



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-3000

CHIEF FINANCIAL OFFICER

January 18, 2007

The Honorable Richard B. Cheney
President of the Senate
Washington, DC 20510-0001

Dear Mr. President:

In accordance with section 647(b) of Division F of the Consolidated Appropriations Act, Fiscal Year (FY) 2004 (Public Law 108-199), please find enclosed the Department of Housing and Urban Development's (HUD) report to Congress on its competitive sourcing efforts for FY 2006. HUD is pleased to report that a streamlined competition of the Training Support Services, involving 45 Full-Time Equivalent (FTE) staff, was completed in FY 2006 with an anticipated cost savings potential of \$10.9 million over a period of five years.

In addition, a standard competition announced in FY 2004, which was included in prior section 647(b) reports, also was completed on the administration of the Office of Multifamily Housing's non-Section 8 rental housing assistance contracts and assisted properties. That competition covered the efforts of approximately 256 FTE staff, with an expanded performance work statement to better address program risks and prior audit issues. The performance decision, made on December 29, 2005 and announced on January 6, 2006, was that performance by government personnel would be more cost effective than performance by outside service providers. It is anticipated that the results of that competition will yield improvements in the administration and performance of HUD's non-Section 8 project-based rental housing assistance programs.

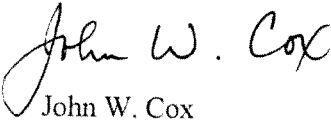
To date, HUD has competed a total of six functions under OMB Circular No. A-76, affecting approximately 320 FTE staff, with a potential 5-year savings to the taxpayer of \$129.4 million. Competitive sourcing has also been integrated as a resource management tool in HUD's strategic human capital management planning process, as HUD continues to seek ways to use its staff and contract resources more efficiently and effectively. In a number of areas -- such as HUD's human resource management support functions and controlled correspondence processing -- Business Process Reengineering (BPR) efforts are being undertaken to fully document existing processes, streamline operations, and provide preliminary planning for possible future competitive sourcing activity. HUD is also identifying areas where the Department may be experiencing performance gaps, or existing or anticipated staffing or skill gaps that are difficult to fill, as such areas may benefit from a public-private competition. While no specific competitions have yet been identified for FY 2007, HUD could announce competitions involving up to 114 FTE positions in FY 2007, based on the results of feasibility studies.

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If your staff have questions or would like additional information on HUD's competitive sourcing efforts, please contact Mr. Frank Murphy, Assistant Chief Financial Officer for Financial Management. He may be reached via e-mail at: Frank_J._Murphy@HUD.GOV or via telephone at (202) 708-0614, extension 3466.

Sincerely,



John W. Cox
Chief Financial Officer

Enclosures

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FY 2006 COMPETITIVE SOURCING ACTIVITIES WORKSHEET**

COMPLETED COMPETITIONS
(Dollars in Millions)

Competition Description													
Agency	Bureau	Primary Activity Code	Secondary Activity Code	Additional Activity Code	Description of Activity Completed	Type of Competition	Location (State)	# of FTE in study	Source Selection Strategy Used	# of Bids Received	Start Date (MM/DD/YYYY)	End Date (MM/DD/YYYY)	Length (days)
STREAMLINED COMPETITIONS													
HUD		C308 Financial Report Generation	C000 Administrative Support		Financial Reporting	Streamlined Competition without MEO	DC	11		N/A	2/16/2005	6/10/2005	114
HUD		W499 Other Information Operation Services			Spanish Language Translation	Streamlined competition with MEO	DC	0**		N/A	3/31/2005	6/23/2005	84
HUD		C316 Financial Systems Development and Planning			Financial Management Systems Review	Streamlined competition with MEO	DC	0**		N/A	12/30/2004	3/30/2005	90
HUD		S716 Motor Vehicle Operation			Motor Pool Services	Streamlined Competition without MEO	DC	3		N/A	6/30/2005	9/28/2005	90
SUBTOTAL, STREAMLINED COMPETITIONS								14		N/A			
STANDARD COMPETITIONS													
HUD		D706 Program Monitoring			Non-Section 8 Multifamily Housing Contract Administration	Standard competition	DC	256		10	4/1/2004	12/29/2006	1002
SUBTOTAL, STANDARD COMPETITIONS								256		10			
TOTAL, ALL COMPETITIONS								270		10			

FY 2005 FIXED COSTS* 0.348

* Note: These costs are not competition-specific

** "Number of FTE in study" is zero because the incumbent service provider was a contractor.

Winning Provider	Expected Phase-In Completion Date (MM/DD/YYYY)	Actual Phase-In Completion Date (MM/DD/YYYY)	Incremental Costs of Conducting Studies				Total Cost - All Years	Costs of Service Providers								Savings and/or Performance Improvements				
			FY 2003 Costs	FY 2004 Costs	FY 2005 Costs	FY 2006 Costs		Baseline Costs	Cost of Winning Offer/Tender Perf Period #1	Cost of Winning Offer/Tender Perf Period #2	Cost of Winning Offer/Tender Perf Period #3	Cost of Winning Offer/Tender Perf Period #4	Cost of Winning Offer/Tender Perf Period #5	Cost of Winning Offer/Tender Perf Period #6	Total Cost of Winning Offer/Tender	Estimated Savings	Period of Est. Savings (Performance Period—in years)	Annualized Savings	Actual Savings (if available)	Saving Methodology: Calculation/Proxy
in-house government personnel (LH)	6/10/2005	6/10/2005			0.033		0.033	9.789	0.496	1.728	1.799	1.859	1.923	1.993	9.789	0.000	5.5	0.000		
in-house government personnel (LH)	8/1/2005				0.033		0.033	3.065	0.037	0.219	0.226	0.236	0.244	0.254	1.216	2.216	5.1	0.436		
in-house government personnel (LH)	10/1/2005				0.033		0.033	2.671	0.363	0.378	0.394	0.408	0.425		1.968	0.925	5.0	0.185		
private sector source (CTR)	3/31/2007				0.033		0.033	1.539	0.094	0.102	0.106	0.109	0.113	0.117	0.551	0.988	5.0	0.198		
			0.000	0.000	0.132	0.000	0.132	17.064							13.524	4.129		0.819		
in-house government personnel (LH)	6/30/2008			0.223	0.348	0.179	0.750	155.400	7.864	25.795	27.286	29.864	31.405	33.201	155.415	114.344	5.5	20.790		
							0.000								0.000			N.D.		
							0.000								0.000			N.D.		
							0.000								0.000			N.D.		
			0.000	0.223	0.348	0.179	0.750	155.400							155.415	114.344		20.790		
			0.000	0.223	0.480	0.179	0.882	172.464							168.939	118.473		21.608		