

April 21<sup>ST</sup>, 2009

## DFAS to Return 600 Contractor Jobs to Feds

By [ELISE CASTELLI](#)

April 21, 2009

The Defense Finance and Accounting Service will return 600 contractor-performed jobs to federal employees by 2010, the agency announced Monday.

The agency will hire Defense Department civilian employees to process retiree payments, a move expected to save more than \$20 million over the next 10 years, said Tom LaRock, DFAS spokesman. The move will also give the agency the flexibility to manage complex cases, such as disabled veterans' claims, LaRock said.

When DFAS began processing disability and retirement pay concurrently for certain veterans in 2006, it had to negotiate a new task order with the agency's contractor, Lockheed Martin. Then DFAS had to wait for the contractor to hire and train staff to handle the workload, creating a backlog, LaRock said. In a fully government shop, it would have been easier to temporarily reassign trained federal employees from elsewhere in the organization to assist with the increased caseload, he said.

"With government workers, we could do it overnight," LaRock said.

The work was initially outsourced to Affiliated Computer Services in 2001, concluding a competition that began in 1997. The company sold its government business to Lockheed Martin in 2003.

Although a 2003 DoD inspector general report found DFAS would have saved more money with federal employees performing the work, DFAS only decided to re-examine the outsourcing last year when the 2008 Defense Authorization Act directed DoD to determine what outsourced functions could better be performed in house, LaRock said. The law directs Defense to take a special look at work that was outsourced in the last decade, which these jobs were, LaRock said.

The American Federation of Government Employees, which represented the employees displaced by the outsourcing, applauded the agency's decision. AFGE backed the 2008 legislation that required Defense to identify work suitable for in-sourcing. That requirement was made government-wide in March.

"We are pleased that DFAS has returned the retirement and annuity work to performance by federal employees," AFGE National President John Gage said. "Veterans and annuitants can count on better service and taxpayers can be sure of lower costs."

Lockheed Martin's contract is up for renewal in February. DFAS hopes to have federal employees in place by that time, LaRock said. If not, the contract has provisions to temporarily extend the contract to allow for a transition, he said.

The decision to in-source work at DFAS comes on the heels of Defense Secretary Robert Gates' April 6 announcement that he plans to in-source 30,000 contractor-performed jobs across the department.