



United States Department of Agriculture

Office of the Secretary
Washington, D.C. 20250

MAR - 7 2005

The Honorable J. Dennis Hastert
Speaker of the U.S. House
of Representatives
235 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Speaker:

The United States Department of Agriculture's (USDA) Report to Congress on Fiscal Year (FY) 2004 Competitive Sourcing Efforts is enclosed. USDA conducts competitive sourcing competitions according to the Office of Management and Budget (OMB) Circular No. A-76, "Performance of Commercial Activities."

In FY 2004, USDA completed 16 competitive sourcing studies on 1,487 full-time equivalent positions. The estimated gross savings was \$179.2 million over a 5-year period with annualized savings of \$35.8 million.

During the past year, USDA has made organizational changes to increase accountability and improve oversight of its Competitive Sourcing Initiative and to implement lessons learned. For example, over the past year, senior managers at the Forest Service (FS) committed to retooling their competitive sourcing program. FS refocused its attention on studies that reflect broader and more closely related functional areas. The agency conducted a study examining 1,200 positions supporting its information technology infrastructure. The Natural Resources and Conservation Service also completed a standard competition of 96 positions at the National Cartography and Geospatial Center. In both cases, the agency was the winning service provider.

USDA strives to meet the Administration's Competitive Sourcing Initiative in a fair and equitable way to ensure that the Department meets expectations. Based on these significant improvements, we urge the elimination of the cap in the Interior Appropriations Act that currently restricts the amount of resources that the FS may spend on competitive sourcing.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Johanns".

Mike Johanns
Secretary

Enclosures

**United States Department of Agriculture
Report to Congress on Fiscal Year (FY) 2004
Competitive Sourcing Activities**

For the President's Management Agenda's, Competitive Sourcing Initiative, USDA earned a score of "yellow" for progress on the Executive Branch Management Scorecard. The score shows mixed results from early efforts. The Department now is working to fine-tune its use of competitive sourcing. USDA is working to ensure that the studies it conducts reflect more strategically grouped and related functions to maximize the initiative's impact. During the past year, the Department issued internal guidance to ensure that feasibility analysis, including cost-benefit analysis, is performed before activities are scheduled for competition. The goal of the feasibility analysis is to ensure that functions selected for public-private sector competitions will result in an organization implemented with lower costs and increased management efficiencies.

USDA's competitive sourcing decision-making process aligns with our strategic work plan by enabling the Department and its agencies to be more effective and efficient. For example, human resources and competitive sourcing organizations in USDA's agencies have taken joint steps to identify skill imbalances, competency gaps and organizational redundancies. Our detailed actions include the following:

- Establishing a workgroup to update the five-year workforce plan;
- Analyzing current skills gaps, which are expected in the future as long-time employees retire, as the work of the agencies changes and as they look toward restructuring their workforces;
- Conducting a review of the agencies' organizations and the types of skills and competencies which will be needed for future years; and
- Establishing a Benchmarking and Business Process Reengineering Workgroup to address workforce restructuring, identify redundancies and gaps in performing these tasks efficiently, and study other Government and private-industry organizations with similar missions to find more efficient ways to organize the agency.

The work in this area is expected to cultivate information that will enable agencies' managers to make decisions about workforce restructuring and the use of competitive sourcing.

In FY 2004, USDA completed 16 competitive sourcing studies on 1,487 full-time equivalent positions and announced two competitive sourcing studies on 270 full-time equivalent positions. The estimated gross savings is \$179.2 million over a five year period with annualized savings of \$35.8 million. USDA's progress is reflected in the attached FY 2004 Competitive Sourcing Activities Summary Completed Competitions (Attachment I) and the FY 2004 Competitive Sourcing Activities Summary Announced Competitions (Attachment II).

USDA made significant progress in the Competitive Sourcing Initiative by implementing lessons learned. Over the past year, senior managers at the Forest Service (FS) committed to retooling their competitive sourcing program. FS refocused its attention on studies that reflect broader – and more related – functional areas. The agency conducted a study examining 1,200 positions supporting its information technology infrastructure. An integrated team of technology, personnel, budget and legal personnel was assembled to assist in an agency-wide competition for information technology. FS concluded its competition in July 2004 with a determination that the in-house Most Efficient Organization offered the best value solution. FS anticipates more than \$146 million in gross savings over a 5-year period from its IT study. Based on these significant improvements, we urge the elimination of the cap in the Interior Appropriations Act that currently restrict the amount of resources that the Forest Service may spend on competitive sourcing. The Natural Resources and Conservation Service also completed a competition of 96 positions at the National Cartography and Geospatial Center. In this case, as well, the agency was the winning service provider.

USDA anticipates a phased-planning approach to competitive sourcing. This approach will include an annual analysis of the USDA Federal Activities Inventory by functional areas. This will continue until all commercial activities have been analyzed for possible future competitive sourcing studies.

In FY 2005, USDA will conduct feasibility studies covering 1,007 FTEs. If the results of the feasibility studies indicate a favorable return on investment and market research indicates potential qualified vendors exist, then an A-76 competition will be conducted. If the results are not favorable, competitions will not be conducted.

Section 332(e) of Division E of the Consolidated Appropriations Act, 2005, (Pub. L. 108-447) requires agencies funded by this Act to identify "the incremental cost directly attributable to conducting the competitive sourcing competitions, including costs attributable to paying outside consultants and contractors and, in accordance with full cost accounting principles, all costs attributable to developing, implementing, supporting, managing, monitoring, and reporting on competitive sourcing, including personnel, consultant, travel, and training costs associated with program management." This report provides information on both out-of-pocket costs of competition as well as costs of providing direction and oversight (i.e., program management), consistent with guidance provided in Office of Management and Budget Memorandum M-05-01. Because section 332(e) was enacted only weeks before the reporting deadline, the Department intends to review its costing methodologies in coordination with OMB prior to submitting future reports.

UNITED STATES DEPARTMENT OF AGRICULTURE
 FY 2004 COMPETITIVE SOURCING ACTIVITIES SUMMARY
 COMPLETED COMPETITIONS
 (Dollars in Millions)

Agency	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Completed	Type of Competition	Location State	Number of FTE in study	Number of Bids Received	Start date (Mo/Yr)	End date (Mo/Yr)	Expected Phase-In Completion Date (Mo/Yr)	Actual Phase-In Completion Date (Mo/Yr)	Source Selection Strategy Used	Winning Provider	FY 2004 Costs	Total Cost- All Years	Estimated Savings	Period of Est. Savings/ Performance Period in years	Annualized Savings	Actual Savings (if Applicable)	Savings Methodology: Calculation/Proxy	Quantifiable Description of Improvement in Service or Performance (if appropriate)
Streamlined Competitions																						
Agricultural Research Service	5510			ARS Security Services	Streamlined Cost Comparison Without MEO	MD	2	N.A.	05/03	10/03	04/04	04/04	Private Sector Source (CTR)	0	0.053	1.12	5	0.224				
Executive Operations	H118			Nursing Function	Streamlined Cost Comparison Without MEO	LA	2	N.A.	10/03	01/04	01/04	01/04	In-house Government Personnel (I/H)	0.025	0.025	0	5	0				
Natural Resources Conservation Service	T000			Clerical Support	Streamlined Cost Comparison Without MEO	MS	5	N.A.	05/03	11/03	01/04	01/04	In-house Government Personnel (I/H)	0	0.002	0	5	0				
Natural Resources Conservation Service	T000			Clerical Support	Streamlined Cost Comparison Without MEO	AR	1	N.A.	06/03	11/03	01/04	01/04	In-house Government Personnel (I/H)	0	0.001	0	5	0				
Natural Resources Conservation Service	T000			Clerical Support	Streamlined Cost Comparison Without MEO	SD	3	N.A.	06/03	01/04	01/04	01/04	In-house Government Personnel (I/H)	0.001	0.002	0	5	0				
Natural Resources Conservation Service	T000			Clerical Support	Streamlined Cost Comparison Without MEO	SD	3	N.A.	06/03	01/04	01/04	01/04	In-house Government Personnel (I/H)	0.001	0.002	0	5	0				
Natural Resources Conservation Service	T000			Clerical Support	Streamlined Cost Comparison Without MEO	SD	3	N.A.	06/04	01/04	01/04	01/04	In-house Government Personnel (I/H)	0.001	0.002	0	5	0				
Natural Resources Conservation Service	T813			Soil Conservation Technicians	Streamlined Cost Comparison Without MEO	GA	6	N.A.	05/03	11/03	01/04	01/04	In-house Government Personnel (I/H)	0.001	0.002	0	5	0				
Natural Resources Conservation Service	S741			Mail & Supply	Streamlined Cost Comparison Without MEO	NV	1	N.A.	06/03	10/03	01/04	01/04	In-house Government Personnel (I/H)	0	0.003	0	5	0				
Natural Resources Conservation Service	T813			Soil Conservation Technicians	Streamlined Cost Comparison Without MEO	GA	6	N.A.	05/03	11/03	01/04	01/04	In-house Government Personnel (I/H)	0.001	0.002	0	5	0				
Natural Resources Conservation Service	T813			Soil Conservation Technicians	Streamlined Cost Comparison Without MEO	GA	5	N.A.	06/03	11/03	01/04	01/04	In-house Government Personnel (I/H)	0.001	0.002	0	5	0				
Natural Resources Conservation Service	T820			Mail & Supply	Streamlined Cost Comparison Without MEO	SD	1	N.A.	06/03	01/04	01/04	01/04	In-house Government Personnel (I/H)	0.001	0.002	0	5	0				
SUBTOTAL STREAMLINED COMPETITIONS							63	5							0.025	6.101	1.12		0.224			
Standard Competitions																						
Forest Service	Z993			R5 Roads Maintenance	Standard Competition	CA	66	3	06/03	01/04	07/04	07/04	Lowest Price Technically Acceptable Evaluation	In-house Government Personnel (I/H)	0.024	0.393	14.216	5	2.8432			
Forest Service	S717			R5 Fleet Maintenance	Standard Competition	CA	59	1	07/03	01/04	11/04		Private Sector Source (CTR)	0.067	0.423	5.746	5	1.1492				
Forest Service	W829	W100	W826	Information Technology Study	Standard Competition	All States	1,200	1	02/03	07/04	02/05		Cost-Technical Tradeoff	In-house Government Personnel (I/H)	1.395	4.059	146.71	5	29.342			
Natural Resources Conservation Service	M316	T852	E120	National Cartography & Geospatial Center	Standard Competition	TX	96	0	06/03	06/04	11/04		Lowest Price Technically Acceptable Evaluation	In-house Government Personnel (I/H)	0.045	0.325	11.449	5	2.2898			
SUBTOTAL, STANDARD COMPETITIONS							1,421	5							1.531	5.2	178.121		35.6242			
TOTAL, ALL COMPETITIONS							1,487	5							1.566	6.301	179.241		36.8482			
FY04 Fixed Costs: 1.580																						
Cancelled Competitions																						
Natural Resources Conservation Service				Soil Conservation Technicians	Streamlined Cost Comparison Without MEO	MD	2		06/03	NA				Competition Was Cancelled (N/A-C)	0	0.002				0		
Forest Service	Z993			R10 Trails Maintenance	Streamlined Cost Comparison Without MEO	AK	20	0	05/03	NA				Competition Was Cancelled (N/A-C)	0.121	0.239	N.D.	N.A.	N.D.	N.A.		

FY2004 Fixed Costs: 1.580
 *Note: These costs are not competition-specific

UNITED STATES DEPARTMENT OF AGRICULTURE
 FY 2004 COMPETITIVE SOURCING ACTIVITIES SUMMARY
 ANNOUNCED COMPETITIONS
 (Dollars in Millions)

Agency	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Completed	Type of Competition	Location State	Number of FTE in study	Start date (Mo/Yr)	Incremental Costs of Conducting Studies	Quantifiable Description of Improvement in Service or Performance (if appropriate)
Streamlined Competitions										
SUBTOTAL STREAMLINED COMPETITIONS							0		0	
Standard Competitions										
Agricultural Research Service	R140			Facilities Ops. & Maint. Servs.	Standard Competition	DC, MD	189	06/03	0.473	
Agricultural Research Service	R900	S717	S999	Research Farming Services	Standard Competition	DC, MD	81	06/03	0.266	
SUBTOTAL, STANDARD COMPETITIONS							270		0.739	
TOTAL, ALL COMPETITIONS							270		0.739	