

Think Tank Suggests Alternative to DoD Outsourcing Directive

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A D.C.-based think tank punched holes in the process used by the Defense Department to make insourcing decisions, suggesting an alternative strategy for deciding when work performed by contractors should be reassigned to full-time federal employees.

The Center for Strategic and International Studies (CSIS) released a report Tuesday that analyzed the January 2010 directive used by DOD to estimate and compare the costs of contractors versus full-time government employees, which is expected to be replaced by new instructions from the department in September. Among the key shortcomings to the current directive, according to the report, is failure to account accurately for associated overhead.

For example, the current methodology fails to account for the full cost of DOD-owned assets, but includes those costs for contractors. It also doesn't consider the loss in tax revenue that would be paid by contractors, but not by federal government, the report noted.

CSIS suggested that DOD introduce a statement of work with clearly defined performance parameters as a common starting point for deciding whether the work is better suited for contractors or for government employees, and then mandate more frequent updates for calculating personnel cost elements (such as health care and retirement benefits) to ensure an accurate comparison.

Among the overhead line items that should be tallied into cost comparisons for contractors and federal employees is management and oversight, information technology and human resources. (Facilities costs should be broken out separately, according to the report).

“For too many years, we have been embroiled in a continual debate over how to calculate the relative costs of performance,” said Stan Soloway, president and CEO of the Professional Services Council, an Arlington-based trade association. “No one believes the current process offers an accurate perspective but until now, no viable, fair, and analytically rigorous alternative was available. CSIS has provided just that.”