

June 28, 2005

FAX TO EPA UNION OFFICIALS

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|------------------------------|-------------|--------------------------------------|----------------------|
| R1 - Henry Burrell | AFGE | Ada - Frank Beck | AFGE |
| R2 - Paul Sacker | AFGE | Cincinnati - Larry Penley | NTEU |
| R3 - Allan Hollis | AFGE | Gulf Breeze - Geraldine Cripe | NAIL |
| R4 - Nancy Barron | NAGE | Las Vegas - Terry Slonecker | NAGE |
| R5 - John O'Grady | AFGE | Narrangansett - Lesley Mills | NAGE |
| R6 - Forrest John | AFGE | RTP - Silvia Saracco | AFGE |
| R7 - Steve Kinser | NTEU | HQ - Steve Shapiro | AFGE |
| R8 - Dave Christenson | NTEU | HQ - Dwight Welch | NTEU |
| R9 - Patrick Chan | NTEU | George Orzechoskie | National AFGE |
| Wendell Smith | ESC | Matthew Areman | National NTEU |
| R10- Steve Roy | AFGE | | |

From: David J. O'Connor
 Deputy Assistant Administrator
 Office of Administration and Resources Management

Subject: Competitive Sourcing

This is the first of 7 pages.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

June 28, 2005

OFFICE OF
ADMINISTRATION
AND RESOURCES
MANAGEMENT

MEMORANDUM

SUBJECT: Competitive Sourcing

FROM: David J. O'Connor *David J. O'Connor*
Deputy Assistant Administrator

TO: EPA Union Officials

Over the past several months, the Competitive Sourcing Council (Council) has been discussing a range of Agency functions for possible competition under the competitive sourcing initiative of the President's Management Agenda. The Council is now in the process of finalizing its recommendations on which functions to select for competition.

The Council will present its recommendations to the Assistant Administrators and Regional Administrators at a meeting on Wednesday, July 13. The results of that meeting will form a final recommendation to the Administrator.

By way of this memo, I am providing EPA's unions with the list of functions that the Council has been discussing as potential candidates for competitive sourcing. Please bear in mind that the Council will not be recommending all these functions for competition. The Agency will only compete those functions that are: (1) most likely to produce the desired results of efficiencies of operations and cost savings, and (2) otherwise practical to compete. Your input in making these final recommendations is requested.

Please review the list of functions and provide any input or comments directly to me by Wednesday, July 6. Additionally, we are inviting a representative from each of EPA's unions to meet with Assistant Administrator Luis Luna and myself on July 6 to discuss the union recommendations and comments. Details about that meeting (to be held in EPA headquarters) will be communicated separately. Your comments will be considered as we finalize recommendations. We will also provide union comments, as submitted, to the Assistant and Regional Administrators for their consideration at the meeting on July 13.

Attachment

**Environmental Protection Agency
Long Term Competitive Sourcing Planning
Functional Areas Under Consideration**

Background:

Competitive Sourcing is a key initiative under the President's Management Agenda aimed at creating a more efficient government. Competitive Sourcing utilizes a competitive process in which the public and private sector compete for commercial work. Competitive Sourcing has proven to be a beneficial management tool for those agencies that have used it to streamline their commercial operations. According to the "Report on Competitive Sourcing Results Fiscal Year 2004" released by the Office of Management and Budget (OMB) in June 2005, agencies that competed functions during 2004 anticipate annualized savings averaging \$22,000 per full-time-equivalent (FTE) competed. EPA has not achieved these types of savings to date.

Historically, EPA has approached competitive sourcing planning on an annual basis. Between 2002 and 2004, EPA completed competitions covering only 38.4 full-time-equivalents (FTE), or 0.2% of its total number of positions. In order to achieve the benefits of savings and efficiencies offered by competitive sourcing, the Agency determined that a long-term plan for competitions is needed. Additionally, a long-term plan offers the Agency an opportunity to carefully schedule competitions in a manner that allows it to maximize its mitigation strategies for potentially affected employees. Over the past seven months the Agency's Deputy Assistant Administrators (DAAs), Deputy Regional Administrators (DRAs) and several Assistant Administrators and Regional Administrators worked to identify commercial activities, currently performed by EPA employees, that may be suitable for competition using the Competitive Sourcing process.

Considerations:

The Agency's senior managers were asked to develop recommendations for competitions through 2008. Internally, EPA established a goal of identifying approximately 850 FTE for competition between 2005 and 2008. This goal, which represents approximately 5% of EPA's total population of employees, was established after reviewing EPA's prior year Federal Activities Inventory Reform (FAIR) Act inventories, examining commercial activities competed by other Federal agencies, and considering EPA's current reliance on the private sector and other outside sources in meeting its mission. Senior managers agreed that, in prioritizing their recommendations, the ability of the Agency to continue to meet its mission is of paramount importance. Additionally, they agreed that the initiative should be applied in an equitable manner across the Agency. The other factors used to recommend activities for consideration included: expected benefit to the Agency; alignment of activities with the mission and the Agency's workforce planning; ability to mitigate potential adverse impacts; and the level of agreed understanding of the function.

Functional Areas Under Consideration:

A. Information Technology (IT):

What Could be Considered: Hardware and Software support; Help Desk; LAN Administration; Hosting & Storage; Specific Systems Support such as Grants Information Management System; Database Management; Data Entry & Reporting; Data Management; Software Applications & Development; Systems Administration & Design; IT training; and Geospatial Information Systems Support.

Discussion: IT is clearly a commercial activity that has been competed by numerous agencies through Competitive Sourcing. Certain activities, such as hardware/software support, help desk and LAN administration, may offer the potential for significant savings and Agency standardization through consolidation and/or a single "national" response to the requirements. The other IT activities are also suitable for competition and likely to produce efficiencies even if approached on a local level.

B. Administrative Support:

What Could be Considered: Correspondence preparation, control & distribution; office reception duties; file & records management; office management, such as meeting scheduling, maintaining personnel rosters, scheduling conference rooms; mail and message services; copying; arranging for facility repairs; and Freedom of Information Act (FOIA) support.

Discussion: Administrative support is not an inherently governmental function and many agencies have competed this type of work. Changes in technology and our increasing reliance on automation have decreased the level of support required under this functional area.

C. Financial Services:

What Could be Considered: Contract payments

Discussion: Financial services are commercial activities that have been competed by many federal agencies, including EPA. Currently EPA is conducting a competition of the simplified acquisition payments. This competition would cover the contract payment activities currently conducted in Research Triangle Park.

D. Grants Management - Grants Specialists Functions:

What Could be Considered: Pre-Award activities such as developing, maintaining, distributing and receiving application materials; conducting/participating in pre-application meetings; reviewing adequacy of business management systems; maintaining official files; evaluating applications for compliance with applicable regulations, policies, etc.; negotiating approved "fair share" objectives; preparing findings, negotiating work plans and budgets; and preparing package for approval/disapproval of the Approval Official.

Award activities include performing fiduciary reviews of funding recommendation packages; preparing award documents; obtaining appropriate reviews/concurrences; after signature by Award Official preparing notifications in accordance with White House and Congressional requirements; transmitting award documents; recording obligations; and obtaining countersignatures. Post-Award activities include, receiving and reviewing amendment applications; preparing amendment documents; resolving payment issues; developing and then implementing approved post-award monitoring plans; and closing out packages.

Discussion: Grants Management functions have been competed in other federal agencies. However, with current Congressional interest in EPA's grants processes and the extensive OIG and GAO oversight, this area may be too unstable for sound competition. Other approaches to address our weaknesses may be more appropriate. It should be noted that many of the Agency's issues in Grants Management are being addressed currently through the refinement of our Grants Management Plan. If this is to be competed, EPA must get its policies and safeguards established first. Therefore, if chosen for competition, Grants Management would not be ready until perhaps 2008.

E. Grants Management - Project Officer Functions:

What Could be Considered: Primarily the administrative functions associated with a Project Officer's duties. Pre-Award activities such as assessing recipient's technical capability; performing preliminary review of application packages; performing and documenting the cost review; preparing competitive announcements for review and approval; and evaluating applicant's adherence to EPA Order 5700.7. Award and post-award activities include preparing a funding recommendation; performing monitoring reviews and preparing a commitment notice. Also included in this functional area are monitoring a recipient's adherence to the grant conditions; milestone tracking; performing on-site reviews; compiling findings and comments; checking revised applications; reviewing payment requests from high-risk recipients and assessing adequacy of reports. Performing closeout procedures and providing training would also be considered.

Discussion: The discussion is very similar to the discussion of the Grants Specialist function, above.

F. Procurement/Contract and Grants Closeout:

What Could be Considered: Contract and Grants closeout activities from completion of work through archiving and ultimately destruction of the official files in accordance with record keeping regulations and policies.

Discussion: Closeouts represent a discreet activity that can be separated from the other procurement and grants activities performed by our employees. Closeouts are necessary but relatively low priority when compared to the overall workload of the employees currently performing it. This functional area presents the potential for consolidation and

therefore increased efficiencies and savings. It could also be ready to compete during 2006. However, if a determination is made to compete Grants Management as a complete business line, then grants closeout should not be separated from that effort. This is a relatively small number of FTE.

G. Superfund Cost Recovery Support:

What Could be Considered: Conducting mailings, summarizing responses to information requests or title searches; obtaining PRP information to include corporate relationships and successorship, documenting findings and conducting interviews; researching and compiling background information on PRPs and the history of work at a site; coordinating, compiling, verifying and reconciling cost recovery work performed packages and issuing demand and/or notice letters; providing support to negotiations, arbitrations, etc; preparing cost packages; compiling Cost Recovery documents; conducting ability to pay analysis; providing paralegal support throughout the process; and performing work that requires skills in program analysis, records management, data management/entry, and associated administrative support.

Discussion: This is a small number of FTE. Although the work is not inherently governmental, it is closely tied to the Agency's enforcement mission.

H. Compliance Assistance:

What Could be Considered: Developing and providing sector-specific information to assist the regulatory community in understanding their statutory and regulatory obligations, improve their management practices, and reduce pollution; working with compliance assistance providers, i.e., states, tribes, trade associations, etc, to develop and deliver compliance assistance resources such as web sites, guides, and training materials; developing interpretive guidance to assist the regulated community in its compliance efforts; developing and implementing outcome measures for compliance assistance efforts; responding to inquiries; performing facility-specific work such as EMS development or P2 assessments; and performing grants management activities associated with funding Compliance Assistance Centers.

Discussion: There are diverse opinions on this function as a potential candidate for competition. The function is performed in many locations. A competition constructed to include activities nation-wide may offer significant potential for consolidation of work and streamlining processes. Maintaining the appropriate level of in-house expertise is critical to the quality of the compliance assistance program and must be considered. A consolidation of efforts in this functional area would cause a fundamental change in the way the Agency addresses compliance assistance. Additionally, some argue that the regulated community prefers one contact point for all assistance matters, so separating out enforcement assistance could be detrimental to our relationship with our external partners.

I. Records Management:

What Could be Considered: Assessing the current Agency records management practices, developing then implementing a uniform records management system for organizing, retaining and disposition of records in all media types. Also included is training EPA employees on the approved system.

Discussion: This is a small number of FTE but an area of weakness for the Agency, particularly in the Headquarters offices. A competition would be difficult and time consuming to implement because of the disparate records management practices currently in use; however, the outcome would certainly improve performance. There is also the possibility that achieving the increased performance needed would cost more than we are currently spending in this area. It is not apparent which office would lead this effort.

J. Laboratory Services:

What Could be Considered: Data/sample collection, handling, tracking, analysis and reporting results; evaluation and assessment of pollution sources; conducting field studies; providing technical assistance to EPA and external customers; developing and implementing quality assurance protocols; developing and/or validating analytical methods; performing site assessment; providing "standard reference" materials; performing monitoring activities; conducting research; providing training to internal and external parties; serving as subject matter experts; planning and conducting field investigative services; conducting health and safety procedures; supporting emergency response activities; serving as an expert witness in legal proceedings; calibrating equipment and testing equipment; maintaining animal or plant colonies; performing statistical analysis on data; conducting internal or external audits; implementing and verifying effectiveness of corrective actions; reviewing plans and progress of activities performed by our environmental partners, such as states; conducting reviews of laboratory quality systems; implementing certification programs; managing PC based databases, developing/maintaining software, serving as PC site coordinator; and performing records management activities associated with laboratory records.

Discussion: EPA has 40+ laboratories or research centers in 27+ locations, some with similar mission focus such as the regional laboratories, others with disparate missions. For example, the Office of Research and Development focuses on basic and applied research while, other offices such as the Office of Air and Radiation or Office of Prevention, Pesticides, and Toxic Substances perform laboratory services that primarily support regulatory or policy development. Some labs focus on enforcement. However different the use of the laboratory products, many of the specific activities are similar. Laboratory support services are very closely tied to individual office's ability to meet their mission requirement and therefore the Agency's ability to meet its overall mission.