



## **DoD Needs Better Methodology For Making Insourcing Decisions**

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The Defense Department's method for estimating the costs of contractors versus full-time government employees for use in making effective insourcing decisions is flawed, according to a nonpartisan Washington, D.C., think tank.

The Center for Strategic and International Studies released a report yesterday that analyzed a directive issued earlier this year by which the Pentagon estimates and compares the costs of contractors versus government personnel. Among the key shortcomings to the current methodology--slated to be replaced by a new system in September--is the inability to fully account for associated overhead.

For example, the current system does not factor the full cost of government-owned assets, while at the same time including those costs for contractors. Also, the loss in tax revenue that would otherwise be paid by contractors is not considered under the current regime.

"All of the critical elements of cost should be considered before making a decision about insourcing," CSIS Director David Berteau said during the report rollout in Washington.

"When government brings in an activity, it loses track of the true costs associated with it," Berteau added.

The report suggests that the department introduce a "statement of work" with defined performance parameters as a common starting point for deciding whether a particular type of work is better suited for contractors or government personnel. More frequent and accurate personnel cost estimates should then be conducted in order to make more accurate comparisons.

The report also specifies that management and oversight, information technology and human resources should be factored into any cost comparison for private versus public workers.

Still, Berteau acknowledged, the Pentagon's civilian acquisition workforce has been "devastated" over the course of the past decade.

"It needs to once again develop a robust, better educated work force," he said. "Even if it costs you more, we're saying build up that work force."