

SmartContracting

Insourcing Implementation So Far Proves Not Smart Contracting

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First, Defense Secretary Gates questioned insourcing at the Defense Department after he found that this initiative had not achieved the intended savings. Now a second administration official is questioning agency insourcing actions.

According to the Dec. 13 edition of *Capital Business* (the *Washington Post's* business weekly), OFPP Administrator Dan Gordon indicated that agencies misunderstood OMB's guidance and brought work in house to meet quotas, regardless of whether doing so saved money, increased efficiencies or improved internal management capabilities.

"We do not view insourcing as a goal," Gordon said, according to the *Post* account of his Dec. 10 speech. "What we're doing is rebalancing our relationship with contractors." In this rebalancing effort, the administration wants to convert "targeted, limited numbers of positions" to public sector performance, the *Post* reported.

The *Post* quotes Gordon as saying:

"No corporation would agree to have somebody else running their entire operations... There are far too many situations where we have yielded control of our own missions... to contractors. That needs to be fixed, but it doesn't require massive insourcing."

Gordon's sentiments echo PSC's long-held view that federal insourcing should be focused on those core skills the government needs to perform in house to maintain control of the mission. Yet it is increasingly apparent these are not the functions being targeted.

Like Gordon, PSC believes agencies should base decisions to insource commercial work on strategic planning and sound analysis (ie: apples-to-apples, fully burdened cost comparisons between the public and private sectors) not arbitrary quotas.

We've said all along that insourcing for the sake of insourcing is no more intelligent than outsourcing for the sake of outsourcing and we are glad to see OMB clarify this point, especially given the evidence we've uncovered that shows arbitrary insourcing wastes money. In these tight budgetary times, it is as important as ever that non-inherently

governmental work is performed by whichever sector proves to be more efficient and cost effective.

We hope Congress takes Gordon's clarification into consideration during the debate over the 2011 budget. Provisions included in the Senate version of the FY 2011 Financial Services Appropriation Act and the House-passed National Defense Authorization Act could force agencies to arbitrarily insource work. If either were to become law, that would not be smart contracting or smart spending.

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