

Archived Information

Competitive Sourcing Methodology

This guide provides a process for the Department of Education (Department) to follow in determining a best value solution to performing the activities necessary for the Department to fulfill its mission. We will make maximum use of competitive procedures to obtain best value and promote fairness. This approach is consistent with the government-wide principles for competition between employees and industry.

In identifying competitive sourcing activities, we will use a Strategic Investment Process that includes developing a business case, assessing the commercial marketplace potential and deciding whether reengineering and/or competition will improve performance. (See the Strategic Investment Process Flow Chart on page 7.)

Identify Function(s) for Strategic Investment Analysis and Potential Reengineering and/or Competition

As required by the FAIR Act, within a reasonable time after the publication of an annual Commercial Activities Inventory, the Department's Executive Management Team (EMT) will examine the listed activities to identify business functions to compete. For each activity, we will review the following attributes:

- Core/Non-Core
- Value Added/Non-Value Added
- Funding Source/Type
- Combination Activities
- Underutilized Assets
- Unstable Workload
- Workforce Issues
- Specialized Skills

Establish Strategic Investment Team

The EMT and the Strategic Investment Office (SIO) will organize a Strategic Investment Team (the team) for each business function undergoing the Strategic Investment Process. Teams may include individuals from the program area affected, as well as procurement, human resources, legal, and finance personnel. Teams will document mission requirements and seek new and innovative ways to provide the required products or services.

Team members will receive training and guidance about appropriate analysis performance and any subsequent competitive sourcing requirement.



Communication

The team and the SIO will prepare a Communication Plan to educate the workforce about the strategic investment process. It will inform all affected employees and their union representatives, in writing, that the Department will conduct a strategic investment review of their business function, and that a business case will be completed to determine whether the function will be reengineered and/or competitively sourced. If workload currently contracted out is also included in the analysis, we will notify the incumbent contractors. Review dates will be provided. Labor Relations staff will ensure that all communications comply with applicable collective bargaining agreements.

Establish Baseline Through a Business Case (Costs and Performance)

The team will perform a strategic investment analysis of the business activities to determine baseline costs and performance. Data reviewed will include, but not be limited to: mission and function statements; organization charts; current staffing; position descriptions; inherently governmental positions; outputs; historical workload; special activities/services; sample reports from management information systems; existing contracts; operating procedures; performance standards; union agreements; relevant statutes, regulations and directives; equipment and facility inventories; customers; security requirements; and any identified problem areas.

The team will develop the business case in accordance with the prescribed Department business case template and must include all requested data. The team will prepare the business case with assistance from the Strategic Investment Office and the Principal Office that owns the function.

The Department will use the business case to quantify any cost savings and performance improvements between the "As-Is" organization and any reengineered or restructured organization.

Making the Decision to Maintain Status Quo, Reengineer, or Reengineer and Compete a Business Function

After the team completes the business case, the Principal Office and Strategic Investment Office will submit it, along with a recommendation on reengineering/competition to the EMT. The EMT will then decide whether to maintain the existing organization, reengineer the function, or reengineer *and* compete the function between employees and industry to obtain the best value solution.

Decision Point

- If the decision is to maintain the status quo, the team is disbanded and the business case is filed until the activity/function is reviewed again in the future.
- If the decision is to reengineer without competition, the Principal Office will reengineer with assistance from the SIO.
- If the decision is to reengineer and compete, the Strategic Investment Process is continued.



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Develop Performance Work Statement/Quality Assurance Survey Plan/Independent Government Cost Estimate

If the EMT decides to reengineer and compete the business function, the team will develop a Performance Work Statement (PWS). The PWS will define need, performance standards and measures, and timeframes required. The PWS will be performance-oriented, specifying outputs or measures without dictating **how** the work must be performed.

The team will develop a Quality Assurance Surveillance Plan (QASP) that describes inspection methods, the required reports and necessary resources with estimated work-hours.

Through market research, the team will prepare an Independent Government Cost Estimate (IGCE) based on PWS requirements. Used during the solicitation phase of the process, it will provide an estimate of contractor costs to perform the activities being competed.

The PWS, QASP, IGCE, and solicitation package developers will not be allowed to develop the Education employees' proposal. All team members must sign nondisclosure and conflict of interest statements.

Develop Employee Proposal

A Most Efficient Organization Team -- consisting of employees -- will be organized to prepare an Employee Proposal to perform the PWS requirements. It will describe the Most Efficient Organization (MEO) of federal employees and resources to do the work.

The employees' proposal should identify the organizational structures, staffing and operating procedures, equipment, and transition and inspection plans necessary to ensure that the government can perform the activity in an efficient and cost effective manner.

The proposal will include a Technical Performance Plan (TPP), a Cost Proposal and a Transition Plan (TP). The TPP represents the Government's technical proposal to accomplish the PWS requirements. The cost proposal is the employees' estimated costs to perform the relevant business functions. The in-house cost estimate should be based upon the following:

- Personnel Costs
- Materials and Supply Costs
- Other Specifically Attributable Costs
 - Depreciation
 - Cost of Capital
 - Rent
 - Maintenance and Repair
 - Utilities
 - Insurance
 - Travel
 - MEO Subcontracts
 - Other Costs (i.e., transportation)



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- Overhead Costs
- Additional Costs (i.e., employee recruitment, relocation)

The TP will outline how the Government will transition from the current organization to the MEO or contractor/ISSA performance.

Employee proposal information is procurement sensitive – all necessary steps to protect it must be followed.

Independent Review of MEO

The Department will assign an Independent Review Officer (IRO) to review the PWS, and QASP and employees' proposal. The IRO will certify in writing that Government's cost estimates are consistent and reasonable. The IRO will also certify in writing that the employee proposal reasonably establishes the government's ability to perform the PWS within the resources provided by the MEO, and that all employee proposal costs are fully justified. After certifying, the IRO returns the approved employee proposal documentation to the Contracting Officer.

The IRO must be a qualified employee whose work and place in the organization is independent of both the activity being studied and the relevant competitive sourcing activity.

Solicitation

The Contracts and Purchasing Operations (CPO) will prepare and issue a solicitation to request proposals or quotes from commercial vendors. During this step, the Contracting Officer (CO), in conjunction with the Strategic Improvement Office, determines which type of solicitation contract to use. The CO reviews the PWS for sufficiency and incorporates it, along with other required contract clauses, into the solicitation. The FAR requires that the Right of First Refusal of Employment clause be included in the solicitation. This clause ensures that federal employees whose positions are eliminated if an activity is outsourced will be given employment priority with the winning contractor. The Contracting Officer will announce the solicitation in accordance with FAR requirements. The Contracting Officer and the team should work together in developing the proposal evaluation criteria.

Using negotiated procurement award procedures, all industry offerors, as well as the employee proposal, will be evaluated in accordance with the stated evaluation criteria.

The CO will receive and evaluate proposals from outside offerors, i.e., the private sector or other government agencies (Interservice Support Agreement -- ISSA). The CO will evaluate all proposals, determine which ones are within the competitive range, and begin negotiations. The CO's objective is to obtain the best value for the Government. The CO will negotiate with each offeror until a final proposal revision is submitted that provides the best value based on the offeror's proposal, the solicitation evaluation criteria, and the conditions affecting the offeror's operations. The best value is a contract with a responsible source that will satisfy ED requirements in terms of product quality and timely delivery, and includes a fair and reasonable



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price. After negotiations and receipt of final proposal revisions, the CO will select a best-value industry/ISSA proposal.

Once the best-value contractor/ISSA proposal is selected, the Contracting Officer reviews the employee proposal, which must comply with the technical proposal requirements of the solicitation. The CO will assess the level of performance and performance quality to be achieved. If necessary, the CO will negotiate with the MEO Team. The MEO Team will make all changes necessary to maximize performance standards. If necessary, the MEO will recalculate the employee-based cost proposal. The IRO must certify the revised employee proposal.

The CO forwards the best value industry proposal and the best value employee proposal, along with a recommended award decision, to the EMT.

Best Value Decision

During this step, the EMT compares the best value contract/ISSA offer with the in-house offer prepared by the MEO Team and makes a tentative award decision. The CO announces the tentative decision.

Debriefing and Protest Process

Before a final-award decision is made and a transition to the "winning" proposal, unsuccessful offerors are entitled to a full debriefing. At a minimum, the debriefing information shall include: ED's evaluation of the significant weaknesses or deficiencies in the offeror's proposal, if applicable; the overall evaluated cost or price and technical rating, if applicable, of the successful offeror and the debriefed offeror; and past performance information on the debriefed offeror; the overall ranking of all offerors when any ranking was developed by the agency during the source selection; a summary of the award rationale; and reasonable responses to relevant questions about whether source selection procedures contained in the solicitation, applicable regulations, and other applicable authorities were followed.

Unsuccessful offerors have the right to file a protest at the contracting agency or GAO.

Eligible protestors include only those individuals or organizations that could be affected by the tentative best value award decision to convert to or from in-house, contract, or ISSA performance as a result of the cost comparison. Such individuals include the following:

- The affected in-house employees (i.e., appropriated or non-appropriated fund civilian employees being cost-compared whose work is being competed) or their representative(s);
- Contractors who have submitted formal offers;
- An agency that has submitted a formal offer via an Interservice Support Agreement (ISSA); and
- A non-selected contractor. A non-selected contractor is permitted to appeal in case the contractor originally selected to compete against the in-house offer is reversed via GAO protest.



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Implement MEO or Contract

After the end of the debriefing and protest process the EMT makes a final award decision. If the MEO is chosen, the solicitation is cancelled and the Most Efficient Organization (MEO) is implemented in accordance with the employee proposal. If the final best-value decision favors contract/ISSA performance, the contractor is awarded the contract and CPO will administer it. The Strategic Investment Office implements human resources options and oversees the transition. The Department's human resources staff will begin processing appropriate personnel actions such as: voluntary early retirement authority, voluntary separation incentive pay, priority placement programs, transition assistance reduction in force, etc.

The Transition Plan from the winning proposal is implemented.

Post MEO Performance Review

After the winner of the competitive sourcing activity completes the transition period, the new organization begins full performance duties. The Government then, regardless of the outcome of the strategic improvement process, implements the Quality Assurance Surveillance Plan (QASP). This plan should be reviewed periodically and updated because over the life of the contract current performance measures may no longer be accurate indicators of performance, and/or performance standards may no longer be valid.

If the employee proposal won the competition, the government will conduct a Post-MEO Performance Review to ensure that the government MEO has been implemented as proposed. The Post MEO Performance Review ensures that the government MEO is meeting the same requirements expected of a contractor or ISSA provider, and that any documentation to support a change in scope of effort has been provided.

Re-compete

The end of the competitive sourcing process is to re-compete the business function at the end of the "contract" performance period. All award decisions can be re-competed at the end of the "contract" regardless of MEO or contract performance; the same process is followed in the re-competition as in the original strategic investment process. The awardee of the first competition will be required to provide all information necessary for future strategic investment analyses, and any workload data necessary for future solicitation.

