



## Small Business Fights Insourcing...and Wins

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Texas company pushes back against the Air Force's attempt to insource its work

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On a business trip in October 2009, Ron Boone received some serious news from the Air Force, a longtime client.

Boone, president of Rohmann Services Inc., an audio/visual company in Texas, sat down with Mike Strickler, Edwards Air Force Base's public affairs director, and was told the Air Force would soon insource his multimedia contract.

And Air Force officials didn't plan to tell Boone about their decision — only inform him in a letter. However, Strickler thought that was unfair.

"It really surprised me," Boone said. Boone, who is retired from the Air Force, said there had been no attempts to insource the work in the past 13 years of the contract, and Boone's small business and the Air Force have a fantastic working relationship.

After the meeting, though, Boone filed a Freedom of Information Act request to get the cost analysis that compared the Air Force's costs vs. Boone's. He found some missteps by the Air Force and filed a lawsuit in federal court in January to keep the contract that is 15 percent of his business. Several months later, Air Force officials withdrew their decision, rendering the case moot. In a statement, officials said they "determined the audiovisual work was not presently an appropriate candidate for insourcing." They then also extended Boone's contract.

### Source of Friction

Boone's story illustrates the friction between industry and government as agencies increasingly looking for work to insource. Experts say relationships are cooling, and company executives are resetting their views on industry/government partnerships.

The case "signifies the real threat of insourcing to government contractors, as well as the tools and defenses available to them in defending their contracts," wrote two attorneys at law firm Venable LLP.

As the Obama administration puts more emphasis on getting federal work into the hands of government employees, the case shows that the government can't insource haphazardly.

Government "will not be allowed to do so in a carte blanche manner," said Robert Burton, a partner at Venable and former deputy administrator at the Office of Federal Procurement Policy.

With the threat of insourcing, business owners should look at the agency's analysis of costs versus the company's analysis to make sure the numbers are accurate and include all costs, Boone said.

"Scrutinize it," Boone said.

The Air Force didn't include the gamut of costs, according to Boone and court documents. Officials omitted certain positions in their calculations, in addition to overhead costs, locality pay, fringe benefits and overtime costs. By leaving out those costs, the figures supported the Air Force's claim that it could do the work for less.

To get the analysis, Boone said he had to submit numerous FOIA requests, and he has received little more than a summary of the overall analysis.

That information will help company executives decide their next steps, he said. Small businesses such as his must determine if there's a justifiable case against insourcing because they can't afford costly attorneys' fees.

Boone also said contractors should keep track of their specific costs so they can figure out if the government is using the correct numbers in the cost analysis.

## **Déjà Vu**

Harkening back to the opposition to outsourcing several years ago, the insourcing initiative seems like the mirror image of the controversial competitive sourcing efforts of the George W. Bush administration.

Competitive sourcing under Office of Management and Budget Circular A-76 is a policy that pits the private sector against the public sector for government work to see who offers the best value.

To say the least, it was controversial. The groups that complained about the A-76 policy now favor the insourcing initiative. Those who supported competitive sourcing are apprehensive about what's going on now.

"This is the flip side of A-76," said Larry Allen, president of the Coalition for Government Procurement.

Congress recently has banned A-76. But in 2008, Congress handed federal agencies a lot of flexibility to review contractors' work and decide if they could do it more cheaply. And the Obama administration is pushing that review because it believes agencies need to cast off their dependence on the private sector.

Most recently, Daniel Gordon, OFPP administrator, said he's working to rebalance the relationship between government and industry. Rebalancing essentially means insourcing government work. Right now, the relationship is lopsided, he has said, with the public sector seemingly handicapped to the private sector.

"I can guarantee you there will be change," he said.

Gordon wants contractors further away from the inner dealings of key government decisions.

For that reason, the administration proposed guidelines March 31 to define which jobs contractors cannot do, and — as importantly — which jobs they should not be doing because they are critical functions.

Government officials are beginning to see contractors as a necessary evil, and they have become more cautious of them, Allen said.

## **Hard Numbers**

Experts warn about an overreaction to bringing work in-house.

Henry "Trey" Obering, retired Air Force lieutenant general and now senior vice president at Booz Allen Hamilton, said agencies need to avoid insourcing a targeted number of people. Insourcing, which often requires hiring people, forces the government into a longer-term commitment. Agencies have more flexibility to adjust to changes when they contract out work appropriately.

"We should be really thinking through the 'why'" of insourcing, he said.

If officials decide to insource work, their agency needs a thorough analysis of its operations so it gets an honest portrayal of what it will need to invest to get the work done. To insource work, DOD rules require officials to analyze the potential costs versus the contractor's costs to show why it should do the work.

"The bottom line is, whether in outsourcing or insourcing, the government has to make a decision, at least in principle, on a good cost analysis," Allen said.

Despite the insourcing run-in, Boone is working to keep a good business relationship with the Air Force. The insourcing decision wasn't anything personal, he said.

"It was business," he said. "It was nothing against us. It was about the dollar."

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