re-engineering instead of conducting the Base Support Functions public-private

competition, but AETC denied the request because the savings achieved from business reengineering would not be as significant as the savings from competitive sourcing. The Base Operating Support competition at Goodfellow Air Force Base was a follow-on competition from a previous MEO, and on July 9, 2008, the Deputy Under Secretary of Defense for Installations and Environment approved cancellation of the competition so the Air Force could focus on larger public-private competitions that had not yet been competed and had the potential for greater savings, rather than on activities that had already been competed.

Installation-Level Concerns About the Competitive Sourcing Process and OSD Comments

In addition to discussing pressure to conduct public-private competitions, we discussed general concerns about the competitive sourcing process with the competition officials that we met with. Installation-level officials within the three Military Departments had many of the same concerns about the process, including the strain that a public-private competition places on staffing the function being competed, follow-on competitions, ATO qualifications, frequent changes in the guidance, issues with support contractors, lack of adequate training, firewalls, and the contracting process for public-private competitions. We also met with officials from the OSD Office of Housing and Competitive Sourcing to discuss their perspective on these concerns.

Staffing. Many of the installation officials we met with stated that public-private competitions were difficult because key personnel were either removed from their regular duties to work on the competition, or had to perform regular duties in addition to competition requirements, making it difficult to accomplish the overall mission of the installation. Army competition officials we met with stated that when they were selected to work on a competition they were not only required to fulfill their competition responsibilities, but they also had to continue with their primary job duties. The officials stated that completing the PWS and MEO process requires much data gathering and analysis, and causes strain in the workforce when people involved in the competition must also work their primary job along with the competition. In contrast, the Air Force and Navy officials we met with stated they identify key personnel to focus solely on working on the competition. However, many officials stated that this created a struggle to obtain the correct people for the PWS and MEO teams because supervisors were reluctant to give up their experienced staff for the time it took to complete a competition.

Most of the officials we spoke with expressed concerns about the strain public-private competitions place on their workforce and the ability to meet their mission. They stated that because a public-private competition puts a person's livelihood at risk, it causes angst among the workforce and in turn management of that workforce becomes very difficult. Also, many employees look for and accept other employment opportunities before the completion of the competition, which creates vacant positions. Officials stated that it is difficult to hire new employees during an ongoing competition because most qualified personnel do not want to take a temporary position. At a time when many of the workforce is eligible for retirement, positions under public-private competitions add to the difficulty of hiring, training, and transferring knowledge to a younger workforce, which creates a struggle to maintain an adequate workforce to meet the required level of performance.

OSD Comments. The OSD Office of Housing and Competitive Sourcing, Deputy Director of Competitive Sourcing stated that her office is aware that employees whose jobs are being competed feel they should not be required to participate on such competitions. The employees are, however, the subject matter experts performing the activity and their involvement is instrumental in the successful outcome of a competition. Their expertise on the PWS team is necessary to ensure the Government's requirements are accurately reflected in the solicitation. Their experience also ensures a competitive agency tender is submitted when they participate on the MEO team. Employee participation on these teams does not last for the duration of the competition (12–30 months) but occurs only during development of either the PWS or agency tender and is sporadic at best after these documents have been

developed. She stated that a key lesson learned for the Department is that identified in this report—that most DoD Components (Air Force, Navy, and the Defense Logistics Agency) have dedicated competition officials and key personnel assigned to conduct competitions. It would not be prudent use of department resources to assign employees full-time when they do not participate in a full-time capacity.

Follow-On Competitions. OMB Circular No. A-76 requires an agency to conduct another public-private competition before the final performance period of the MEO. However, section 323 of the FY 2008 Defense Authorization Act amended section 2461(a), title 10, United States Code, stating that once a function had been through a public-private competition, DoD was no longer required to re-compete the function through another public-private competition under OMB Circular No. A-76. Section 323 specifically states:

A military department or Defense Agency may not be required to conduct a public-private competition under Office of Management and Budget Circular A-76 or any other provision of law at the end of the performance period specified in a letter of obligation or other agreement entered into with Department of Defense civilian employees pursuant to a public-private competition for any function of the Department of Defense performed by Department of Defense civilian employees.

The competitions at Fort Leonard Wood, Goodfellow Air Force Base, and NAVFAC Mid-Atlantic were all follow-on competitions of the MEO. The representatives that we met with stated generally the initial public-private competition generates significant savings because a lean organization is created. However, for a follow-on competition, such significant savings cannot be generated. According to the NAVFAC Competitive Sourcing Program Manager, initial NAVFAC competitions resulted in an average savings of 29 percent per competition and follow-on competitions might save up to 10 percent, but the cost of conducting the follow-on competition negates most of the savings. He stated that NAVFAC plans to finish all the ongoing follow-on competitions, but because of section 323 of the FY 2008 National Defense Authorization Act, does not plan to go forward with any additional follow-on competitions. The AETC Chief of Competitive Sourcing also stated that, in his experience, performing an initial public-private competition yields an average savings of 38 percent; however, the follow-on competition of a MEO only yields an average savings of 8 percent. Additionally, according to OMB Circular No. A-76, the agency tender, or Government proposal, is available to the public, upon request, once all contests challenging the performance decision are resolved, or the time for filing a contest has expired. One official we met with was concerned about this because they thought this gave private industry an advantage in creating a proposal for the follow-on competition, as the composition and related costs of the winning MEO became public knowledge.

OSD Comments. The Deputy Director of Competitive Sourcing stated that a key point to consider is that it is not the MEO that is re-competed, but the work. Commercial work [regardless of the source (contract or agency) or organization (MEO)] should be subject to the forces of routine competition consistent with a current and competitive marketplace to ensure efficiencies and cost effectiveness continues. MEOs that are subject to recompetition today were packaged almost 10 years ago, when one takes into account that the activities performed by such MEOs were competed in competitions that took 4 years to complete and have 5 years of performance. Today's marketplace is hardly the same as it was 10 years ago. It has been the position of the OSD Office of

Housing and Competitive Sourcing that DoD Components should not focus on recompeting MEOs, but all services to ensure the scope and the grouping of all of the activities in a business unit (performed or not performed by the MEO) is still consistent with the competitive marketplace. The Deputy Director of Competitive Sourcing stated that she agrees that there is an investment cost to performing competition, but such costs hardly negate the need to continue to strive for efficient performance and cost effectiveness. Furthermore, such investment costs are negligible and a worthy investment when it yields an 8 percent reduction in operating costs of the services.

Agency Tender Official Qualifications. According to OMB Circular No. A-76, the ATO must be an inherently governmental agency official with decision-making authority; be independent of the contracting officer, source selection authority, and PWS team; develop, certify, and represent the agency tender; designate the MEO team; and provide the necessary resources to prepare a competitive agency tender. OMB Circular No. A-76 does not place any requirements on the seniority level of the ATO. However, each of the Military Departments issued their own implementing guidance to the OMB Circular No. A-76, and the Air Force and Navy included additional qualifications for the ATO. The Air Force required that the ATO be “at least a GS-13, or YA/YC 02 National Security Personnel System (NSPS) equivalent,” while a November 22, 2005, Navy memorandum states the ATO must be a “senior grade civilian.”

Air Force officials we met with stated that it was difficult at smaller bases to dedicate a GS-13 employee as the ATO for the competition duration, because some of the smaller bases had very few individuals at the GS-13 level or above. Specifically, the Goodfellow Air Force Base Manpower Chief stated that at the time the ATO was selected for the Base Operating Support competition, there were only five GS-13 level employees on base and none of the GS-13s worked in the functional area selected for competition. He stated that removing a GS-13 level employee from his or her primary position had a negative effect on the overall mission of the base. Conversely, the NAVFAC Mid-Atlantic Business Manager stated that NAVFAC had determined that a senior grade civilian was equivalent to a GS-14, GS-15, or NSPS pay band 3. He stated that NAVFAC Mid-Atlantic had not experienced a problem identifying a qualified official.

The Naval Installations Command ATO also expressed concern that section 326 of the FY 2008 Defense Authorization Act changed the definition of an interested party to file a protest with the Government Accountability Office with respect to the ATO. Specifically, the language in section 326 changed the definition of an interested party from “. . . the official responsible for submitting the federal agency tender . . .” to “. . . any official who submitted the agency tender. . .”. The Naval Installations Command ATO stated that the tense change in the term submit, from “submitting” to “submitted,” deprives the ATO of standing to protest defects in the solicitation or improprieties impacting the procurement which arise more than 10 days before the agency tender is submitted and undermines the “level playing field” between the ATO and private sector offerors.

OSD Comments. The Deputy Director of Competitive Sourcing stated that her office’s position has been that ATOs should be routinely assigned to competitions rather than have an ATO perform in this capacity one time in his or her career. This allows individuals to capitalize on their experience and benefits the Government as well as the employees. Under the previous OMB Circular No. A-76, no individuals were accountable for the Government bid. The advent of the ATO has led to the recognition that

these individuals play a significant role in the public-private competition process and as such should be individuals who meet specified qualifications. She stated that the only qualification the OSD Office of Housing and Competitive Sourcing has levied on DoD Components is that commanders cannot be ATOs as they have oversight of the service provider regardless of the decision—public or private. As mentioned in this report, the Air Force and Navy both have taken steps to further identify qualifications, as has the Defense Logistics Agency, and have not had problems identifying such individuals. The Deputy Director of Competitive Sourcing applauded those Components who have this level of involvement in determining ATO qualifications, as it only leads to a more successful outcome for the Government.

Changing Guidance. A common issue among many of the personnel involved with competitive sourcing was that competitive sourcing guidance was very untimely, always changing, and in some cases, was issued after the work had already been completed. Army and Air Force officials we met with stated congressional restrictions on competitive sourcing change every year, which makes it difficult to keep up with the laws and regulations of the public-private competition process. In addition, there were different interpretations of the guidance at all levels, ranging from OMB and OSD all the way down to the installation level. Some also stated that the Share A-76! and COMPARE Web sites were not user-friendly and did not provide sufficient guidance or tools to assist with the public-private competition process.

The NSPS costing guidance that OSD provided to the competitive sourcing officials was another concern, especially for the MEO team members we met with. The NSPS costing guidance requires the agency tender to include personnel costs based on the midpoint of the NSPS established pay bands. According to many of the officials we met with, the higher midpoint of the NSPS pay band resulted in costing personnel positions in the agency tender at a higher rate than what the positions would be hired for, causing the agency tender to be inflated. A Naval Installation Command MEO team leader stated that an analysis needs to be conducted on agency tenders that were proposed under the general schedule and those proposed under NSPS rules to determine what effects the NSPS costing guidance has on the costs. The Sheppard Air Force Base MEO Chief and Deputy Chief both stated that the NSPS costing guidance increased the costs of the agency tender for one of the base support competitions, and was part of the reason that the Government team lost the competition.

OSD Comments. The Deputy Director of Competitive Sourcing stated that guidance issued by DoD has been to implement statutory obligations imposed by Congress on the competitive sourcing process. She stated that if the law does not so stipulate, they cannot obviate the requirement to obey the laws in DoD guidance. In 2003, the OSD Office of Housing and Competitive Sourcing issued oversight guidance to ensure Components at all levels interpreted OMB Circular No. A-76, as well as related statutes, in a consistent manner. With the availability of the SHARE A-76! Web site and the DoD A-76 Costing Help Desk, Components at all levels have access to OSD interpretation of OMB Circular No. A-76 and laws if they so desire. It has been DoD policy since 2001 that all costing policy questions are required to be submitted to the DoD A-76 Costing Help Desk to ensure consistent costing is applied to agency cost estimates. If a Component believes the costing policy requires a deviation, it is encouraged to submit a deviation request via its Component Competitive Sourcing Official to the DoD Competitive Sourcing Official.

Support Contractors. Support provided by contractors hired to assist the PWS teams in writing the PWS and identifying workload requirements and the MEO teams in developing agency tenders was also an issue on which we received a variety of opinions. Representatives from both the MEO and PWS teams at Fort Leonard Wood stated the contractor support they received was adequate and they would gladly work with the contractors again. However, representatives at West Point stated that the support contractors did not have enough knowledge about the competitive sourcing process and lacked experience in public works, which would have been beneficial in writing the PWS. According to the MEO team leader, the MEO team did not get the support contractor they thought could best support them because the Army selected a support contractor based on price. In the case of Sheppard Air Force Base, the MEO team members we interviewed were happy with the support provided by the support contractor because the contractor was knowledgeable of the competitive sourcing process and proposal preparation, and provided a non-DoD perspective. The PWS team, however, was disappointed with the support contractor hired to assist it in preparing the PWS. At NAVFAC Mid-Atlantic, the MEO team leader was not satisfied with the support contractor provided. He and the NAVFAC Business Manager stated that the Navy awarded the support contract to the contractor with the lowest bid, not the support contractor the business manager and MEO team leader thought would be the most beneficial for the environmental services competition.

OSD Comments. The Deputy Director of Competitive Sourcing stated that, as indicated in this report, DoD has both good and bad experience with contractors that provide competitive sourcing support. To assist in remedying this inconsistency, the OSD Office of Housing and Competitive Sourcing has written Interim DoD Guidance on Competitive Sourcing Program Support for Consultants. The guidance is with the OSD General Counsel for coordination and will be issued before the end of the year. This guidance is consistent with the Federal Acquisition Regulation, but has been written for non-acquisition-related individuals. The Deputy Director stated that if contractors do not meet the requirements of the solicitation to provide competitive sourcing assistance, it is the Government's responsibility to hold them accountable. However, while there are complaints from the field about the lack of support, Components rarely hold these support contractors accountable.

Training. The competitive sourcing training that officials received at their respective installations was also an issue on which we received a wide range of opinions. Officials at West Point and NAVFAC Mid-Atlantic thought the training they received was very generic and would have been more useful if it applied to the specific type of competition they were conducting. Officials at Fort Leonard Wood thought there was an adequate amount of training offered that helped them understand and implement the competitive sourcing process. Navy officials and personnel stated that the training provided by the Navy Competitive Sourcing/Manpower Optimization Branch had been helpful and worthwhile. The training was very in-depth and covered all the necessary areas. In addition to the training brought to Fort Leonard Wood and NAVFAC Mid-Atlantic, the support contractor that assisted the PWS teams also provided training to the PWS teams at the beginning of each phase of the PWS development, which the PWS teams found helpful. However, personnel within the Air Force stated the training offered by the Defense Acquisition University was not helpful or extensive enough to provide the skills needed to work on public-private competitions. They found that the training instructors were not knowledgeable; the classes did not offer real world experiences; and the classes did not adequately address competitive sourcing guidance. Overall, the Air Force personnel thought the Defense Acquisition University training did not prepare them for their role in the competition. Another concern raised by officials at the Army and Navy was the timeliness of the training. The MEO team at

West Point stated that the training was given too early in the competitive sourcing process, and the PWS team leader at NAVFAC Mid-Atlantic mentioned the training was given too late in the competitive sourcing process to provide sufficient value.

OSD Comments. The Deputy Director of Competitive Sourcing stated that it appears from the information provided in this report that training has been sufficient for the Navy and Army programs. She stated that feedback to her office from the Defense Acquisition University was that OMB Circular No. A-76 courses were sufficient. Defense Acquisition University officials indicated in a response to this report that they were unaware of the insufficiency of the courses but would evaluate it when and if the need arises again to teach the OMB Circular No. A-76 courses. She stated that no requests were received from Components indicating a need or funding for the OMB Circular No. A-76 courses in FY 2009, and considering the lack of program, her office feels their position is justified. Therefore, any future training will have to be incorporated into consultant support contracts.

Firewalls. To avoid any appearance of conflict of interest, OMB Circular No. A-76 requires separate participation on the PWS and MEO teams. Members of the PWS team, including but not limited to advisors and consultants, cannot be members of the MEO team. Members of the MEO team, including but not limited to the ATO, human resources advisor, advisors, and consultants, cannot be members of the PWS team. This separation between the PWS and MEO team is commonly referred to as a firewall. AETC and NAVFAC officials stated it was unclear how high up the chain of command the firewalls reached. Offices at the headquarters and major command levels had a small staff, so it was difficult to provide assistance to both the PWS and MEO teams. For example, the AETC Chief of Competitive Sourcing stated that he had a staff of two people to assist with three competitions. Also, firewalls increased the amount of people needed to conduct a competition. Firewalls caused two people to do the same work when it would be convenient if certain competition officials were allowed to breach the firewalls. For example, there had to be two legal advisors, human resource specialists, and AETC advisors for each competition, one for the PWS team and another for the MEO team. In addition, officials at Sheppard Air Force Base stated that their legal advisor did the best job possible, but he had no experience in contract law and could not ask officials at AETC for advice or guidance due to the firewall.

Personnel thought that many of the problems they experienced could have been prevented if the MEO and PWS teams were not forced to be completely separated by a firewall. Having the firewall made it impossible for the MEO team to address concerns they had regarding the PWS. The Fort Leonard Wood MEO team leader stated the MEO team had identified requirements missing from the PWS that they knew would need to be performed, but because of the firewall, they had no way to address those requirements in the PWS and in their proposal. Installation-level officials suggested that certain individuals involved with the competition be allowed to communicate with both the PWS and MEO teams in order to ensure that the PWS addressed all requirements. According to the PWS team leader at NAVFAC Mid-Atlantic, the firewall was not a major issue, but he did think that it caused PWS development to take longer than it would have if they were allowed to communicate across MEO and PWS lines. The PWS and MEO teams used the same staff to pull data for them, but in order to remain in compliance with the firewall, the staff was told what data to pull, but not given a reason as to why the data were needed. The PWS and MEO teams were not able to explain exactly what they were looking for, which resulted in several data calls because the data provided were not necessarily the data needed.

OSD Comments. The Deputy Director of Competitive Sourcing stated that the firewall requirement was a result of the Government Accountability Office protest decision in the “Navy versus the Jones/Hill Venture” case in May 2002. She stated that while some still believe the old OMB Circular No. A-76 approach was beneficial and more prudent by permitting the same individual to participate on both the PWS and MEO teams; it clearly violates the Government’s conflict of interest requirements. As a prospective service provider, members of and advisors to the MEO team must not participate in determining or be aware of any of the Government’s requirements of the solicitation prior to any other prospective service provider. If it appears the Government’s requirements are inadequate, any prospective service provider may inquire about their sufficiency when a solicitation (or draft solicitation) is issued. The decision for making determinations about the adequacy of the PWS is not the responsibility of the ATO or MEO team but the PWS team leader. Subject matter experts may provide information or data to the ATO or PWS team leader upon request and are not considered advisors as long as they do not communicate any recommendations regarding such data that may influence a specific outcome or participate in PWS team or MEO team meetings. The Deputy Director stated that her office has developed DoD Interim Guidance on Firewalls, which is in coordination with the OSD General Counsel to clarify these roles. This guidance should be issued by the end of the year.

Contracting Issues. While Navy and Air Force officials did not have concerns with the contracting process for public-private competitions, some Army officials we met with expressed concerns about acquiring and retaining competent contracting officers. The West Point and Fort Leonard Wood competitions were each on their third contracting officers. According to one Army official, the Army Contracting Agency experiences constant turnover and during the course of a competition, the contracting officer may change many times. He stated that it is difficult because the contracting function for public-private competitions does not belong to Installation Management Command, so this type of issue can delay competition actions or timelines, but it is out of the control of competition officials. In addition, Fort Leonard Wood had gone through periods of time without an assigned contracting officer. According to the garrison commander at Fort Leonard Wood, the Army did not have enough contracting officers to effectively compete all the necessary positions to reach its competitive sourcing target. Another issue that officials for both the West Point and Fort Leonard Wood competitions raised was the acquisition strategy for their competitions. Issuance of both solicitations was delayed because the acquisition strategies had not been established.

OSD Comments. The Deputy Director of Competitive Sourcing stated that her office purposely does not require DoD Components’ contracting offices to organize in a specific manner, as they believe such decisions are within a Component’s management purview. She stated that, as indicated in this report, the Navy and Air Force have solved this problem, as have other DoD Components (for example, Defense Logistics Agency, Defense Commissary Services, Defense Contract Management Agency, and DoD Education Activity). In fact, the DoD Education Activity has requested the Defense Logistics Agency to provide contract support for its public-private competition. She stated that while there may be many reasons for the unpopularity of competitive sourcing in the Department, it is clear that insufficient contracting support in the Army may well be one of the main reasons.

Appendix. DoD Section 325 Guidance



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
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MAR 20 2008

MEMORANDUM FOR ASSISTANT SECRETARY OF THE ARMY
(INSTALLATIONS AND ENVIRONMENT)
ASSISTANT SECRETARY OF THE NAVY
(INSTALLATIONS AND ENVIRONMENT)
DEPUTY CHIEF OF STAFF FOR PERSONNEL,
UNITED STATES AIR FORCE
DIRECTORS OF DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

Subject: Department of Defense Competitive Sourcing

I want to reaffirm the Department's commitment to the Administration's public-private competition program as an important and essential management tool. Competitive sourcing saves money while promoting innovation, efficiency and greater effectiveness of government operations. I believe it is imperative that the Department continue its use to the greatest extent possible. Restrictions in the National Defense Authorization Act for Fiscal Year 2008 limit but do not entirely prohibit the use of the competitive sourcing tool.

Section 323 amends 10 U.S.C. 2461 to provide that a Military Department or Defense Agency may not be required to conduct a public-private competition at the end of the performance period specified in the performance agreement. This provision gives the Military Departments and Defense Agencies discretion to conduct follow-on competition at the end of the period specified in the performance agreement. Nothing in this provision prohibits the conduct of such a competition. I believe subjecting commercial activities to the forces of competition on a regular basis ensures costs remain competitive and improves efficiency of government operations. Components may continue to carry out follow-on competitions at the end of performance periods at their discretion.

Section 325 prohibits the Office of Management and Budget (OMB) from directing or requiring the Secretary of Defense or the Secretary of a Military Department to undertake a public-private competition under OMB Circular A-76. The Department independently determines its competitive sourcing program during the normal program and budget review process. Annual and out-year plans are established by each Component and submitted via the DoD Comptroller's PB-42 budget exhibit and Components are expected to execute these plans.



Section 1676 prohibits the Department from initiating any new public-private competitions for the performance of functions at military medical facilities until the Secretary of Defense (1) makes a prescribed certification and (2) submits a report to Congress on competitions being conducted at military medical facilities. If the statutorily prescribed requirements are met, the DoD may perform a public-private competition at a military medical facility.

Competitive sourcing consistently results in greater government efficiency and cost-savings to the taxpayer. The DoD has documented savings in the Defense Commercial Activities Management Information System (DCAMIS) of over \$7 billion from competitions completed between FY2000 – FY2007 and expects these savings to grow to \$10 billion after the completion of all planned competitions initiated in FY2008. Additionally, a robust competitive sourcing program increases the effectiveness of other management efficiency tools. Components are encouraged to continue to use competitive sourcing to the maximum extent possible to determine the most cost-effective business methods to perform commercial activities.



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