



THE SECRETARY OF EDUCATION
WASHINGTON, DC 20202

May 24, 2004

Honorable Richard Cheney
President of the Senate
Washington, DC 20510

Dear Mr. President:

Enclosed is the Department of Education's first annual report to Congress on competitive sourcing efforts of the preceding fiscal year as requested under Section 647(B) of Division F of the Consolidated Appropriations Act, FY 2004, P.L. 108-199. The report was prepared in accordance with OMB Memorandum 04-07, dated February 26, 2004. The report has also been submitted to OMB to be included as part of the consolidated governmentwide report.

The Department developed a competitive sourcing strategy (see response to Attachment B of the report) in FY 2002. ED completed preliminary reviews of activities representing approximately 825 FTE (Full Time Equivalents). ED then determined that out of the activities reviewed, 5 activities representing approximately 230 FTE would be subject to competition under the new OMB Circular A-76. Four activities were included in two full competitions announced in FY 2003 and one activity was announced as a streamlined competition.

There are currently no competitions identified for announcement in FY 04. The Department has begun to review the activities of approximately 100 FTE. However, these reviews have not proceeded sufficiently to determine whether any of these activities should be announced for competition in FY 04. The Department is focusing its primary attention on the successful execution of the competitions currently in progress.

If you need any additional information or wish to discuss this further, please let us know.

I look forward to reporting on our 2004 activities to you in December.

Sincerely

A handwritten signature in black ink that reads "Rod Paige". The signature is written in a cursive, flowing style.

Rod Paige

Enclosure



THE SECRETARY OF EDUCATION
WASHINGTON, DC 20202

May 24, 2004

Honorable J. Dennis Hastert
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

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The Department developed a competitive sourcing strategy (see response to Attachment B of the report) in FY 2002. ED completed preliminary reviews of activities representing approximately 825 FTE (Full Time Equivalents). ED then determined that out of the activities reviewed, 5 activities representing approximately 230 FTE would be subject to competition under the new OMB Circular A-76. Four activities were included in two full competitions announced in FY 2003 and one activity was announced as a streamlined competition.

There are currently no competitions identified for announcement in FY 04. The Department has begun to review the activities of approximately 100 FTE. However, these reviews have not proceeded sufficiently to determine whether any of these activities should be announced for competition in FY 04. The Department is focusing its primary attention on the successful execution of the competitions currently in progress.

If you need any additional information or wish to discuss this further, please let us know.

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Enclosure

DEPARTMENT OF EDUCATION
FY 2003 COMPETITIVE SOURCING ACTIVITIES SUMMARY
COMPLETED COMPETITIONS
(Dollars in Millions)

Function Competed/Description		Competition Description				Incremental Costs of Conducting Studies			Savings and/or Performance Improvements			
Type of Competition	Location (State)	# of FTE in study	Start Date (Mo/Yr)	End Date (Mo/Yr)	Winning Provider	FY 2003 Costs	Total Cost - All Years	Estimated Savings	Period of Est. Savings	Annualized Savings	Actual Savings (if available)	Quantifiable Description of Improvements in Service or Performance (if appropriate)
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Department did not complete any of the three announced competitions prior to September 30, 2003 (FY 2003).

SUMMARY:

Total number competitions	0
Total number of FTEs studied	0
Total FY 2003 costs to conduct studies	0
Total anticipated savings associated with 2003 studies:	N/A

DEPARTMENT OF EDUCATION
FY 2003 COMPETITIVE SOURCING ACTIVITIES SUMMARY

Announced Competitions*
(Dollars in Millions)

Competition Description		Location (State)	# of FTE in study	Start Date (Mo/Yr)	Incremental Costs of Conducting Studies	Anticipated Savings or Quantifiable Description of Improvements in Service or Performance (if available)
Function Competed/Description	Type of Competition					
Payment Processing Services. Activity Codes C100 (Voucher Examining), C301 (Accounts Payable), C302 (Travel Processing), and C312 (Payments Issuance Support/Processing).	Standard Competition (New Circular)	Nation-wide	97	6/12/2003	0.135	Improve customer satisfaction, reduce costs, improve system functionality
Human Resources and Training Services. Activity Codes B301 (Processing - Personnel Management), B400 (Employee Relations Support), B700 (Personnel Management Specialist), and U300 (Training Management).	Standard Competition (New Circular)	Nation-wide	123	6/12/2003	0.363	Improve customer satisfaction, reduce costs, improve system functionality
Audit Survey & Fieldwork and Audit Quality Control Reviews. Activity Codes I420 (Financial Audits) and I430 (Performance Audits).	Streamlined Competition (New Circular)	DC	10	9/26/2003	0.00	Additional capacity at reduced cost.

SUMMARY:

Total number competitions	<u>3</u>
Total number of FTEs being studied	<u>230</u>
Total FY 2003 costs to conduct studies	<u>498,945.00</u>

Attachment B

Item 9. General description of how the competitive sourcing decision making processes of the agency are aligned with the strategic work plan of the agency.

To meet the competitive sourcing objectives of the President's Management Agenda, the Department of Education developed and is implementing its One-ED plan. The One-ED plan seeks to define a new way of doing business by analyzing primary work processes to determine the best way to accomplish work, regardless of how it was accomplished in the past.

Teams are tasked with asking the most basic questions of how do we do our work, why we do our work in the current way, who is doing our work, and whether the current way is the best way. To help the teams answer these questions the Strategic Investment Process review identifies specific activities.

As a part of the Strategic Investment Process review, each team begins by process mapping steps in a particular process. Roles and responsibilities are defined and recorded for action owners in the process map. Quality, service, time, cost and risk metrics are defined, and an Activity Based Costing Model is created for the process. These steps assist the team members in identifying weaknesses in the current process. Team members then identify and conduct best practice visits to organizations, both inside and outside the government. Using the best practice visits as an idea generator and proof that our problems can be overcome, each team creates a future vision of how they would execute the process if they were the business owner. Each team then creates and presents a business case to the Department's Executive Management Team (EMT), which is chaired by the Deputy Secretary and consists of the Department's most senior officers. The business case should articulate a need for immediate action, a compelling solution that yields tangible quality, service, time, cost, and risk benefits, and define the investment requirements necessary to implement the reengineered process. Based on the information presented, the EMT may decide that competition could yield additional efficiencies and as a result elects to competitively source the business process or it may decide that the team has already identified significant efficiencies and elects to not compete the business process and proceed directly to in-house reengineering.

As with implementation of any project, lessons are learned around what works best during the first round of implementation. We have learned a great deal about the best way to implement the One-ED process. As we continue, we will implement solutions that address the lessons we have learned. We will also use information obtained in the competitive sourcing process to update workforce profiles, recruitment plans, and skill assessments.