



## Small Business Scores Victory Over Air Force in Insourcing Case

By Matthew Weigelt      March 18, 2010

A small business recently derailed an attempt by the government to insource jobs willy-nilly.

Rohmann Services, Inc., a San Antonio-based company, had been doing multimedia and audiovisual work for the Air Force at Edwards Air Force Base in California since 1997. However, in October 2009 the Air Force began moving toward insourcing the work, according to a report from the Venable law firm.

The Defense Department has the authority to review contracts to see whether it can do the same work in-house for less money. Nevertheless, DOD's insourcing procedures require the military services to maintain a contract if a cost analysis indicates that a contractor can perform the work cheaper. The Air Force did the cost analysis, but its analysis didn't include the gamut of costs. In addition, officials omitted certain positions in their calculations, as well as overhead costs, fringe benefits and overtime costs, according to Venable. As a result, the figures showed that DOD itself could do it cheaper.

Because of those errors, the small contractor filed suit in the U.S. District Court for the Western District of Texas and argued that insourcing rules guaranteed fairness to all parties and that the Air Force didn't follow the procedures. Accordingly, the military decided to withdraw its insourcing decision and to extend Rohmann's contract term.

Although the Air Force's withdrawal rendered the case moot, Venable offered its take on what it means.

"This case demonstrates that although the Obama administration may be seeking to insource much of the services the federal government currently fulfills through private contractors, it will not be allowed to do so in a carte blanche manner," Venable wrote.

Furthermore, and as importantly, in reading Venable's tips for practitioners, the battle lines are being drawn between the government's steps to insource and contractors' barricades around their livelihood.

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," Venable wrote. "As a result, government contractors should be mindful of the government insourcing efforts and take steps to protect their contracts and document their true cost."



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