



## Managing the Workforce Inventory Development Process: Practices to Avoid, Best Practices & Guidance References

**Practice to avoid #1:** *Using only one function code for an entire division of FTEs or an office within a division.*

### **Best practices and guidance references:**

- In general, an agency should be capable of identifying different functions within a division or office (although this will depend on the office's size and the nature of its mission(s)). Identifying these different functions, rather than assigning one function code to the entire division or office, should make the inventory more valuable to the agency as a management tool for helping the agency to ensure that its human capital resource distribution is effectively aligned with its mission.
- Generally, there is a function code category (e.g., information services [series "W"]) that can accurately indicate the type of work done in a particular office or division. The various FTE within the office or division can be divided up into the most fitting subcategory (e.g., data center operations [600], software services [827]).
- OMB Memorandum M-05-12 (May 23, 2005) states that agencies have flexibility in defining function codes. "Agencies may use the DOD function code definitions or create definitions that are tailored to fit their agency." **Take advantage of this flexibility.**
- A number of agencies require their FAIR Act coordinators to designate one function code to be used agency-wide for each given function. These agencies have developed a downsized version of the OMB function code list along with agency-specific definitions which apply to all agency components as part of their annual internal guidance.
- Remember to submit your agency-specific function code definitions to OMB. OMB will be compiling a comprehensive list of function code definitions that will be made available for the FY 2006 inventory via the internet.

**Practice to avoid #2:** *Rules of thumb (e.g., 10% of total FTE must be managers; therefore, 10% of inventory should be automatically labeled inherently governmental).*

**Best practices and guidance references:**

- The objective of the inventory process is to create an accurate picture of the federal workforce that can be used to understand how workforce resources are allocated and how they might be redirected to better align with the agency's mission.
- FTEs should be evaluated based on the work actually being performed, rather than assumptions made from the title, position level or grade series alone.
- Making status and reason code determinations on a case-by-case basis ensures the most accurate workforce picture possible and provides an important foundation to support human capital and competition planning.
- Aligning human resources data (e.g., geographical, occupational series, grade, etc.) with inventories' data (e.g., activity function categories, status, etc.) can assist human capital managers in developing a more complete and accurate strategic workforce plan.

**Practice to avoid #3:** *Rigid templates that automatically assign status and reason codes based on job titles and grade series.*

**Best practices and guidance references:**

- The FAIR Act coordinators at some departments create working templates that equate common job titles and accompanying grade series to a particular status and reason code. Where such templates are used, they should serve only as a *starting point* for bureau/division managers. Managers should undertake further analysis to ensure that the work actually performed by the FTE is consistent with the function, status, and reason code identified by the template.
- If agency guidance addresses how particular positions or titles specific to an agency are likely to be categorized, the guidance should provide sufficient explanation of the work being performed to demonstrate how the decision relates back to the work and not simply a job title or classification series. Such an explanation may also serve as the justification required by the Circular if the function is listed as inherently governmental or commercial, but unsuitable for competition (reason code A).
- Inventory developers are encouraged to consult with human resources and human capital planning staffs to ensure application of status and reason codes support human capital actions, including the use of competitive sourcing to address skill and competency gaps, achieve delayering, etc.

**Practice to avoid #4:** *Classifying an activity as inherently governmental simply because the activity may be unsuitable for competition.*

**Best practices and guidance references:**

- If an activity meets the criteria identified in the FAIR Act and OMB Circular A-76 for being designated as inherently governmental, the activity should be classified as inherently governmental. If the activity does not meet the criteria, it should be classified as commercial.
- Whether an activity is suitable for competition is not, in itself, a criteria for determining if the activity is inherently governmental. Accordingly, an activity should not be classified as inherently governmental simply on the basis that it is not suitable for competition.
- Only after an agency has identified an activity as commercial should it consider whether an activity is suitable for competition (reason code B) or unsuitable for competition (reason code A).
- When deciding whether reason code A or B is appropriate for a given function, agencies should refer to the supplemental guidance provided by OMB for the FY 2005 inventory process.
  - An agency should generally avoid automatically labeling an individual function as commercial A on the inventory simply because it is believed that competing this individual function would be impractical or would not generate savings. These determinations may be premature without having the benefit of considering how functions across the agency interrelate and whether circumstances that may presently make competition impractical may change in the future.
  - Many agencies conduct feasibility assessments to validate their initial assessment of an activity as suitable for competition before a competition is formally announced. This additional step allows subject matter experts and high-level managers, with contract support, to evaluate if: (i) competition can achieve sizable potential return on investment and significantly improved performance, (ii) risks are manageable, and (iii) anticipated results align with the agency's strategic business objectives.
- Congress has prohibited certain commercial functions from being performed by the private sector, thereby overriding the agency's ability to consider the activity's suitability for competition. These activities should be coded "F" on the agency's inventory.

**Practice to avoid #5:** *Using reason code A to shield commercial activities that may not presently make sense to study but could be suitable for competition at a future date.*

**Best practices and guidance references:**

- The initial determination of whether or not to compete reason code B functions is typically subject to additional analysis conducted subsequent to the inventory process and before a formal announcement of competition is made.
- If a feasibility study of a Code B activity indicates that competition is not likely to be beneficial, OMB will take this into account in evaluating an agency's competition plan and progress made in implementing its plan.
- Agencies should periodically revisit the results of their feasibility analyses to reevaluate whether circumstances have changed and, if so, whether such changes may make competition suitable.

**Practice to avoid #6:** *Developing an inventory that does not include FTEs that are currently assigned to a reimbursable detail or are temporarily vacant when the inventory "snap-shot" is taken.*

**Best practices and guidance references:**

- OMB's 2005 FAIR Act guidance states that agency inventories should reflect the number of budgeted FTE (with a 5% deviation allowed). There may be some instances where it is necessary to deviate from this rule. In this instance, OMB requires that agencies provide a written justification if the deviation exceeds 5%.

**Practice to Avoid #7:** *Assuming all of the positions remaining in your agency's inventory are inherently governmental because your agency's federal workforce was significantly reduced or largely outsourced in prior years.*

**Best practices and guidance references:**

- Without exception, OMB Circular A-76 directs agencies to use the inherently governmental criteria listed in the Appendix to determine the status code of each function. FTE should be categorized based on the function being performed irrespective of how that relates to the overall ratio of inherently government and commercial FTE in the inventory.
- The size and/or distribution of federal employees may affect the determination of whether or not a commercial function is listed as suitable for competition (*the reason code determination*); however, these considerations would not affect an FTE's status as either inherently governmental or commercial (*the status code determination*).

- Agencies with a small number of FTE, may have more commercial activities listed as unsuitable for competition than larger departments or agencies due to the fact that smaller agencies often have a larger percentage of their commercial functions tasked with oversight duties or a larger (refer to OMB Memorandum M-05-12 (May 23, 2005) guidance on *sufficient number* and *risk assessment*).
- OMB has never established inventory goals or quotas. OMB reviews each inventory on an individual basis. Final determinations regarding the designation of an activity on an inventory as inherently governmental or commercial is made by the agency.

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