

## Army Suspends All Ongoing Insourcing Plans

By Robert Brodsky      February 3, 2011

*This story has been updated.*

In an about-face, the Army has suspended all of its ongoing insourcing activities, potentially savings thousands of private sector positions.

In a Feb. 1 memorandum, Army Secretary John McHugh announced he was halting the service's insourcing initiative immediately in favor of a scaled-back approach in which his office would have to directly approve projects.

"In an era of significantly constrained resources, the Army must approach the insourcing of functions currently performed by contract in a well-reasoned, analytically based and systemic manner, consistent with law and prevailing presidential and Department of Defense guidance," McHugh wrote in the memo, released on Thursday by the Professional Services Council, an industry group that has opposed plans to bring contractor jobs back in-house.

The memo suspends all ongoing insourcing transitions, but does not reverse efforts that already have been completed.

Army spokeswoman Anne Edgecomb said the memo is not intended to stop insourcing altogether but to ensure that the process is conducted responsibly and deliberately. "We are trying to make sure we do everything we can to be fiscally responsible," Edgecomb said. "We see the writing on the wall."

Edgecomb did not have figures immediately available on the number of contractor positions the policy change would effect.

The Defense Department's insourcing program leader said on Thursday that the Pentagon did not direct Army to change its policy.

"The department is committed to meeting its statutory obligations under Title 10 to annually review its contracted services, identifying those that are inappropriately being performed by the private sector and should be insourced to government performance," said Thomas Hessel, a senior manpower analyst in the Office of the Undersecretary of Defense for Personnel and Readiness, in a statement to *Government Executive*. "This includes services that are inherently governmental or closely associated with inherently governmental in nature; provide unauthorized personal services; or may otherwise be exempted from private sector performance ... While some contracted services may be identified for insourcing, some services determined to be no longer required or of low priority may be eliminated or reduced in scope while others will continue to be provided by the private sector."

All future insourcing proposals, McHugh wrote, must include "at minimum, a manpower requirements determination, an analysis of all potential alternatives to the establishment of permanent civilian authorizations to perform the contracted work, certification of fund availability and a comprehensive legal review."

Thomas Lamont, assistant secretary of the Army for manpower and reserve affairs, along with Mary Sally Matiella, assistant secretary of the Army for financial management and comptroller, will

be responsible for developing criteria to evaluate the efficiencies generated from the policy change, McHugh said.

Contractor groups, which have long criticized the Defense Department's insourcing plans as driven by quotas and lacking any verifiable cost savings, applauded the development.

"Secretary McHugh is taking the right approach to insourcing," PSC President Stan Soloway said. "We have said all along that all sourcing decisions for clearly commercial work -- whether insourcing or outsourcing -- must be done strategically with the best interests of the government mission and American taxpayer in mind."

John Palatiello, president of the Business Coalition for Fair Competition, a group formed to challenge the Obama administration's insourcing plans, said the memo is proof the initiative has been poorly executed.

"BCFC renews its call for a government-wide moratorium on insourcing until common-sense standards and metrics for assuring that any insourcing is in the taxpayers' interests, does not increase unemployment, and is focused on statutorily defined inherently governmental activities, not commercial activities," Palatiello said.

The memo comes only a few weeks after the Government Accountability Office reported the Army had identified more than 4,200 full-time jobs in which contractors are performing either inherently governmental or unauthorized personal services. In both the inherently governmental and the unauthorized personal services contracts, the Army typically would be required to bring those functions back in-house.

Defense Secretary Robert Gates announced in August 2010 that the Pentagon was implementing a fiscal 2011 billet freeze and halting its insourcing plans because of a lack of cost savings. But, the plan affected only civilian agencies and offices. The military services were exempt from the freeze, allowing them to continue with their insourcing plans.

Soloway called on the other military services to follow the Army's approach. "Through such a process the Army, DoD and the taxpayer will gain vital insight into the total life-cycle costs associated with these decisions, the degree to which they address the Army's workforce needs, and more," he said. "We hope, as they say, the Army leads the way."