

# The Washington Post

## Defining Intelligence Contractors' Jobs, and Pay, is a Fuzzy Job

By Joe Davidson

September 20, 2011

“Inherently governmental” is one of those Washington terms that can signal a boring discussion is ahead.

But as federal employees know, the phrase is key in determining what work they do and what work is done by outside contractors. Yet despite many attempts to define it, including a recent policy letter issued by the Obama administration, reining in a definition for “inherently governmental” is like bailing water with a leaky bucket. No matter how hard you try, something that should be included escapes.

The issue becomes even more complicated when contractors are working for intelligence agencies. Contracting information for federal agencies is generally available, but for the spy offices, “missions, contract awards and dollar amounts and the number of contractor personnel are classified and therefore not publicly available,” Scott Amey, general counsel of the Project on Government Oversight, told a Senate hearing.

Another issue involving contractors — inside and outside intelligence agencies — is the federal reimbursement of their executive salaries. This year, that could reach \$750,000 for contractor bosses. More on that later.

The subject of Tuesday’s hearing was “Intelligence Community Contractors: Are We Striking the Right Balance?” Some testimony before the Senate subcommittee on government management and the federal workforce indicates that the answer is no.

Chairman Daniel K. Akaka (D-Hawaii) said that after the attacks of Sept. 11, 2001, “intelligence agencies had to rapidly surge their workforces and turned to private contractors to fill gaps. While I understand the initial need to rely on the contractors, I am concerned that 10 years later, the IC [intelligence community] remains too heavily dependent on contractors. According to an investigation by The Washington Post, close to 30 percent of the current IC workforce are contractors.”

Although some confusion may remain, Daniel I. Gordon, administrator for federal procurement policy, said the policy letter makes clear that in specific situations contractors “cannot take part in security operations.”

If the proportion of intelligence agency contractors to federal employees is out of balance, the congressional panel should look within, said Mark M. Lowenthal, a former CIA official who now is president of the Intelligence & Security Academy.

“Federal agencies have very little say in the employee/contractor ratio,” Lowenthal told the panel. “This is largely determined by the budget, and the budget is in the hands of the Congress.”

The 2010 Post investigation looked closely at the many ways private contractors blur the inherently governmental line in matters of national security. “Private contractors working for the CIA have recruited spies in Iraq, paid bribes for information in Afghanistan and protected CIA directors visiting world capitals,” reporters Dana Priest and William M. Arkin wrote. “Contractors have helped snatch a suspected extremist off the streets of Italy, interrogated detainees once held at secret prisons abroad and watched over defectors holed up in the Washington suburbs. At Langley headquarters, they analyze terrorist networks.”

Akaka also worries about “the high cost of IC contractors.”

“Several estimates show that contract employees cost significantly more than federal employees in the IC,” he said. “A recent study by the Project on Government Oversight on government-wide contracting found that federal employees were less expensive than contractors in 33 out of 35 occupational categories. In the decade since Sept. 11, 2001, intelligence contracting firms have reaped huge profits paid for by the American taxpayer.”

One factor in contractor expense might be the big money their bosses can be paid. As part of the deficit-reduction package President Obama released Monday, a White House document urges to “end the overpayment of Federal contractor executives.”

Uncle Sam follows a formula defined by law when setting a cap on payments to contractor executives. That formula, which is linked to private-industry salaries, allows Sam to be a very rich uncle. Under the formula, government reimbursement for a contractor’s executive salary could reach \$750,000 this year unless Congress acts to stop that money train. By comparison, the salary of the president of the United States is \$400,000. Obama wants to limit the reimbursement level to about what Cabinet secretaries make, \$200,000.

“Just as the Government must be prudent in paying Federal employees, it must also not overpay contractors,” says the White House document.

If contractors “want to pay their executives millions of dollars, they are free to do that,” Gordon said, but Sam shouldn’t be expected to reimburse the companies more than the pay of executives running billion dollar federal organizations.

As you might expect, the organization representing contractors objects to Obama’s plan. “We strongly oppose the executive compensation cap proposal since it inappropriately ties company executive compensation to irrelevant government executive compensation levels,” Stan Soloway, president and chief executive of the Professional Services Council, said in a statement. Soloway

said that requests for reimbursements must be reasonable and that those requests that “exceed what the government determines to be reasonable can be and are rejected.”

© 2011 The Washington Post Company