



Insourcing Thicket Befuddles Mandate-focused Agencies

The Office of Management and Budget needs to provide guidance on insourcing efforts governmentwide

By Jaime Gracia

Jul 22, 2010

Jaime Gracia is vice president of federal services at Concepts and Strategies, a woman- and minority-owned consulting firm.

If the federal government is to make any serious progress on the insourcing of contractor work, the Office of Management and Budget must step up and provide agencies with the guidance they need.

Under Section 736 of the Omnibus Appropriations Act of 2009, all federal agencies except the Defense Department were required to develop policies for insourcing new and contracted-out functions by mid-July 2009. Curiously, the legislation did not specify a role for OMB in developing and implementing the insourcing guidelines for civilian agencies.

That oversight has resulted in failures to properly deal with a critical issue for the government workforce — a situation that was made apparent in a study conducted late last year by the Government Accountability Office that found most agencies were still in the early stages of crafting their policies.

However, OMB has issued guidance to facilitate managing the federal government's multisector workforce through an approach that uses best practices for workforce management and cost analysis. However, clear guidelines for creating proper business cases continue to be missing or unclear. Further complicating the issue is the ongoing review of the term "inherently governmental" and lessons learned from the multisector workforce pilot programs.

Agencies claim that the existing insourcing guidelines are complex and involve multiple agency functions. Therefore, OMB must take the lead in developing comprehensive guidelines and providing the oversight and approval of agency-specific plans. The lack of such oversight exacerbates the difficulties involved in dealing with multiple management initiatives on top of agencies' core duties.

OMB officials should follow the approach they are taking in developing a policy for multiagency contracts. According to forthcoming guidance from the Office of Federal Procurement Policy, expected later this summer, agencies will be required to develop business cases before launching those contracts. According to OFPP's preliminary guidance, the business cases must address the government's ability to take advantage of its buying power under the new contracts.

"We believe it is prudent for an agency to develop a business case before moving forward with that approach," said OFPP Administrator Daniel Gordon.

Also, OMB must provide agencies with the direction necessary to ensure that insourcing is done correctly, which includes business cases and stakeholder analyses to ensure that agencies have the right set of skills and capabilities to perform their missions.

Confusion about when a cost analysis is necessary and the appropriate methodology for conducting that analysis has contributed to the difficulty in defining the procedures necessary to sufficiently deal with cost issues. GAO noted that OMB's existing criteria do not specify the procedures for conducting a cost analysis or define what constitutes full cost of performance. Meanwhile, some agency officials insist they need to have the flexibility to determine how they should conduct cost analyses when making insourcing decisions.

However, combining a lack of uniformity with a dearth of service-contract data, which remains difficult to gather and analyze, is a recipe for disaster.

Furthermore, it appears that OMB's earlier guidance is being viewed as a directive. Agencies are putting more pressure on the acquisition workforce to use fixed-price contracts regardless of a project's requirements. Agencies appear to be conducting insourcing in a similar manner, as illustrated by the case of Rohmann Services, a small business that successfully challenged an insourcing decision by the Air Force because of an improper cost analysis.

OMB officials need to provide consolidated, overall guidance on insourcing governmentwide, and DOD should not be excluded. That would help ensure that agencies develop sound business cases and conduct insourcing in a proper and fair manner for all parties involved.

About the Author

Jaime Gracia is vice president of federal services at Concepts and Strategies, a strategic communications company.