



Insourcing: More Specific Guidance from OMB is Needed For Success

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Under guidance from the Office of Federal Procurement Policy (OFPP), expected later this summer, agencies will need to develop a business case before launching a multi-agency contract (MAC). According to the preliminary guidance, the business cases will require agencies to address the government's ability to leverage its buying power with the creation of new vehicles.

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

Although this guidance is long overdue, and is a significant step in helping stem the tide of further waste and consolidating buying, what remains undone is the needed guidance and specifics on dealing with insourcing. The Government Accountability Office (GAO) issued findings last fall about how insourcing policy was being developed, and the results remain disappointing. In March 2009, Congress enacted section 736 of the Omnibus Appropriations Act, which required all federal agencies except the Department of Defense (DOD) to devise and implement guidelines for insourcing new and contracted-out functions by mid-July 2009. Curiously, section 736 does not specify a role for OMB in the development and implementation of the civilian agency insourcing guidelines, which has resulted in failures to properly address this critical issue to the government workforce.

Nonetheless, OMB has issued guidance to facilitate the management of the federal government's multi-sector workforce through an approach that uses best practices to human capital management and costs analysis, but clear guidelines for creating proper business cases continues to be missing or unclear. Further complicating this issue is the continued review of the term "inherently governmental," and lessons learned from the multi-sector workforce pilots.

OMB must take the lead in developing the guidelines and providing the oversight and approval of agency-specific guidelines, as agencies claim these insourcing guidelines are complex and involve many agency functions. This exacerbates workforce issues that are difficult enough in dealing with multiple management initiatives in addition to regular core duties. OMB must provide government the direction necessary to ensure that insourcing is done correctly, which includes business cases and stakeholder analyses to ensure agency missions are performed with the right set of skills and capabilities.

What has happened is that confusion as to when a cost analysis is needed, in addition to the appropriate methodology to conduct the cost analysis, has made defining procedures necessary to sufficiently address cost issues challenging. Standardization is necessary, as GAO stated that OMB's criteria do not specify the procedures for conducting a cost analysis or define what constitutes full cost of performance, while some agency officials insist they need to have the flexibility in determining how it

should conduct cost analyses when making insourcing decisions. This is a recipe for disaster without uniformity and proper service-contract data, which also remains difficult to gather and analyze.

Further, OMB guidance seems to be perceived as a directive. More pressure is being put on the acquisition workforce to use fixed-price contracts, regardless of requirements. This also appears to be the case in how insourcing is being conducted, as illustrated by the case of Rohmann Services Inc., a small business who successfully challenged an insourcing decision by the Air Force due to improper cost analysis in its reasoning for its decision.

There needs to be consolidated, overall guidance on insourcing across government, and the DOD should not be excluded. OMB should have a coordinated effort to help ensure insourcing is conducted in a proper and fair manner for all parties involved, and proper business cases get conducted to ensure the taxpayer gets the best deal.