



## Agencies Absorb Contractor Jobs without Clear Direction

Cost performance, cost analysis evaluation lacking

- By Stan Soloway
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In my August column, "Procurement memos on right track, but in-sourcing still an issue," I wrote about the balanced policy guidance issued July 29 by the Office of Management and Budget regarding managing the multi-sector workforce and in-sourcing. But I also raised concerns about whether individual agencies, particularly but not solely within the Defense Department, would begin to inject that same balance into their processes. Most agencies are still developing their plans, but early returns are not encouraging.

In mid-July, the Army Missile Command informed its support service contractors that it will in-source more than 1,100 positions, many of which fall outside any reasonable definition of the "critical skills" that the secretary of Defense has targeted in his department-wide workforce realignment initiative. Indeed, the command's initiative appears to be driven by numeric quotas, not a workforce strategy. The Naval Sea Systems Command is aggressively recruiting a targeted list of specific contractor employees and plans to in-source those positions as each accepts the government's offer. In July, the National Institutes of Health told some of its contractors that NIH plans to in-source information technology work, most of which has always been performed under contract. More limited examples are cropping up in the Marine Corps, Air Force Europe, defense agencies, the Energy and Homeland Security departments, and elsewhere.

Finally, a small business with routine support services contracts at two different Army bases has been informed that both of its contracts are being in-sourced immediately. What is the consequence of this action? The company involved, with 100 employees and nearly two decades of exemplary performance at both locations, will literally be out of business this month. When a member of Congress raised questions with the Army buying command about its decision, he was told only that it was "consistent" with current law.

None of these cases involved any performance or cost analysis that accounts for true, total costs, nor has a strategic vision about the workforce been shared or communicated.

It's hard to believe that this kind of freelancing is really what thoughtful members of Congress or administration leaders had in mind. It's even harder to believe that such actions are in the taxpayers' best interests.

That's why the House included report language in its fiscal 2010 Defense Authorization bill explicitly stating that its 2008 in-sourcing legislation was designed to give DOD "the flexibility to *consider* using federal civilian employees for work that is new or currently being performed by contractors in *certain* circumstances" [emphasis added].

The committee's report goes on to say that in-sourcing "should not be driven by random goals or arbitrary budget reductions, which may prove to be counterproductive." And that's why a dozen members of Congress have sent a letter to DOD raising concerns about the department's in-sourcing implementation.

There are signs of hope. The Army is preparing guidance that will further define its in-sourcing justification and approval process while other agencies are still developing theirs. And OMB is developing costing guidance to help agencies make appropriate sourcing decisions. However, in the meantime, freelancing proceeds unchecked.

Strategic in-sourcing — ensuring that the government has the requisite ability to develop its requirements and manage and oversee its many missions, whether performed by contractors or federal employees — is an important element of President Barack Obama's agenda. Done right, it should be embraced. But without appropriate analytical rigor and discipline, it could become an exorbitantly expensive undertaking that does nothing to improve the performance of government and has an unfair and undesirable effect on scores of companies and thousands of taxpayers who work for them. Those are outcomes we should all work hard to avoid.

