



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL  
PROCUREMENT POLICY

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MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Paul A. Denett  
Administrator

SUBJECT: 2007 Inventories of Commercial and Inherently Governmental  
Activities

This memorandum provides supplementary guidance to assist agencies in preparing inventories of their commercial and inherently governmental activities. The Federal Activities Inventory Reform (FAIR) Act of 1998, P.L. 105-270, requires federal agencies to prepare and submit to the Office of Management and Budget (OMB), by June 30th of each year, inventories of commercial activities performed by federal employees. OMB Circular A-76, Performance of Commercial Activities, further requires agencies to submit inventories of their inherently governmental activities to OMB.

By annually reviewing and revising complete workforce inventories, agencies are better able to understand the functions their workforce is performing and how those functions relate to the agency's mission. Agency managers should use this analysis to improve ways of managing their human capital resource distribution. Functions found to be inherently governmental or commercial, but not suitable for competition, may undergo reengineering efforts or management reviews. Functions deemed suitable for competition may be examined as potential candidates for competitive sourcing.

Inventories shall be prepared in accordance with Attachment A of Circular A-76. Additional instructions are included in the Attachment. Pursuant to Section 840 of the FY 2006 Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, P.L. 109-115, any agency with fewer than 100 full-time employees as of the first day of the fiscal year is exempt from submitting an inventory of non-inherently governmental (i.e., commercial) activities performed by federal government sources if the agency does not plan to conduct a public-private competition. OMB is also exempting these agencies from submitting an inventory of inherently governmental activities. If an agency of this size is considering a public-private competition that may be announced in FYs 2007, 2008, or 2009, they should prepare and submit inventories of their commercial and inherently governmental activities.

Please address any questions regarding the development of the 2007 inventories to Jim Daumit, Office of Federal Procurement Policy, at (202) 395-1052.

## **Supplementary Guidance for the Preparation of Fiscal Year 2007 Inventories of Commercial and Inherently Governmental Activities**

Inventories shall be prepared in accordance with Attachment A of OMB Circular A-76. Agencies should also refer to OMB Memorandum M-05-12 (May 23, 2005) for guidance regarding the use of function codes, reason codes, and full-time-equivalent employees (FTE) reporting. Memorandum M-05-12 is available at <http://www.whitehouse.gov/omb/memoranda/fy2005/m05-12.pdf>. Agencies may refer to SHARE A-76!, the governmentwide knowledge management system for competitive sourcing, for function code definitions used by various agencies.

### General Instructions

*Submission information.* By June 30, 2007 the FY 2007 commercial and inherently governmental inventories shall be submitted to OMB via its web-based database application, the Workforce Inventories Tracking System (WITS) (e-mailed copies, hard copies, and faxes of the inventories are not required). WITS is accessible on the OMB MAX Portal at <https://max.omb.gov/maxportal/home.do>. If you do not have a user account, one will need to be created for the CSTS/WITS application under the “register here” link. A handbook on WITS is available at [www.whitehouse.gov/omb/procurement/fair-index.html](http://www.whitehouse.gov/omb/procurement/fair-index.html).

In addition, agencies must provide justifications for any function that has been newly designated as reason code A on the 2007 inventory. Consolidated justifications shall be uploaded into WITS as a Word document. Resource management office (RMO) examiners and OFPP analysts may also request that agencies refine previously submitted justifications for other reason code A functions if there are questions. These efforts will help to satisfy the “green” success standard for the competitive sourcing initiative on the President’s Management Agenda that requires “written justifications for all categories of commercial activities determined to be unsuitable for competition.”

Agencies must conform to the US Postal city and state codes and limit themselves to only those function codes on the OMB approved list unless otherwise approved. Links to approved city, state, and function codes are available at <http://www.whitehouse.gov/omb/procurement/fair-index.html>. Inventories prepared using other address and function codes will not be approved.

Agencies that have developed agency-specific function code definitions should submit them to OMB for posting. This information must be provided as a separate Word document at the time of your inventory submission, and should be sent to OFPP at [FAIRAct@omb.eop.gov](mailto:FAIRAct@omb.eop.gov).

*Point of contact information.* As part of the inventory submission via WITS, each agency shall provide the website address (URL) on which it plans to post its inventory. The agency should also identify the name and telephone number of the primary point of contact for publication in the *Federal Register* notice. This information should be entered into the “edit contact” link within the WITS application. If there are alternate agency points of contact OMB

may need to reach (i.e., chief agency contact or agency technical point of contact), please provide those as well. Following review and consultation, OMB will publish a Notice of Availability in the *Federal Register*. The primary agency point of contact will be notified by OMB's RMO when the agency's inventory has been sent to the *Federal Register*.

### Review and Consultation

The following agencies will be notified in writing when OMB has completed reviewing the content of the agency inventories: Department of Agriculture, Department of Commerce, Department of Defense, Department of Education, Department of Energy, Department of Health and Human Services, Department of Homeland Security, Department of Housing and Urban Development, Department of the Interior, Department of Justice, Department of Labor, Department of State, Department of Transportation, Department of the Treasury, Department of Veterans Affairs, Agency for International Development, Corps of Engineers, Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Science Foundation, Office of Personnel Management, Small Business Administration, Smithsonian Institution, and Social Security Administration.

Agencies not listed above may assume that OMB has completed reviewing the inventories 30 days after the electronic submission of their inventories to OMB unless otherwise directed by OMB. Not sooner than 45 days after the electronic submission of their inventories to OMB, unless otherwise directed, these agencies should release their inventories to the public, and place both inventories on the agency's website. Please note that in accordance with the FAIR Act, the challenge and appeals process begins when OMB publishes the Notice of Availability in the *Federal Register*.

All agencies are responsible for reporting their inventories to Congress and for posting their inventory on their agency's public website. Once agencies have been notified that OMB has cleared their inventory, agencies shall mail a copy of their inventory summary, along with a cover letter, to the President of the Senate and the Speaker of the House. Agencies shall also post their full inventory (in Excel format) and inventory summary on the URL address provided under *point of contact information* (above) within twenty-four hours of publishing of the Notice of Public Availability in the *Federal Register*.

### Additional Resources

Additional resources are provided on OMB's website at [www.whitehouse.gov/omb/procurement/fair-index.html](http://www.whitehouse.gov/omb/procurement/fair-index.html). These include (1) a copy of this memorandum, (2) the list of US Postal Service city and state codes, (3) the list of 2007 OMB approved function codes, (4) the WITS Handbook, and (5) WITS XML schema. Agencies may also wish to review *Managing the Workforce Inventory Development Process: Practices to Avoid, Best Practices & Guidance References*, which is available on the Chief Acquisition Officers Council website at [http://caoc.gov/documents/Managing\\_the\\_Workforce\\_Inventory\\_Development\\_Process.doc](http://caoc.gov/documents/Managing_the_Workforce_Inventory_Development_Process.doc).