

Rocky Road to In-Sourcing Contract Support

By ELISE CASTELLI

July 13, 2009

In March, President Barack Obama declared that "government must have sufficient capacity to manage and oversee the contracting process from start to finish," and announced his intent to rein in the use of contractors to help award and manage contracts.

That is more easily said than done, experts say. Consider this: In the last half-decade, the government bought acquisition support services at a rate five times greater than it bought everything else.

Between 2004 and 2008, overall government contract spending climbed at a compound annual growth rate of 11 percent. In contrast, spending on acquisition support services skyrocketed at a compound annual growth rate of 56 percent, a *Federal Times* analysis of government data has found.

The same factors that sparked that flurry of outsourcing activity in recent years still exist today, say experts such as Neal Couture, executive director of the National Contract Management Association.

"At the end of the day, I don't believe the use of acquisition support contractors will be able to be reduced at the pace government would like," he said.

A terrorist attack, two wars, devastating natural disasters and an economic collapse prompted a level of federal spending that was unanticipated, Couture said. To respond to the crises quickly, rather than navigating a lengthy hiring process, federal agencies put a contractor workforce in place to handle the workload.

At the same time, the products and services the government was buying were increasingly complex, which required knowledge and skills not readily available in house. Further complicating matters: There is no ready pipeline of acquisition talent in place to help beef up government procurement staffs, Couture said.

One example of how this has set agencies back is at the State Department, which increased spending on acquisition support services at a 153 percent compound annual growth rate over the last five years. The department was ill-prepared to handle a 10 percent jump in contracting since 2004. In that time, State spent billions of dollars on new large embassies in Iraq and China, and for private security contractors in Iraq, among other things. And it needed more people with contracting skills to help manage that spending.

The Hiring Challenge

Perhaps the biggest problem agencies face is getting new talent on board quickly. New hires fresh out of college require at least three years of postgraduate training before being qualified to handle procurement, Couture said. Even a laid-off business professional with 10 years experience in the private sector will need training because of the government's unique buying rules, he said.

Deidre Lee, a former senior procurement executive at the Defense Department, said some agencies have 20 percent to 30 percent of their acquisition slots vacant. If they can't hire and train people to fill those vacancies, it is unlikely they can fill any additional procurement positions created to in-source contract support work, she said. Lee is now an executive vice president at the Professional Services Council.

And if agencies want to in-source contractor positions, they "can only convert positions, but absent significant changes to the system, [they] can't just convert people," Lee said. So filling positions that result from in-sourcing work will rely on a hiring system known for being slow and dysfunctional.

As a result, agencies have little choice but to contract their way out of the problem, Lee said.

"Unfortunately there are people looking at it as staff augmentation," she said. "People are looking at 'what is the work I need to do?' and 'how do I get it done?'"

The Agriculture Department is one of those agencies.

The department has spent money on acquisition support services at an incredible rate of 249 percent from 2004 to 2008, according to the government's online contracts database called USAspending.gov. More than half of the \$281 million spent in 2008 was by the Forest Service. The Forest Service disputes the figures saying that several large contracts were miscoded as acquisition support rather than "other support services."

However, the Forest Service does routinely procure acquisition support to help it through its seasonal surge needs due to forest fires and natural disaster response, said Ron Hooper, the Forest Service's director of acquisition management.

The Role of Contractors

The Forest Service spends about \$1 million a year on acquisition support services to manage the spike in workload, Hooper said. The contractors free up the career staff to handle the inherently governmental portions of the procurement, such as negotiation and signing of a contract or task order, he said. This year, however, due to \$1.5 billion in Recovery Act spending, acquisition support contracts will likely top \$4 million, Hooper said.

In order to allow the agency's in-house acquisition staff to handle the usual workload, the Forest Service has created four economic recovery field offices staffed with 34 full- and part-time contractor employees to post contract opportunities, receive responses and assist with administrative work. Hooper has also rehired federal retirees, who hold certifications to spend money on behalf of the government, to make the final spending decisions.

The main benefit of using contractors in this situation is "we don't have to hire permanent staff," Hooper said. Not only is the hiring process lengthy, but additional staff wouldn't be needed once the surge of economic stimulus projects is over, he said.

Once the Recovery Act contractors are no longer needed, "I don't see us becoming more reliant on acquisition support contracts, and potentially we'll be less reliant because of organization and system change we're making," Hooper said.

The Forest Service is reorganizing the management of its procurement staffs in favor of a more regional approach to doling out work, he said. This would allow managers to more easily distribute work among employees during peak times, whereas currently work is handled by the closest local office, he said.