



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

March 8, 2006

M-06-08

**MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES**

**FROM:**

Clay Johnson III  
Deputy Director for Management

A handwritten signature in black ink, appearing to read "Clay Johnson III", is written over the typed name and title.

**SUBJECT:**

2006 Inventories of Commercial and Inherently Governmental  
Activities

This memorandum provides 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.

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 2006, 2007, or 2008, they should prepare and submit inventories of their commercial and inherently governmental activities.

**General Instructions**

*Submission information.* For the 2006 submission of commercial and inherently governmental inventories, agencies must use the standard Excel spreadsheet format posted on OMB's website: [www.whitehouse.gov/omb/procurement/fair-index.html](http://www.whitehouse.gov/omb/procurement/fair-index.html). Agencies must also conform to the US Postal city and state codes and limit themselves to only those function codes on the OMB approved list. Inventories prepared using other formats, address codes, and function codes will be returned to the agency.

Agencies shall combine all agency component inventories into a single inventory before submitting to OMB. Do not submit separate spreadsheets for each agency component.

By June 30, 2006 the FY 2006 inventories shall be submitted via e-mail (hard copies and faxes are not required) to the appropriate Resource Management Office (RMO) and the Office of Federal Procurement Policy (OFPP) at [FAIRAct@omb.eop.gov](mailto:FAIRAct@omb.eop.gov) consistent with the guidance provided in OMB Circular A-76 (<http://www.whitehouse.gov/omb/circulars/index-procure.html>) and the instructions provided in this memorandum.

In addition, agencies must provide justifications for any function that has been newly designated as reason code A on the 2006 inventory. 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 shall include the commercial reason code A justifications with their inventory submissions. Justifications must be provided as a separate Word document to both OFPP and the appropriate RMO.

Agencies should refer to OMB Memorandum M-05-12 (May 23, 2005), available at <http://www.whitehouse.gov/omb/memoranda/fy2005/m05-12.pdf>, for guidance regarding the use of function codes, reason codes (including the development of justifications in the use of reason code A), and full-time-equivalent employees (FTE) reporting. Agencies may wish to refer to SHARE A-76!, the governmentwide knowledge management system for competitive sourcing, for function code definitions used by various agencies.<sup>1</sup> 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.

*Point of contact information.* At the time of inventory submission, each agency shall provide to OMB the website address (URL) on which it plans to post its inventory and the name and telephone number of the primary point of contact the agency would like have published in the *Federal Register*. This information should be entered into the “Contact” tab of the provided Excel spreadsheet template. If there are alternate agency points of contact OMB may need to reach (e.g., bureaus representatives or agency technical points 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 their examiner when their 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

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<sup>1</sup> SHARE A-76 is maintained by the Department of Defense. Agency function code definitions are available at [http://sharea76.fedworx.org/inst/sharea76.nsf/\(LibraryByOrgStep3byTitle\)?OpenView&RestrictToCategory=Department+of+Defense~Inventory](http://sharea76.fedworx.org/inst/sharea76.nsf/(LibraryByOrgStep3byTitle)?OpenView&RestrictToCategory=Department+of+Defense~Inventory).

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*. Therefore, it is important that inventories are posted in Excel format on agency websites within twenty-four hours of publishing in the *Federal Register*.

All agencies are also responsible for reporting their inventories to Congress. Once agencies have been notified that OMB has cleared their inventory, agencies should mail a copy of their inventory summary, along with a cover letter, to the President of the Senate and the Speaker of the House.

#### The Workforce Inventories Tracking System and Future Submissions

OMB is currently in the process of developing a FAIR Act database called the Workforce Inventories Tracking System (WITS). WITS, a web-based system that will be managed by OMB, is scheduled to be operational in FY 2006. However, due to time constraints, agencies will submit their 2006 inventories to OMB using the OMB spreadsheet template. OMB will then load the data into WITS.

For future submissions (2007 and beyond), agencies will be expected to submit their inventories through WITS, either by direct web interface or by a bulk uploading process that transmits data compiled by an agency's existing system in a format that is compatible with WITS. The direct web interface will allow agencies to compile and submit their inventories on the system itself, rather than using Excel spreadsheets. Agencies planning to use an existing system to compile their inventories will need to develop a means of exporting that system's output into an extensible markup language (XML) format for bulk upload into WITS. Additional information, including the XML format, will be provided to the agencies as the system is implemented.

#### 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 2006 OMB approved function codes, and (3) spreadsheet guidance. 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).

Please address any questions regarding the development of the 2006 inventories to Jim Daumit, Office of Federal Procurement Policy, at (202) 395-1052.