



Executive, Legislative Branches' Insourcing Edicts Send Mixed Messages

White House, congressional leaders remain inconsistent in their instructions to agencies

By Matthew Weigelt

Jul 08, 2010

The White House and Congress are beaming decrees across the government about insourcing federal work, but the messages they're sending are mixed. The Senate is expected to vote on its version of the fiscal 2011 National Defense Authorization Act later this summer, but the House-approved version is already causing consternation in the contracting community and at military and civilian agencies.

1. Strategy

The House's bill tells agencies to insource work as their first option and directs them to use federal employees for new functions and outsourced work.

Stan Soloway, president and chief executive officer of the Professional Services Council, said the House's bill lacks a coherent strategy for insourcing and therefore contradicts the Obama administration's views.

Indeed, Daniel Gordon, administrator of the Office of Federal Procurement Policy, has talked about being more strategic in attempts to insource jobs. In March, he proposed having officials ask a few key questions to decide if their agency's contract work should stay with the private sector or be pulled back.

By bringing work back in-house, the government is trying to reverse the George W. Bush administration's open door to outsourcing, and some experts say those efforts show no signs of slowing, even in the interest of being strategic.

According to the House bill, agencies would need to give special consideration to federal employees, especially for new projects. Agencies could reclaim work from a contractor if federal employees had performed it in the past, if the agency awarded the contract noncompetitively, or if the contractor has done a poor job.

The House language isn't new. It already applies to the Defense Department and was included in the fiscal 2009 Omnibus Appropriations Act. However, the 2011 authorization bill would also make the language permanent in statute for civilian agencies.

2. Fair Comparisons

A provision in the House bill attempts to be strategic about insourcing, but it doesn't succeed, Soloway said. It would prohibit agency officials from considering the value of employer-sponsored health and retirement plans when evaluating the costs of insourcing versus outsourcing a particular function.

Soloway said the provision lacks a logical base. He and other experts have urged the government to review the full range of factors to get a true picture of the costs.

3. Quotas

The Obama administration has sent mixed messages about its interest in assigning quotas for insourcing. One OFPP official said simply boosting the federal workforce's numbers is not the answer. However, experts say the administration has pushed insourcing quotas, including in its budget proposal for fiscal 2011. The

president's budget documents state that DOD would insource 19,844 employees. And each military service has specific numbers of employees it must insource.

In contrast, the House bill seeks to restrict the use of quotas. However, that restriction could be lifted if an agency can base its number on research or analysis.

"That language is really surprising to see" because it's so vague, said Robert Burton, former deputy administrator at OFPP and now a partner at Venable law firm. "It's an open door for quotas."

4. Transparency

Burton said he hopes the government is more transparent about its research and analysis than it has been about releasing its costs analyses for insourcing decisions. In the past, companies have had to fight to find out why agencies were taking away their contracts.

For example, late in 2009, the owner of a small company in Texas learned that the Air Force wanted to insource his 13-year-old multimedia contract. He struggled for months to get access to the cost analysis that prompted officials to bring the work in-house.

"It contrasts with the theme of transparency," Burton said.

However, Larry Allen, president of the Coalition for Government Procurement, said the messages are mixed because they occupy different places on a spectrum. "They're similar messages but different degrees of what they're saying," he said.

Allen said it is confusing for agencies and recommended that they let the legislation work its way through Congress before making major changes to their contracting practices.