



# Controlling Contract Costs Spurs More Questions, Few Answers

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A Senate Homeland Security and Governmental Affairs Committee subcommittee heard testimony Thursday on a seemingly simple subject: Is it cheaper for the federal government to employ its own workforce or hire contractors?

"As with any expense of taxpayer dollars, we have to ask whether the government is getting the most effective use out of those dollars," said Sen. Claire McCaskill (D-Mo.), the chairman of the Senate subcommittee on contracting oversight. "It would seem intuitive then that when deciding whether to contract out a function, the government would figure out how much it will cost, and whether it might be cheaper for federal employees to do it instead."

But industry groups representing government contractors say the question is often more complicated than it might seem.

The hearing, which featured testimony from the Army, the Homeland Security Department and the Office of Personnel Management, also drew official statements from watchdog groups, federal employee unions and contractor groups.

The Professional Services Council, which represents many government contractors, said in its statement lawmakers should view contracting costs through a more nuanced prism:

- Often cost is not the relevant question in sourcing decisions, PSC said. For example, work deemed "inherently governmental" is performed by federal employees, irrespective of the cost, Stan Soloway, the president CEO of the PSC, told In Depth with Francis Rose. On the flip side, the nature of highly complex or technical work, often all but requires the government to turn to outside help, he said.
- The government should use the "best and most complete taxonomy" for conducting cost comparisons. In other words, use an "apples-to-apples" comparison of the costs between government vs. private-sector performance.
- Cost estimates of the government's in-house costs fail to take into account "lifecycle costs" when hiring federal personnel, such as post-retirement costs.
- The process for sourcing decisions should be more transparent. "As a matter of practice and policy, government components refuse to share the analytical bases for their decisions," PSC said in its remarks to lawmakers.

## **Requirements development, duplication drive up costs**

The Coalition for Government Procurement, which also provided a statement to the committee, pointed to several areas where the government could control contracting costs more generally.

Roger Waldron, the president of the CGP, said improving requirements development can help lead to better outcomes and increased competition. This ultimately leads to savings for the government and, thus, taxpayers.

But the effort to develop better requirements is akin to a "slow slog," Waldron said, because the painstaking process is one of the most difficult in the contracting cycle.

That's compounded by the fact that many of the government's experts in this field, particularly in the Defense Department, left federal service as it downsized throughout the 1990s.

Waldron also cited contract duplication.

"Over the last decade, the number of multiple-award contract vehicles has exploded," he said. "And they're often for the same or similar services, and that impacts both government and industry by increasing bid and proposal costs, contracts administration costs and overhead, generally — costs that get passed on to the taxpayer."

The Project on Government Oversight, a government watchdog group, cited inefficiencies in agencies' rapidly increasing investments in service contracting.

Policymakers "have been misled about promised across-the-board savings resulting from hiring service contractors," the group said in its statement. "In fact, long-term service contracts (which began as short-term quick fixes) remove government flexibility and result in cost inefficiencies rather than savings over the lifetime of the contract."