



# OFPP Calls for Fed to Contractor Ratio Analysis

By Jason Miller

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Agencies have until June to figure out if their ratio of contractors to employees is most appropriate.

Federal officials should focus on professional and management services and information technology support services first, but also keep an eye on functional areas that their agency may be relying too much on contractors.

These areas could include policy review and development services, program evaluation services, intelligence services, systems engineering services, personal services contracts, automatic data processing support services and automated information systems services.

This was one of several deadlines the Office of Federal Procurement Policy detailed in a memo issued Nov. 5.

OFPP administrator Dan Gordon said the analysis is the second part of a congressional mandate requiring agencies to develop service contract inventories. The fiscal 2010 Consolidated Appropriations Act focused only civilian agencies as the Defense Department has been developing service contract inventories since lawmakers included the provision in the National Defense Authorization Act for 2008.

"A service contract inventory is a tool for assisting an agency in better understanding how contracted services are being used to support mission and operations and whether the contractors' skills are being utilized in an appropriate manner," Gordon writes in the memo. "Information about how contract resources are distributed, when taken into consideration as part of a balanced workforce analysis, can help an agency determine if its practices are creating an over-reliance that requires increased contract management or rebalancing to ensure the government is effectively managing risks and getting the best results for the taxpayer."

OFPP asked agencies to conduct pilots to review several areas where service contracts are most prevalent, including professional and management services and IT support services, earlier this year as part of insourcing pilots. OFPP said 24 agencies sought to determine the best balance of public and private sector workers.

The administration called for the pilots in June 2009.

OFPP also is analyzing the pilots as part of its new policy letter to better define inherently governmental work, closely associated with inherently governmental work and critical jobs.

While agencies by law are required to develop service contract inventories, the memo does follow along the Office of Management and Budget's focus on determining the best ratio of federal employees and contractors.

"The effective development and analysis of a service contract inventory as part of human capital planning can help an agency determine if its mix of federal employees and contractors for a given program is effectively balanced or if rebalancing may be required," the memo states.

Before agencies can conduct these analyses, OFPP wants each department to submit an service contract inventory by Dec. 30. The administration plans on making these inventories public by Jan. 30.

Additionally by March, OFPP wants agencies to tell them about any special interest functions they will analyze in 2011. Finally by Dec. 30, 2011, agencies have to report any actions taken to convert positions from contractors to federal employees. The report should include approvals from the chief human capital officer, the chief financial officer, the chief acquisition officer, and if it's IT work, the chief information officer.

OFPP states that the analyses should focus on six areas as described in the law. The inventories should include a review of the contracts and information to ensure that:

- Each contract in the inventory that is a personal services contract has been entered into, and is being performed, in accordance with applicable laws and regulations;
- The agency is giving special management attention to functions that are closely associated with inherently governmental functions;
- The agency is not using contractor employees to perform inherently governmental functions;
- The agency has specific safeguards and monitoring systems in place to ensure that work being performed by contractors has not changed or expanded during performance to become an inherently governmental function;
- The agency is not using contractor employees to perform critical functions in such a way that could affect the ability of the agency to maintain control of its mission and operations; and
- There are sufficient internal agency resources to manage and oversee contracts effectively;

The guidance states that the agencies should conduct reviews by sampling contract files, interviewing program managers and contracting officer technical representatives and gathering information in other ways.

For the 2011 inventories, agencies also will have to dig deeper into the data to include the number of first tier subcontractors, total dollar amount spent on services and how agencies are using service contracts to meet their mission.

"Greater visibility into the amount of contractor (and subcontractor) personnel may help an agency in performing a balanced workforce analysis, especially for professional and technical services that are performed by contractor and government personnel co-located in government workspace," the memo states. "Knowing the amount invoiced, in combination with direct labor hours, may help an agency assess the cost-effectiveness of contracted labor."

OFPP also states that the government doesn't collect data on the number of contract employees, but the Federal Acquisition Regulatory Council soon will issue a new rule to address the collection of this information to make it easier to collect the data for the inventories in 2011.

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