

Senators to Grill Agencies Over Insourcing, Outsourcing Practices

By Sarah Chacko | March 28, 2012

A Senate panel wants to hear how federal agencies justify spending billions on contractors without properly weighing the costs.

Sen. Claire McCaskill, chairwoman of the contracting oversight subcommittee, and ranking member Rob Portman, R-Ohio, asked officials from five federal agencies to explain how they determine if using contractors is cost-effective and what they do to account for contractor compensation, overhead and costs associated with contract management and oversight.

The Defense Department, for example, was unable to report how many contractors were replaced in 2010 when the department created nearly 17,000 new government civilian positions to perform previously contracted services, committee members noted in their letter to agencies.

Workforce management officials from the Army, Department of Homeland Security and Office of Personnel Management are scheduled to testify at the committee hearing Thursday morning.

Agencies have failed to track the use of service contractors as required by law and lack a common, effective method for calculating and comparing costs between contractors and federal employees, government watchdog and industry groups said in testimony submitted to the committee.

"Frankly, what we're seeing now in the agencies is almost a lack of any disciplined process for assessing cost and a complete unwillingness to share or otherwise make known the methodologies they're using or what the results are," Stan Soloway, president of the Professional Services Council trade association, said in an interview.

Soloway said he heard about one case where an agency attempted to save money by hiring federal employees for work that was contracted. But the agency sought federal workers with less experience than it required from contractors, he said.

In another case, contracted workers applied for similar positions within a federal agency and found the government was offering higher pay than what they earned as contractors, he said.

Information submitted to the committee also shows the difficulty in calculating costs associated with employing federal employees and contractors. Studies done by the Congressional Budget Office, the Project on Government Oversight, the Center for Strategic and International Studies, and two analysts from the American Enterprise Institute and Heritage Foundation used different methods to calculate costs associated with employees in the two sectors and reached varying conclusions.

The solution would be for Congress to pass legislation creating an effective governmentwide cost modeling system and to improve the service contract inventories that agencies are required to submit to the Office of Management and Budget, Scott Amey, general counsel at the Project on Government Oversight, said in his written testimony.

"Such legislation will enable decision makers to identify costly service contracts and provide agencies with the tools necessary to avoid transferring government services to contractors at unjustifiable costs," Amey said.