



## Some Agencies Moving Forward with Insourcing

BY TOM SPOTH | AUGUST 13, 2010

Some contractor-heavy civilian agencies are moving aggressively to insource work in response to White House pressure.

The Department of Homeland Security and U.S. Agency for International Development in particular have identified thousands of contractor positions to convert into federal employee positions.

Jane Holl Lute, deputy secretary for Homeland Secretary, in July instructed DHS agency heads to develop "specific, expedited plans ... for either eliminating contractor work entirely or converting contractor work to federal positions."

Each organization within DHS is required to send Lute's office periodic status reports and name a representative to a DHS steering group that will review DHS work force issues.

In 2009, DHS identified 3,500 contractor positions to be eliminated or converted, but Lute's memo said "progress to date on this initial step has been inadequate."

DHS chief human capital officer Jeffrey Neal sent a follow-up memo Aug. 2, providing component heads with 45 pages of guidance on how to implement the department's "balanced work force" strategy.

Neal told Federal Times that DHS will "look at every contract we have for professional services, one contract at a time." That means reviewing thousands of contracts, he said, but he was unable to provide an exact number.

The department employs 188,000 civilians and more than 200,000 contractors, Neal said.

DHS doesn't have an estimate of how many contractor positions will be eliminated. "Our intent is not to go in and set a target," Neal said. "It won't just be a number we've plucked out of thin air."

Key areas for possible insourcing include information technology, security and intelligence, Neal said.

DHS components that are particularly contractor-heavy include the headquarters, Customs and Border Protection and the Transportation Security Administration.

The Federal Protective Service has also come under criticism for its use of contractors, and DHS is conducting a separate review to determine whether to federalize 15,000 contractor security guards at federal buildings.

DHS developed an over-reliance on contractors because the Bush administration was pushing to out source positions governmentwide when the department was formed in 2003, Neal said.

The primary goal of insourcing is to ensure that contractors are not doing inherently governmental tasks. DHS is also considering the quality and cost of work, and whether using contractors puts the department's mission at risk, Neal said.

USAID is trying to rebuild a work force that was gutted by budget cuts starting in the 1970s, said Kenneth Lanza, the agency's acting chief operating officer.

From 1970 to 2000, the agency's Foreign Service corps shrank from about 4,500 officers to fewer than 1,000 due to reductions in its operating expenses budget. However, funding for USAID's programs overseas remained fairly steady, meaning the agency had to do the same amount of work with fewer people.

"What that forced us to do was really to change our business model to outsource a lot of the work we would have otherwise done on an in-house basis," Lanza said.

Contractors started handling work such as project and program design, writing textbooks and providing technical assistance in fields such as macroeconomics, agriculture and civil engineering.

"The mission got done and, in most cases, got done well," Lanza said. "The difference was it was a contracted individual doing it as an agent of the U.S. government.

There was a difference not in necessarily the quality that was delivered, but in how it was represented."

USAID believed much of this work should be done by government employees, and received authorization from Congress to double its Foreign Service work force from 1,200 officers to 2,400 between fiscal 2008 and 2012. As of March 2010, staffing was up to 1,775, Lanza said.

USAID has also targeted for insourcing 470 of the 1,491 positions currently filled by contractors in Washington. About one-fourth of the 470 jobs are in the USAID chief information officer's office, Lanza said.

The agency will try to move those jobs in house over the next five years, Lanza said. The contractor employees are welcome to apply for the newly created government jobs but will not simply be absorbed into the federal work force, he added.

Lanza said the newly created federal positions, once filled, will cost USAID about \$30 million a year. It was difficult to conduct a full cost benefit analysis of the change, he said, and "cost was not the driving factor in this decision."

USAID also employs hundreds of contractors to do technical work.

Lanza said he expects the larger Foreign Service staffing to make many of those contracts unnecessary, but because most of the new hires are at a junior level, the transition could take years.

The overarching goal is to rebuild USAID's capacity to complete its mission without farming out key responsibilities to contractors, Lanza said.

"It's the right direction, a direction we really want to go," he said.

"We will always rely on contractors. Contractors will continue to be a valued resource for this agency — just not to the levels that they have been."

Officials at the Energy Department, another agency frequently singled out as relying heavily on contractors, were unavailable for comment.

The Defense Department has also launched a massive insourcing effort, although Secretary Robert Gates indicated in an Aug. 9 speech that the Pentagon is rethinking those plans.

Insourcing is a key part of the Obama administration's effort, announced in March 2009, to slash federal contract spending by \$40 billion by the end of fiscal 2011.