

September 12, 2001

MEMORANDUM TO: Michael Springer , Director
Office of Administration

FROM: John J. Linehan, Director
Program Management, Policy Development and Analysis Staff //RA//

SUBJECT: PERFORMANCE OF OMB CIRCULAR A-76 COST
COMPARISON STUDIES (WITS 200100344)

In response to your request in the memo dated August 21, 2001 from the Director, Office of Administration, NMSS has reviewed the draft implementation plan and information provided in the memo. Based on our review, we have several observations and concerns about the proposed implementation plan and the basis for those agency Full-Time Equivalents (FTEs) which have been identified as conducting commercial activities.

The memo states for FY 2002 that the Office of Management and Budget (OMB) has directed agencies to perform public-private or direct conversion competition on not less than 5 percent of the FTE positions performing commercial activities and that the commercial activities inventory submitted by NRC to OMB in June 2001 included approximately 529 such positions. Based on this number, the memo also states the NRC's target for public-private or direct conversion competition for FY 2002 is 26 FTE.

The following is a list of concerns and observations that we feel need to be considered or addressed before the implementation goes forward.

- The memo states that the agency has 529 FTE which were identified as performing commercial activities in FY 2001. However, it is unclear if included in the 529 FTE are those FTE which NMSS identified as "commercial exempt" because they provide a core capability which is needed to carry out the mission of the agency in accordance with OMB circular A-76. The Circular states that cost comparisons are not required to convert these core capability activities to or from in-house, contract or inter-service support agreement (ISSA). The Circular states,

".....cost comparisons are not required to convert the following activities to or from in-house, contract or ISSA:

3. Core Capability - A minimum core capability of specialized scientific or technical in-house or contract employees and related commercial workload, may be maintained, without cost comparison to ensure that the Government has the necessary capability to fulfill

its mission responsibilities or meet emergency requirements.”

NMSS had identified 67 FTE as “commercial exempt” in its input for the June 2001 submission to OMB. If these all of these 67 FTE are included in the 529 FTE stated above, it is unclear why this is the case given the guidance in OMB Circular A-76. If it is determined that the FTE which provide core capability should not be counted in the 529 FTE, then the target for FY 2002 of 26 FTE which have been targeted for public-private or direct conversion competition has been overstated. This target will have been further overstated if it is determined that offices other than NMSS had FTE counted which were also identified as “commercial exempt” based on the core capability exemption.

- The August 21, 2001 memo from the Director, Office of Administration states for FY 2002 the target for public-private or direct conversion competition is based on 5 percent of the FTE which were identified as conducting commercial activities in FY 2001. It is appropriate for the target for FY 2002 be based on an inventory of the FTE for FY 2002 and not FY 2001. There are numerous changes from one year to the next in budgeted FTE, changes in positions, changes in duties, etc. which can affect the inventory and the number of positions considered to be conducting commercial-like activities. Because of these changes, the target for FY 2002 can only accurately be based on an inventory of associated positions and duties for the same fiscal year and not a previous year. Consequently, in order to determine an accurate FTE target for public-private or direct conversion competition for FY 2002, the commercial inventory of FTE for FY 2002 should be completed first. In addition, the cost comparison or direct conversion of the activities identified is not scheduled to be completed, according to the tentative schedule attached to the memo, until the beginning of FY 2003 which is two years past the date on which the target was based, which results in the data being used for the basis for the target to be even further dated.
- There is no date stated in the memo for the training needed to carry out public-private or direct conversion competition and associated activities. This training should be the very first step in the process given the complexity of these efforts, the fact that this is the first time the agency has conducted such an effort, and the potential impact which it may have on the offices. Based on the schedule of activities attached to the memo, this training should be imminent.

Given the nature of NMSS’ observations and concerns, I will make myself and my staff available to discuss these issues and bring them to a timely resolution so that we can be clear what role NMSS will play and to what extent NMSS will be involved in these efforts. Ken Dattilo of my staff will be the point of contact for NMSS. He can be reached at 415-7783.

cc: M. Virgilio
C. Seelig NMSS
K. Ferguson NMSS
B. Anker ADM

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ROUTING AND TRANSMITTAL SLIP

DATE: September 20, 2001

		<u>INITIAL</u>	<u>DATE</u>
1.	K. Stout	_____	_____
2.	C. Seelig	_____	_____
3.	J. Linehan	_____	_____
4.		_____	_____

ACTION:	CIRCULATED:	FOR YOUR INFO:
APPROVAL:	COMMENT:	SEE ME:
AS REQUESTED:	NOTE AND RETURN:	PREPARE REPLY:
COORDINATION:	PER CONVERSATION:	

REMARKS:

TICKET NUMBER:

DUE TO DIVISION:

DUE TO NMSS:

DUE TO EDO:

MEMORANDUM/LETTER TO: NMSS Division Directors

FROM: J. Linehan

SUBJECT: ANALYSIS OF PROS AND CONS OF BUDGET
STRUCTURE CHANGE

ORIGINATOR/SECRETARY:	K. Stout	ROOM NO./BLDG.:
		PHONE NO.: 415-7810
