



New CAP Papers Offer Contracting Reform Recommendations

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The insourcing paper asks federal agencies to think about whether they have hired contractors to perform inherently governmental functions (those duties so intimately related to the basic functioning of government that only direct employees of the government should perform them), and if they have, to bring those jobs back in house.

Examples include the use of contractors by the Internal Revenue Service (IRS) to collect tax obligations, which the agency brought back in house after a disastrous outsourcing experiment. Another example is the use of private security contractors in Iraq and Afghanistan, which has brought into question the outsourcing of the inherently governmental function of employing deadly force.

Insourcing jobs can help the government in two ways: it can save money, and it can help the agencies keep and strengthen vital skills among its workforce. Pratap Chatterjee, the author of the papers, points to a recent success story in the Department of Homeland Security (DHS) as an example of how insourcing can save money. When the IT department of U.S. Customs and Border Protection converted 200 contracting jobs back to government positions in 2010, the agency saved \$27 million out of its \$400 million budget.

The idea that federal workers cost taxpayers less than contractors do runs contrary to conventional wisdom in Washington, but recent research performed by the Project On Government Oversight (POGO) found, on average, “the government actually pays service contractors at rates far exceeding the cost of employing federal employees to perform comparable functions.”

Additionally, when an agency outsources a specific function to a contractor, it runs the risk of losing that skill set within the agency, eventually making the agency dependent on the private sector to perform the work. Chatterjee cites the testimony of Mark Lowenthal, a former Central Intelligence Agency (CIA) official, who told Congress last year that, because of outsourcing during the Iraq War, the CIA had lost the vast majority of its experienced staff; most had jumped ship for the higher-paying, more flexible lifestyle of a contractor employee.

The auditing paper returns to the all-too-well-understood problem that the federal government does not grant the Defense Contract Audit Agency (DCAA) enough power and resources to properly assess the hundreds of billions of dollars spent each year on contracting. Though it has “Defense” in its title, DCAA is responsible for reviewing most of the government’s contracts.

The paper recommends that additional resources be provided to the agency so it has the staff to fulfill its mandate and argues that Congress should provide DCAA with the authority to subpoena contractor records, allow it to appoint an independent general counsel, and have the agency report directly to Capitol Hill instead of the Pentagon.

As Chatterjee notes, the number of DCAA audits has of late declined dramatically. In just the last few years, DCAA went from performing roughly 30,000 audits per year to just 10,000. This decline coincided with significant internal turmoil at the agency. Others in the contracting reform field have been calling for similar improvements for some time.

Calling on the federal government and Congress to continue building on recent reforms, the paper on transparency recommends the creation of a “single, streamlined, government-wide electronic [database] system,” a universal, online training manual for federal contracting personnel, and an online “budget dashboard,” similar to the Obama-administration-created IT Dashboard.

Recognizing that President Obama has overseen great strides in contracting transparency, making available “reams of new data” on sites like Data.gov, USAspending.gov, and the new Federal Awardee Performance and Integrity Information System (FAPIIS), Chatterjee claims that these reforms still “are not sufficient.” This is especially true of FAPIIS, which is a highly flawed system for delivering important contractor performance information to the public.

The author calls for making past performance data on all contractors public (the legislation creating FAPIIS strictly forbids this) and calls for the government to create a unique identification system for tracking business entities across the federal government.

In an environment replete with the high-pitched shrieks of budget hawks, one would think that contracting reforms that could save significant amounts of public money would be a high priority on Capitol Hill. If legislators can get around standard party politics – unfortunately only intensified during an election year – these papers might provide a blueprint for several pieces of bipartisan legislation.