



Highlights of [GAO-04-367](#), a report to the Honorable Robert C. Byrd, the Honorable Susan M. Collins, the Honorable George V. Voinovich, and the Honorable Henry A. Waxman

## Why GAO Did This Study

In August 2001, the administration announced competitive sourcing as one of five initiatives in the President's Management Agenda. Under competitive sourcing, federal agencies open their commercial activities to competition among public and private sector sources. While competitive sourcing is expected to encourage innovation and improve efficiency and performance, it represents a major management change for most agencies.

This report describes the progress selected agencies have made in establishing a competitive sourcing program, identifies major challenges these agencies are facing, and discusses strategies they are using to select activities for competition.

## What GAO Recommends

GAO is making three recommendations to the Office of Management and Budget (OMB) to help agencies (1) ensure greater consistency in classifying positions as either inherently governmental or commercial, (2) identify functional areas for competition, and (3) focus competition plans more on desired outcomes.

OMB concurred with our recommendations, but disagreed with the conclusion that its recent guidance emphasizes process more than results. The seven agencies GAO reviewed either agreed with the report, had no comments, or offered only technical revisions.

[www.gao.gov/cgi-bin/getrpt?GAO-04-367](http://www.gao.gov/cgi-bin/getrpt?GAO-04-367).

To view the full product, including the scope and methodology, click on the link above. For more information, contact William Woods at (202) 512-8214 or [woodsw@gao.gov](mailto:woodsw@gao.gov).

# COMPETITIVE SOURCING

## Greater Emphasis Needed on Increasing Efficiency and Improving Performance

### What GAO Found

Since the President announced competitive sourcing as a governmentwide initiative, the six civilian agencies GAO reviewed created a basic infrastructure for their competitive sourcing programs, including establishing offices, appointing officials, hiring staff and consultants, issuing guidance, and conducting training. With infrastructures in place and leadership involvement, each agency has developed competitive sourcing plans and conducted some competitions. The Department of Defense (DOD) has had an extensive competitive sourcing program since the mid-1990s. Interagency forums for sharing competitive sourcing information also have been established.

While such activities are underway, each agency GAO reviewed, including DOD, cited several significant challenges in achieving its competitive sourcing goals. Key among these is maintaining workforce inventories that distinguish inherently governmental positions from commercial positions—a prerequisite to identifying potential positions to compete. Agencies also have been challenged to develop competitive sourcing approaches that would improve efficiency, in part because agencies have focused more on following OMB guidance on the number of positions to compete—not on achieving savings and improving performance. Ensuring adequate personnel with the skills needed to run a competitive sourcing program also challenged agencies. Many civilian department-level offices have only one or two full-time staff to interpret new laws, implement new OMB guidance, maintain inventories of competable positions and activities, and oversee agency competitions. The Federal Acquisition Council is currently identifying agency staffing needs to address this challenge. Finally, some of the civilian agencies we reviewed reported funding challenges in implementing their competitive sourcing programs. OMB told agencies to include a line item for competitive sourcing activities in their fiscal year 2005 budget requests.

Several agencies integrated their strategic, human capital, and competitive sourcing plans—an approach encouraged by the Commercial Activities Panel, which was convened to conduct a congressionally mandated study of the competitive sourcing process. For example, the Internal Revenue Service (IRS) used business case analyses to assess the economic benefits of various sourcing alternatives. An IRS official said this approach required minimal investment to determine an activity's suitability for competitive sourcing. The National Institutes of Health, the Army, and the Department of Education also took a strategic approach to competitive sourcing.

OMB's task in balancing the need for transparency and consistency with the flexibility agencies need is not an easy one. While OMB is addressing funding and human capital challenges, it needs to do more to assure that the agencies' inventories of commercial positions and goal-setting processes are more strategic and helpful to agencies in achieving savings and improving performance.