

NEW BUSINESS OPPORTUNITIES FOR DELOITTE CONSULTING LLP'S FEDERAL PRACTICE

ABSTRACT Deloitte Touche Tohmatsu, with 2007 revenues of more than \$23 billion, is the second largest professional services firm in the world, providing audit, tax, accounting, consulting and financial advisory services to clients across every industry. Deloitte Consulting LLP is a leading provider of management and technical consulting services in the U.S. Since its creation in 2000, Deloitte Consulting LLP's Federal practice has experienced tremendous growth—doubling in size and revenue several years in a row. This capstone reviews the consulting industry and Deloitte's position in that industry; analyzes the process for obtaining consulting contracts with U.S. federal agencies; and points to new business opportunities for Deloitte Consulting LLP's Federal practice.

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EXECUTIVE SUMMARY

Deloitte LLP is a leading provider of professional services in the U.S. Globally, its parent firm, Deloitte Touche Tohmatsu, ranks as the second largest of the Big Four. With the resources and talent of its three fellow service lines (audit, tax, and financial advisory services) at its disposal, Deloitte Consulting LLP is uniquely positioned in the market to provide best-in-class solutions to its client's problems. This "Deloitte Difference" sets the firm apart from its competitors.

The consulting industry is very competitive and highly fragmented because several small- and medium-sized companies specialize in particular areas, like HR or IT consulting. The five largest management consulting companies are IBM, Accenture, Deloitte, CapGemini and Mercer. Collectively, they are responsible for 31% of global consulting revenues.

Deloitte Consulting LLP's areas of expertise are broad. It provides clients with market-leading solutions in five key practice areas: Enterprise Applications, Technology Integration, Strategy & Operations, Human Capital, and Outsourcing. Deloitte's singular goal is to help clients create more value.

Deloitte Consulting LLP's Federal practice has seen tremendous growth over the past eight years. The federal government's demand for consulting services and the resulting cost-savings is growing, despite and perhaps because of current economic uncertainty. There are great opportunities for Deloitte to benefit.

Deloitte should continue to make growing its Federal practice a strategic priority. Specifically, it should pursue opportunities with the State Department's Directorate of Defense Trade Controls, with the government-wide Freedom of Information Act request response process, and with the Office of Management and Budget's government-wide Financial Management Line of Business shared service center initiative.

The State Department's Directorate of Defense Trade Controls is responsible for protecting national security by ensuring that U.S. technology and know-how with military application are not exported without authorization. The export authorization request process is particularly antiquated. Deloitte Consulting LLP's Federal practice should propose the design and implementation of technology that will enable the secure electronic transfer of the request materials from industry to the Department of State.



The Freedom of Information Act provides for a process by which any person can file a request for information from a Federal government agency. The requestor is supposed to receive a response from the agency by 20 days after filing his or her request. However, some requests take as long as 354 days to be filed. In addition, to comply with each request costs the government an average of more than \$500. Most agencies have huge backlogs of requests. Deloitte Consulting LLP should propose a process improvement solution to the Federal government. This would serve the public interest, by reducing the process completion time, and serve the government's self-interest, by cutting costs.

The Office of Management and Budget's Financial Management Line of Business initiative seeks to lower costs by using a shared service center model. In the 2007, the initiative was opened up to private companies, making them eligible to become certified shared service centers for Federal agencies. \$1.75 billion has been requested in the budget for fiscal year 2009 to support this initiative. By partnering with Oracle, Deloitte Consulting LLP's Federal practice will be able to provide its clients with a market-leading shared service center solution—and capture some of money newly-available under this initiative.

BACKGROUND ON DELOITTE¹

Deloitte Touche Tohmatsu:

Deloitte Touche Tohmatsu (“DTT”) is a Swiss Verein, or association, with members firms across the globe. With 2007 revenue of \$23.1 billion, DTT is the second biggest of the Big Four audit/accountancy firms. Through its member firms, it employs over 150,000 professionals in 140 countries. (See “Attachment 1: Deloitte—By the numbers”)

In the United States, Deloitte LLP is the DTT member firm. In 2007, Deloitte LLP operated 101 offices in 92 cities across the U.S. It had 2,758 partners and employed 29,725 professionals, in addition to 8,515 administrative employees. Its revenue for 2007 was \$9.85 billion, or roughly 43% of DTT’s global revenues. (See “Attachment 1”)

Four Service Lines:

DTT member firms generally provide professional services along the following four lines; Deloitte LLP in the U.S. is no exception:

- Audit: provided by Deloitte & Touche LLP in the U.S.
- Consulting: provided by Deloitte Consulting LLP in the U.S.
- Tax: provided by Deloitte Tax LLP in the U.S.

¹ All information in this section comes from Deloitte LLP’s Web site at www.deloitte.com.



- Financial Advisory Services: provided by Deloitte Financial Advisory Services LLP in the U.S.

Over the past three years, each service line has contributed a relatively consistent percentage of Deloitte LLP's total revenue. The Audit service line has contributed roughly 44% of Deloitte LLP's total revenue each year; the Consulting service line has contributed roughly 30% each year; the Tax service line and Financial Advisory Services have contributed 22% and 4%, respectively. (See "Attachment 1")

The Deloitte Difference:

Deloitte is the only professional services organization to offer audit, consulting, tax, and financial advisory services in such a broad range. For example, PricewaterhouseCoopers, the largest of the Big Four, does not provide financial advisory services. Leading consulting firms, like Booz Allen Hamilton or Accenture do not provide accounting or audit services. This enables Deloitte to approach its clients' problems in a unique, holistic and comprehensive way. This 360-degree perspective is what Deloitte calls "The Deloitte Difference," and it is a major differentiator for Deloitte in the growing consulting services market. (See "Attachment 2: Industries" and "Attachment 3: Awards & Recognition" for more information about what sets Deloitte apart.)

BACKGROUND ON CONSULTING AND DELOITTE CONSULTING

Consulting Industry:

According to the U.S. Bureau of Labor Statistics, the domestic management and technical consulting industry employed over 920,000 people in 2006. Plunkett Research and Kennedy Information Research Group estimate that the global consulting industry, including management, IT and HR consulting, had total revenues of \$280 billion in 2006. Over half of this revenue, or \$156 billion, was U.S. consulting revenue. Kennedy Information also estimates that 60% of the consulting industry's revenues come from Information Technology or IT consulting. Researchers project a compound annual growth rate of 7.8% for the consulting market in 2008 and 2009, a conservative estimate by most other sources.² For example, Research and Markets, a provider of market research based in Dublin, Ireland, estimates that the U.S., as the world's largest market for business consulting services, has an annual growth rate of 15%.³

Three events combined to drag down performance in this industry from 2001 to 2003: the dot-com bust, the 9/11 attacks and ensuing economic recession, and the chain of corporate scandals following Enron's collapse.⁴ These events put a strain on the financial resources of client companies, forcing them to pull back from signing new contracts for consulting services, which suddenly seemed to be expensive. Following the implementation of Sarbanes-Oxley in 2002, the Big Four, including Deloitte LLP, were

² "Consulting Industry Overview," Plunkett Research, <http://www.plunkettresearch.com/Industries/Consulting/ConsultingStatistics/tabid/177/Default.aspx>.

³ "The U.S. is the Largest Business Consulting Market in the World," Business Wire, http://findarticles.com/p/articles/mi_m0EIN/is_2006_Nov_20/ai_n16853069.

⁴ Ibid.

able subsidize the downturn in their consulting business with the up-swing in their audit business. However, 2004 marked a year of recovery for the consulting industry and, ever since that year, the industry has performed well.

The consulting industry is highly fragmented and quite competitive. There are a large number of small and medium-sized firms that have “built a reputation for themselves and offer specialized consultancy services.”⁵ The top five management consulting firms are IBM, Accenture, Deloitte, CapGemini and Mercer. Collectively, these five global companies control around 31% of the overall global business consulting industry revenues, which supports the finding that the industry is highly fragmented.⁶ It seems that, due to the fragmented and competitive nature of the industry, most of the leading consulting firms have strategically built alliances with other companies.⁷

Most often these alliance partners provide the technological know-how and IT expertise, which the consulting firm can leverage to help create efficiencies for its clients. For example, both IBM and Deloitte have built strategic alliances with SAP AG of Germany and with Oracle Corp. These formal partnerships enable IBM and Deloitte to provide better solutions to their clients.

Deloitte Consulting LLP:⁸

Deloitte Consulting LLP’s areas of expertise are broad.⁹ It provides clients with market-leading solutions in five key practice areas: Enterprise Applications, Technology

⁵ Ibid.

⁶ Ibid.

⁷ Ibid.

⁸ All information in this section, unless otherwise noted, comes from Deloitte LLP’s Web site at www.deloitte.com.



Integration, Strategy & Operations, Human Capital, and Outsourcing. Deloitte's singular goal is to help clients create more value.

Deloitte Consulting LLP's Enterprise Applications practice "helps clients solve complex business issues with a combination of packaged software, more efficient processes and deep industry knowledge."¹⁰ Through strong alliances with leading software providers, Deloitte offers cutting-edge Customer Relationship Management (CRM), Enterprise Resource Planning (ERP), and Supply Chain Management software packages to clients. These software applications are deployed enterprise-wide and enable clients to gather and analyze information from across all areas and levels of their company. Having better information leads to better decisions and more value-creation. Deloitte's consultants and alliance partners guide clients through all stages of enterprise application deployment and provide application training to client employees. (See "Attachment 4: Our Alliances")

Deloitte Consulting LLP's Technology Integration practice operates across six solution areas: (1) Business Integration & Optimization, (2) Information Management, (3) Platform Architecture & Infrastructure, (4) Systems Development, (5) Technology Advisory, and (6) Wireless & Sensor.

(1-4) The first four solutions work in a closely integrated fashion to provide clients with more efficient IT solutions.

(5) Technology Advisory solutions help clients "in their efforts to derive value from the critical juncture where IT and business strategy meet."

⁹ "Deloitte Consulting LLP," Hoover's Company Information, 2008.

¹⁰ Deloitte Consulting LLP Web site.

- (6) Wireless & Sensor solutions provide advice and guidance to clients regarding emerging technologies such as Radio Frequency Identification or RFID.

All six of these solution areas in Technology Integration make it easier for Deloitte clients to capture more of the value they are creating.

The Strategy & Operations practice at Deloitte Consulting LLP works closely with its clients' executive teams to achieve breakthrough business performance. The practice has six solution areas: (1) Corporate Strategy, (2) Customer & Market Strategy, (3) Financial Management, (4) Merger & Acquisition Services, (5) Performance Improvement, and (6) Supply Chain & Operations.

- (1) Deloitte consultants who work in Corporate Strategy help clients to define and refine corporate strategy and vision, as well as to measure and manage strategic performance.
- (2) In Customer & Market Strategy, consultants provide solutions to optimize the product-price-revenue relationship for both the client and the client's customers, utilizing CRM strategies, customer analytics and pricing management techniques, among others, to create value.
- (3) Financial Management is aimed at creating an internal finance organization that is proactive and supports decision-making at all levels of the client company; a major part of Deloitte Consulting LLP's work in this solution area revolves around its CFO Center, an extensive collection of resources aimed at helping CFOs succeed in all four of the roles they play in today's companies: catalyst, operator, strategist, and steward.

- (4) Merger & Acquisition Services is one of the best examples of the “Deloitte Difference.” The M&A Deloitte team brings together professionals from Deloitte’s consulting, tax and accounting firms to provide a “broad continuum of accounting, tax and business advisory services to support mergers, acquisitions, investment and financing structures, disposition alternatives and post-transaction activities.” The 360-degree perspective that Deloitte offers is unique but vital to minimize risk and maximize return during mergers and acquisitions.
- (5) The Performance Improvement solutions from Deloitte LLP’s Strategy & Operations practice focus on reducing costs and increasing profitability. This is accomplished through various means, such as shared service centers, enterprise cost management, and general business process improvement.
- (6) Deloitte Consulting professionals in Supply Chain & Operations counsel clients in areas such as Six Sigma, Product Innovation, Sourcing and Procurement, Supply Chain Strategy and Planning, and Operations Logistics.

Human Capital is another area where Deloitte Consulting LLP is a market leader. In fact, in 2007 Deloitte Consulting LLP was ranked the #2 human resources consulting firm in the US by *Workforce Management* magazine. Deloitte Consulting LLP provides a variety of HR-related services. For example, one focus of Deloitte Consulting LLP’s Human Capital service area is Organization and Change, which focuses on change leadership, technology and process adoption, learning and development, and knowledge

transfer. These services reflect Deloitte's belief that people are the driving force for sustained transformation of an organization's business processes or strategies.¹¹ An organization can only reap the full value associated with business changes by investing fully in human capital. Deloitte Consulting LLP's Human Capital practice helps its clients reap this full value.

The Outsourcing practice also leverages Deloitte Consulting LLP's broad expertise to capture more value for clients. The Outsourcing practice both consults on outsourcing deals between Deloitte Consulting LLP's clients and third-party outsource destinations, and acts as an outsourcing destination itself, through its Applications Management and Business Process Management services. The Applications Management arm of Deloitte Consulting LLP's Outsourcing practice takes responsibility for the development, management and maintenance of clients' applications, including ERP and legacy systems. The Business Process Management service is an industry-specific solution by which Deloitte Consulting LLP professionals take responsibility for a client's non-core business processes, leaving client management free to focus on maximizing value-creation through the core business processes. For example, Deloitte Consulting LLP has processed more than 7.2 million insurance claims or more than \$2 billion in claims for healthcare organization clients.¹² By outsourcing their receivables collection to Deloitte Consulting LLP's Business Processes Management service, these clients can dedicate more time and resources to creating and capturing value through their core mission.

¹¹ "Putting People First: The Driving Force for Sustained Transformation," CHRO Strategist and Steward Series, Deloitte Consulting LLP, 2007.

¹² Business Process Management Services, Deloitte Consulting LLP Web site.

Main Competitors of Deloitte Consulting LLP:

Deloitte Consulting LLP's main competitors include IBM Global Business Consulting, Accenture, CapGemini, Mercer, Booz Allen Hamilton, Boston Consulting Group and BearingPoint. While some of these firms have a history as a purely strategic thinking and management consulting firm (for example, Boston Consulting Group¹³) and others have roots as a technology consulting firm (Accenture¹⁴), all of these companies have responded to the marketplace by building robust solutions across management, IT and other disciplines of consulting. (See "Attachment 5: Main Competitors of Deloitte Consulting LLP" for a complete list of competitors.)

Of course, many firms still retain a core competency in their original area of expertise: Mercer, for example, is a global leader in HR consulting but also provides solutions in mergers and acquisitions, outsourcing, and investment management, among others.¹⁵ Boston Consulting Group has a long history of contributing important management and strategic concepts to its clients and the business world at large: The Experience Curve, The Product Portfolio or Growth-Share Matrix (starts, cash cows, dogs and question marks), The Pricing Paradox, etc. These are foundations of the business world today—they are taught in introductory level college business classes and they are used in Boardrooms across the country. Boston Consulting Group still retains a leading position in its original core competency of management consulting and strategic

¹³ http://www.bcg.com/about_bcg/history/1963.html

¹⁴ http://www.accenture.com/Global/About_Accenture/Company_Overview/History/default.htm

¹⁵ <http://www.mercer.com/mercerservices.jhtml?rl=&geographyid=-1>

thinking, but it has built solutions in areas such as postmerger integration, operations and IT.¹⁶

Deloitte Consulting LLP's areas of expertise are also diverse; as discussed above, it provides market-leading solutions across five key practice areas: Enterprise Applications, Technology Integration, Strategy & Operations, Human Capital, and Outsourcing. However, what really sets Deloitte apart from its competitors is "The Deloitte Difference." Because it can bring expertise from its three other service lines (Audit, Tax and Financial Advisory Services) to bear on its consulting solutions, Deloitte is uniquely able to create value for its consulting clients.

BACKGROUND ON FED. CONSULTING AND DELOITTE'S FED. PRACTICE

Federal Contracts, in general, and Consulting Contracts, in specific:

The U.S. Federal government is the world's largest buyer of goods and services. In fiscal year 2006, the Federal government spent \$2.8 trillion, \$415.0 billion of which was for procurement contracts. The top five contractors of 2006 were all Aerospace and Defense companies, collectively winning more than 22% of the total contract dollars. In contrast, Booz Allen Hamilton, Inc., Accenture and BearingPoint, Inc., three of Deloitte Consulting LLP's biggest competitor's, were all in the top 100 contractors of 2006 but collectively they won less than 1% of the total contract dollars.¹⁷ (See "Attachment 6:

¹⁶ http://www.bcg.com/impact_expertise/impact_splash.jsp

¹⁷ According to www.fedspending.org.

U.S. Federal Government Spending (in billions)” and “Attachment 7: 2006 Federal Contracting Dollars of Deloitte Consulting LLP’s Biggest Competitors”)

Nevertheless, the market for Federal consulting contracts is quite large. And it is growing by a steady 8 percent, according to William Welsh, a writer for *Washington Technology*.¹⁸ Millions of dollars are spent by the Federal government every year for professional services ranging from IT solutions to process improvements. In addition, the government market provides security in that the federal market is generally “countercyclical to business demand fluctuations in the commercial sector.”¹⁹

Deloitte’s Federal Practice:

In March 2000, Deloitte Consulting LLP decided to stand up a Federal practice, to complement its successful state and local government practices. By the end of 2000, the new practice had 30-40 people working for it and was expected to have built up \$20 million of business.²⁰

Deloitte made the decision in response to the federal government’s growing interest in electronic government, or e-government, and ERP systems. It saw an opportunity to enter a new market by leveraging its extensive knowledge from the

¹⁸ William Welsh, “Greg Pellegrino, public sector global managing director, DTT,” *Washington Technology*, June 26, 2006, Vol. 21, No. 12.

¹⁹ Roseanne Gerin, “Back in Business,” *Washington Technology*, July 5, 2005, Vol. 20, No. 13.

²⁰ Nick Wakeman, “Deloitte Jumps Back into Federal Market,” *Washington Technology*, Sept. 25, 2000, Vol. 15, No. 13.

commercial sector. After all, the business problems facing the federal government are just as complex as those facing the private sector—but they are on a massively larger scale.²¹

During its first three years of existence, Deloitte Consulting LLP's Federal practice doubled in size annually.²² In 2004, when the managing director of Deloitte's Federal practice, Gene Procknow, spoke with a reporter for *The Washington Post*, he stated that the federal business was growing so fast that he planned to hire 150 people within a three-month time frame.²³ In 2006, the Federal practice was growing at 33% per year.²⁴

Today, Deloitte Consulting LLP's Federal practice employs over 1,000 people. It has important contracts with the Department of Homeland Security itself and its component agency the Transportation Security Administration.²⁵ It also works for the Departments of the Navy and the Army, and the U.S. Postal Service, in addition to many others.²⁶

Main Competitors of Deloitte Consulting LLP's Federal Practice:

Despite its fast growth, Deloitte Consulting LLP's Federal practice is not the biggest provider of consulting services to the Federal government. In fact, the three largest suppliers of consulting services to the U.S. Federal government are Booz Allen

²¹ Ibid.

²² Ibid.

²³ Andrea Caumont, "Interview with Gene Procknow," *The Washington Post*, May 24, 2004, Page E05.

²⁴ William Welsh, "Greg Pellegrino, public sector global managing director, DTT," *Washington Technology*, June 26, 2006, Vol. 21, No. 12.

²⁵ Ibid.

²⁶ Jacob Dirr, "Deloitte & Touche to create federal practice in the Dayton area," *Dayton Business Journal*, Nov. 23, 2007.

Hamilton, Inc., Accenture and BearingPoint, Inc. In fiscal year 2006, Booz Allen Hamilton received a total of \$1.8 billion from the Federal government for a variety of services. The Air Force, Army and Navy contracted with Booz Allen Hamilton for more than half of that \$1.8 billion. Accenture received more than \$730 million in fiscal year 2006.²⁷ Accenture's top five purchasing agencies were the Defense Logistics Agency, the Department of Education, the Office of the Secretary of the Department of Homeland Security, the Internal Revenue Service and Transportation Security Administration, which collectively contracted with Accenture for more than \$550 million of that total.²⁸ Finally, BearingPoint received more than \$616 million in fiscal year 2006. The Navy, the Defense Intelligence Agency, the National Institutes of Health, the Department of State and the Office of the Assistant Secretary for Health were the top agencies contracting with BearingPoint. Collectively, these five Federal agencies bought almost \$250 million in services from BearingPoint.

In contrast, Deloitte LLP received \$196 million in fiscal year 2006. It is impossible to tell what amount of this total was earned by Deloitte Consulting LLP, as opposed to what amount was earned by the Deloitte entities that provide its tax, audit and financial advisory services, because of the fact that Deloitte LLP signs all U.S. government contracts on behalf of its subsidiaries. Therefore, it is not revealed, in any publicly available document, which Deloitte entity was responsible for what government contracts. It is safe to say, however, that Deloitte's Federal consulting business has room for growth when compared to its competitors.

²⁷ Fedspending.org

²⁸ Ibid.

RECOMMENDATIONS FOR FUTURE GROWTH

Deloitte LLP should continue to make growing its Federal practice a priority, as it has over the past years. The federal government's demand for consulting services is large, reliable, and growing. The following are one federal department, one government-wide process and one government-wide initiative, which could benefit from Deloitte Consulting LLP's services.

The U.S. Department of State:

The Department of State, led by the Secretary of State, has jurisdiction and responsibility over a broad array of issues, most notably U.S. diplomatic relations with foreign countries. The Under Secretary for Arms Control and International Security leads lesser-known parts of the State Department: the Bureau of International Security and Nonproliferation, the Bureau of Verification, Compliance, and Implementation, and the Bureau of Political-Military Affairs. The first two Bureaus both deal with nonproliferation of weapons of mass destruction. The third serves as the State Department's principal link to the Department of Defense.²⁹

The Directorate of Defense Trade Controls ("DDTC") operates under the Bureau of Political-Military Affairs. DDTC is responsible for ensuring that U.S. companies' products that are classified as defense articles or services are not exported without

²⁹ <http://www.state.gov/>

approval. These products, because of their military use or technical nature, are important to U.S. national security and therefore DDTC regulates their export.³⁰

The process by which companies in industry request and receive export authorization is a confusingly antiquated one. For some types of approvals (for example, a request for a Technical Assistance Agreement, between a U.S. company and a foreign person, i.e. a foreign national, government or person), eight hard copies of the request letter and supporting material must be delivered in person to the State Department in Washington, D.C. (These various copies must then be physically distributed among the relevant governmental agencies for review and denial/approval.) Indeed, even for those approval types which industry can request electronically, the original copy of the approval must be picked up from the State Department.³¹

Although national security concerns drive many of the idiosyncrasies of this process and therefore could not be changed by Deloitte consultants (for example, the multi-channel approval system, while obviously inefficient, is necessary from a national security perspective because various Federal agencies are responsible for various aspects of national security), Deloitte Consulting LLP could improve some parts of the process. Specifically, Deloitte Consulting LLP's Technology Integration practice should look further into how secure connections between industry and State could be utilized to transmit electronic requests. In addition, Deloitte should consider how the same or similar

³⁰ Ibid.

³¹ My knowledge of the process for State Department approval of exports comes from four years of first-hand experience with Export Operations at Vastara Inc. and Northrop Grumman Corporation.

secure connections could be used to transmit the request package internally among the responsible government offices.

Such secure data transmissions are already used widely: healthcare organizations must comply with secure data exchange requirements of the U.S. Health Insurance Portability and Accountability Act of 1996 or HIPPA.³² To do so, they use data encryption software, public key infrastructure and secure file transfer protocol. They also use web site encryption and virtual private networks.³³ These same technologies could be used to ensure the secure submission of export authorization requests to DDTC.

Therefore, Deloitte Consulting LLP's Technology Integration practice should propose the design and implementation of such a system to DDTC, emphasizing the cost-savings that would accrue to the State Department, as well as Deloitte's ability to help DDTC through all stages of this change—through implementation and retraining.

The FOIA Request Response Process:

The Freedom of Information Act ("FOIA") was first passed in 1966 and was signed into law by President Johnson on July 4 of that year. It has since been amended multiple times, most recently in 2002 by the Intelligence Authorization Act. FOIA allows any person to file a request for information from a federal agency. FOIA sets the maximum number of days a requestor should have to wait for a response at 20. It also provides federal agencies with nine exemptions from complying with the request.³⁴

³² http://searchdatamanagement.techtarget.com/sDefinition/0,,sid91_gci862786,00.html

³³ http://searchsecurity.techtarget.com/tip/1,289483,sid14_gci1159630,00.html

³⁴ <http://www.gwu.edu/~nsarchiv/nsa/foia/guide.html#foia>

According to Loren Cochran, Director of Freedom of Information at the Reporter's Committee for Freedom of the Press, in 2006 it cost the government an average of \$526 to process each request. This equals more than \$240 million spent on the processing of FOIA requests at the 26 federal agencies. And some requests are not answered for as many as 354 days.³⁵ Part of the reason agencies are so behind is that the majority of them have backlogs of requests.

Federal agencies could benefit from basic business process improvements, which Deloitte Consulting LLP's Strategy & Operations practice can provide through its Performance Improvement solutions team. After collecting performance metrics on the current process, Deloitte would use flowcharts to map out each agency's process for answering FOIA requests. They would work with the client agencies to eliminate redundancies and unnecessary steps. Deloitte would then collect metrics data on the improved process to determine if the process was stable and capable. Additional improvements may be feasible, including instituting some form of continuous process improvement.³⁶ This effort would most likely lead to cost-savings, improved processing times, and reduced burden on the agencies' resources.

Federal Financial Management Line of Business:

The U.S. Office of Management and Budget's (OMB) Federal Financial Management Line of Business initiative (or FMLoB) aims to achieve cost-reductions across multiple Federal agencies by streamlining financial processes. The primary

³⁵ "FOIA," PowerPoint presentation and lecture by Loren Cochran, Nov. 2007.

³⁶ "Business Process Improvement Handbook," Department of the Navy, 1996.

mechanism through which FMLoB aims to achieve these cost-reductions is the shared service center model. The same trend has occurred in the private sector—with more and more corporations and large organizations using shared service centers to reduce redundancies and decrease overhead costs.

According to Clarence Crawford, former CFO of the U.S. Office of Personnel Management and current Deloitte Consulting LLP director in the Federal practice:

Many Federal agencies are using older systems that force users to introduce work-arounds outside of core financial systems. This drives up labor costs and increases the potential for errors. Agencies also are grappling with declining resources coupled with increase demands for better decision-making. Many agencies are not able to put their focus on providing high quality, timely information because of financial systems challenges and workarounds.³⁷

When FMLoB was first introduced, OMB intended for the shared service centers to be provided internally from within the Federal government. Agencies with capable systems would become shared service centers by being designated as “Centers of Excellence” in providing standards-based financial systems. A few agencies created such shared service centers: The Department of the Interior’s National Business Center, the Department of Transportation’s Enterprise Services Center, the General Services Administration’s Federal Integrated Solutions Center and the Bureau of the Public Debt’s Administrative Resource Center.

³⁷ http://www.oracle.com/profit/partner/060807_deloittegov.html

OMB decided to open shared service center competition to the private sector in the summer of 2007. Deloitte is uniquely qualified to deliver a best-in-class shared service center solution to OMB and Federal agencies because it has the “functional, technical, human capital, accounting, and compliance competencies needed.”³⁸ Deloitte has already positioned itself well for a major FMLoB contract win by partnering with Oracle Corporation: “Oracle can deliver the critical components and security controls that are a cornerstone to what the OMB requires and what the Deloitte Consulting Federal SSC [shared service center] will provide.”³⁹ There is competition however. IBM’s Global Business Consulting group has formed a partnership with a competing technology provider, SAP. But while IBM does offer some competition, the FMLoB commercial shared service provider market is large enough to support this level of competition. In fact, according to INPUT, an authority on government procurement information, the FY 2009 budget request from OMB includes \$1.75 billion to “support the continued development of the FMLoB over the next two years...reinforc[ing] the Federal government’s commitment to pursuing the goals of the FMLoB: cost savings for the government through consolidation and leveraging common solutions for financial management.”⁴⁰

With \$1.75 billion at stake, Deloitte Consulting LLP’s Federal practice should aggressively pursue FMLoB opportunities in conjunction with Oracle. Capturing just a small portion of these business opportunities could probably double the size of Deloitte’s

³⁸ Ibid.

³⁹ Ibid.

⁴⁰ http://www.prnewsnow.com/Public_Release/Government/190362.html

Federal practice; winning FMLoB contracts could be a surefire way to continue the amazing growth the Federal practice has experienced since its inception in 2000.

Two External Factors:

The economy—The current economic uncertainty should not negatively affect the Federal government's willingness to award new contracts. As stated above, the public sector's spending is not generally restrained by economic downturns, as is the private sector's. Indeed, periods of economic distress may simply encourage government to spend more in order to restart, if only symbolically, the engine of the American economy. (Note the Economic Stimulus Act of 2008, passed by Congress and signed by President Bush in February of this year—more than \$150 billion in tax relief for companies and individuals.⁴¹) Any proposal from Deloitte Consulting LLP's Federal practice would emphasize the immediate and long-term cost-savings that would result in excess of the amount paid to Deloitte. In other words, the current state of the economy should only help Deloitte win a contract bid, not discourage the government from sending out a request for proposals in the first place.

The election—The 2008 Presidential Election will occur in November. In January 2009, a new administration will take over. While it is true that the majority of the federal bureaucracy (i.e. the rank-and-file) does not change with each new administration, many of those in the leadership positions do. These high-level officials set the strategic direction of the agency or department, and they retain broad decision-making power.

⁴¹ White House press release: <http://www.whitehouse.gov/news/releases/2008/02/20080213-3.html>.

While unlikely, it is possible that the leadership selected by the new administration would be hostile to consulting services of any type. The factor of the election, and the administration change that would result, will need to be monitored going forward.

APPENDIX

Attachment 1: Deloitte—By the numbers^a

Deloitte LLP recorded \$9.85 billion in revenues in fiscal year 2007, marking an increase of more than \$1 billion in revenues overall from the previous fiscal year. Deloitte, whose subsidiaries rank among the nation's leading professional services firms in audit, tax, consulting and financial advisory services in more than 20 industries, also expanded its U.S. workforce to nearly 41,000 in FY '07. Known as an employer of choice for innovative human resources programs, Deloitte is dedicated to helping clients and people excel. Deloitte LLP is the U.S. member firm of Deloitte Touche Tohmatsu.

Clients, Revenue & Headcount

For the fiscal year ended May 31, 2007, Deloitte LLP and its subsidiaries recorded US\$9.85 billion in revenues and had 40,998 employees. See more detailed information in the chart below:

In the U.S.	2007	2006	2005
Offices	101	98	103
Number of Cities	92	90	92
Total CPAs	8,108	7,770	7,495
Total Revenues	\$9.85 Billion	\$8.77 Billion	\$7.81 Billion

Revenue breakdown by business area	2007	2006	2005
Audit and Enterprise Risk Services	44%	45%	44%
Consulting	30%	29%	30%
Tax	22%	22%	22%
Financial Advisory Services	4%	4%	4%

Professional Headcount	2007	2006	2005
Partners	2,758	2,654	2,560
Professionals	29,725	26,960	23,841
Administrative	8,515	7,504	6,599
Total Employees	40,998	37,118	33,000

^awww.deloitte.com

Attachment 2: Industries^b

Deloitte LLP (Deloitte) is increasingly recognized for its industry program, combining in-depth knowledge and understanding of clients' sectors with its world-class functional experience. With firsthand knowledge of the trends impacting the industries it serves, Deloitte's professionals work with clients as true partners and advisors to evaluate complex issues and provide solutions that bring value.

Deloitte's people are steeped in industry, many having spent years in senior positions with leading companies building macro and micro industry sector know-how. Also serving on the front lines with its clients are several high profile industry luminaries who possess profound knowledge and passion for tackling the pressures facing executives today. Deloitte industry teams have built their reputations with records of integrity through the delivery of quality work that brings value to clients' organizations. As a result, several of Deloitte's industry practices are recognized as "best in class" by leading ranking organizations.

Deloitte regularly provides its clients with industry insights and analyses via timely Dbriefs Webcasts and Deloitte Insights podcasts, leading research pieces, roundtables and e-newsletters. In addition, its Centers of Innovation routinely study and produce provocative research and perspectives, while providing a forum for leading experts and executives to gather and collaborate to address industry happenings.

Aerospace & Defense	Power & Utilities
Automotive	Private Equity, Hedge & Mutual Funds
Banking & Securities	Process & Industrial Products
Consumer Products	Real Estate
Health Care Providers	Retail
Health Plans	Technology
Insurance	Telecom
Life Sciences	Tourism, Hospitality & Leisure
Media & Entertainment	U.S. Federal Government
Oil & Gas	U.S. State Government

^bwww.deloitte.com

Attachment 3: Awards & Recognition^c

Deloitte LLP has earned praise from many organizations for fostering a supportive culture. It has been especially acknowledged for dedication to women's advancement, diversity and inclusion, professional development and workplace flexibility. Some recent honors include:

- * FORTUNE names Deloitte U.S. Firms to its "100 Best Companies to Work For" List for Ninth Year.
- * BusinessWeek names U.S. Deloitte Firms as #1 Place to Launch a Career in 2007, moving up two places on the list from last year.
- * Kennedy Information ranks Deloitte Consulting as Second-Largest HR Consultancy for 4th year.
- * Named one of Working Mother magazine's 2007 "Best Companies for Multicultural Women."
- * Oracle named Deloitte Consulting LLP the winner of two 2006 North America Titan Awards.
- * Working Mother magazine named Deloitte LLP to its 2006 list of "Top 100 places for working mothers." It was the 13th consecutive year that Deloitte LLP was thus honored.
- * Sharon Allen, chairman of the board, Deloitte LLP, was named to the 2006 Forbes magazine "World's Most Powerful Women" list.
- * The Human Rights Campaign (HRC), a national gay and lesbian organization, recently included the Deloitte U.S. Firms among the 195 major U.S. companies earning a top rating of 100 percent in their annual Corporate Equality Index 2008.
- * Deloitte Touche Tohmatsu and the "Deloitte" brand were named the best brand globally in tax services by a recent International Tax Review survey of global tax services.
- * For the third year in a row, Deloitte Consulting LLP's Lee Dittmar has been named to Treasury & Risk Management magazine's list of the 100 most influential people in finance.

^cwww.deloitte.com

Attachment 4: Deloitte's Alliances^d

ACL Services Ltd.	Oracle Corp.
Approva Corp.	Plateau Systems, Inc.
Ariba, Inc.	Redwood Software
BEA Systems, Inc.	Sabrix, Inc.
Business Objects	Sage Partners, LLC
CA, Inc.	Salesforce.com
Cognos, Inc.	SAP AG
The Directors' Network	SAS Institute, Inc.
Eagle Investment Systems Corp.	Siemens Medical Solutions USA, Inc.
HP	Sun Microsystems, Inc.
IBM	TIBCO Software, Inc.
Informatica	University of Michigan
iRise, Inc.	Vendavo, Inc.
Lawson Software	Vignette Corp.
Lominger Consulting, Inc.	webMethods, Inc.
Nat'l Assc. of Wholesaler-Distributors	Zilliant
OpenPages, Inc.	

^dwww.deloitte.com

Attachment 5: Main Competitors of Deloitte Consulting LLP^e

Accenture	Towers Perrin
BearingPoint	A.T. Kearney
McKinsey & Company	Bain & Company
Boston Consulting Group	Booz Allen Hamilton
Capgemini US	EDS
Computer Sciences Corp.	Thomas Group
IBM	

^eAccording to Hoover's Company Information, 2008.

Attachment 6: U.S. Federal Government Spending (in billions)^f

Spending Category	FY06
Contracts	\$415.0
Grants	\$488.5
Loans	\$95.4
Insurance	\$771.3
Direct Payments (e.g. Social Security)	\$1,092.7
Other	\$3.8
Total	\$2,866.7

^fBased on numbers from www.fedspending.org, a project of OMB Watch.

Attachment 7: 2006 Federal Contracting Dollars of Deloitte Consulting LLP's Biggest Competitors^g

Company (# out of 100 Top Contractors)	Dollar Amount (in millions)
Booz Allen Hamilton Inc. (#24)	\$1,881.7
Accenture (#66)	\$731.7
BearingPoint Inc. (#76)	\$616.3
Deloitte LLP (--)*	\$196.9

*Note: Deloitte LLP did not place in the top 100 contractors of 2006; also, Fedspending.org reports all contract dollar amounts under the name of the parent company in order to be transparent—therefore, this amount for Deloitte LLP includes non-consulting contracts for audit, accounting and tax services. The actual value of Deloitte Consulting LLP Federal government contracts is probably less than half the \$196 million shown here, based on Deloitte LLP's revenue breakdown.

^gBased on numbers from www.fedspending.org, a project of OMB Watch.
