



PROFESSIONAL SERVICES COUNCIL

The Unified Voice of the Government Services Industry

4401 Wilson Boulevard, Suite 1110, Arlington, Virginia 22203

P: 703-875-8059 F: 703-875-8922 www.pscouncil.org

STATEMENT OF
DEIDRE A. LEE
EXECUTIVE VICE PRESIDENT OF FEDERAL AFFAIRS
AND OPERATIONS
PROFESSIONAL SERVICES COUNCIL
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, THE FEDERAL WORKFORCE AND
THE DISTRICT OF COLUMBIA
COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
U.S. SENATE
AUGUST 5, 2009

Chairman Akaka, Ranking Member Voinovich and members of the subcommittee, thank you for your invitation to appear before the subcommittee today to discuss strengthening the federal acquisition workforce and the Federal Hiring Process Improvement Act of 2009 (S.736).

Introduction

The Professional Services Council (PSC) is the leading national trade association of the government professional and technical services industry. PSC's more than 330 member companies represent small, medium and large business that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social and environmental, and more. Together, the association's members employ hundreds of thousands of American in all fifty states.

PSC has been a long-time advocate for a highly skilled and well-resourced acquisition workforce and supports efforts to enhance the training and professional development of the federal workforce, particularly in acquisition. PSC also advocates for appropriate and balanced approaches to workforce challenges including recognition of the contributions made by each segment of the multi-sector workforce to accomplish the government's many critical missions.

Having retired from the government in 2008 after 32 years of service in a number of leadership positions related to acquisition, I have witnessed first-hand the challenges faced by the acquisition workforce.

Acquisition Workforce

I want to begin by clearly defining what I mean when I refer to the federal acquisition workforce. Many people make the mistake of defining the acquisition workforce too narrowly, accounting for contracting and procurement employees only. A more accurate description of the workforce includes all the requisite skills and functions that make up the total acquisition team—from those who help define the government's needs to those who award the contract to those who administer and oversee the contractor's performance.

In the early to mid-90's, a lack of recognition of the important role of the acquisition workforce, referred to by some as "shoppers," resulted in statutory direction and administrative action to significantly decrease the workforce both in numbers and skills, particularly in the Department of Defense. During this time period, expecting a post cold war drawdown, DoD downsized across the board. Acquisition reform, the use of technology and "doing more with less" were supposed to enable the smaller cadre to meet the growing demands quickly at a lower cost.

From fiscal years 2001 to 2008, the complexity of acquisitions substantially increased, and obligations more than doubled. The government also transitioned from purchasing mostly products to the preponderance of its purchases being services. Yet the size of the federal workforce remained stagnant. The agencies have not increased the number of trained and skilled acquisition personnel to support the explosive growth because of the failure to acknowledge the strategic role of acquisitions; the lack of positions and funding to hire people; and the lack of experienced, available acquisition personnel.

Challenging new requirements, including contingency contracting in support of Iraq and Afghanistan, an expanded homeland security mission, and the American Recovery and Reinvestment Act stimulus funding, have further stressed the acquisition workforce. In the meantime, the oversight community staff has grown significantly. Who can forget Hurricane Katrina and the post emergency reviews finding over 400 auditors reviewing the work performed by fewer than 40 contracting officials during an emergency situation? Oversight is absolutely necessary and can contribute to improved performance, but taxpayers would be better served if resources were dedicated to the “front-end” process—not just back-end checking. Back-end checking, or as we call it, the “gotcha” approach, is often based on anecdotes rather than a systematic review, and rarely offers actionable conclusions of value to the acquisition workforce.

The Challenges at Hand

While the federal acquisition system works far more effectively and efficiently than many believe, it also faces many challenges that have diminished the trust of policymakers and the public.

The keys to ensuring proper oversight, accountability, and effectiveness of federal acquisition lie in thoughtful policies that strike the right balance between advance planning, resources and compliance. Those policies should be based on sound data and thoughtful debate, rather than on anecdotes or headlines, and should focus on reforms that will truly improve performance rather than simply adding layers of after-the-fact oversight. Thus, the most critical near-term priority must focus on the federal workforce charged with planning, awarding and managing federal contracts and grants.

Developing a well-trained and experienced federal acquisition workforce with the tools, resources and support it needs and deserves is the single most important ingredient for success. It's essential to ensuring the wise and effective expenditures of taxpayer dollars and for developing the kind of collaborative, but appropriate, arms-length partnerships with the private sector that enable government to achieve its missions.

At the same time the government is developing the federal acquisition workforce, a strategy for clarifying the roles of, and ensuring performance from, private sector partners in the multi-sector workforce is essential. The multi-sector workforce,

comprised of well trained and experienced government people along with the proper mix and composition of industry and academia partners, is also essential to immediate and long-term mission success. PSC has long been supportive of efforts to clarify the definition of inherently governmental functions to ensure that only those activities appropriate for contractors to perform have been contracted for; we endorsed the legislature's direction as well as President Obama's executive directives to address this matter properly. We are extremely concerned, however, about current government actions our member companies are experiencing, such as agencies taking work in house without meaningful assessments of whether the work involves critical or core mission skills; the real, total cost to the government; or the impact on the community at large, and small business in particular. Some of these actions appear to be focused on arbitrary goals versus careful and strategic consideration of whether the government or the private sector has the best capability to perform the function and to provide the best value to the taxpayer.

Further, our member companies report pockets of aggressive recruiting of contractor employees by the government, often in acquisition support and related fields, sometimes in ways we think border on the unethical. Arbitrarily converting contractor employees to government positions that are not inherently governmental, or mission critical positions without real analytical rigor, serves neither the agency's mission needs nor the government's or the taxpayers' fiscal interests. Indeed, it is becoming increasingly common for the government to offer contractor employees pay raises well beyond either their experience or the requirements of the work involved, or both. The costs associated with doing so, and the long term impacts on effective workforce management, are substantial.

Progress is being made

The long overdue recognition of the important role of acquisitions such as contained in President Obama's March 4 contracting memo, has helped tremendously to focus attention on the workforce. In this memo, the president directed the OMB Director, in collaboration with agencies, to "assist agencies in assessing the capacity and ability of the federal acquisition workforce to develop, manage, and oversee acquisitions appropriately." Additionally, Congress authorized funding and provided guidance to support an improved acquisition system. Moderate steps toward strengthening the acquisition workforce have been taken and progress is being made in a number of ways. For example:

Intern programs

Intern programs, a recruitment pipeline for federal agencies in the 70's and 80's, are returning. Congress has provided funding and permitted agencies to reallocate funds as appropriate to support these programs. An example is the Department of Homeland Security intern program.

Acquisition Workforce Development

The Acquisition Workforce Development Fund was made permanent for DoD in the National Defense Authorization Act of 2008. Congress established the fund and provided funding flexibilities to DoD to ensure funds were set aside and available for acquisition workforce development. The Senate 2010 NDAA includes additional provisions which would strengthen the DoD Workforce Development Fund. A similar approach for civilian agencies passed the Senate last year but was not enacted.

Training Institutes

The Department of Veterans Affairs established the VA Acquisition Academy, a training program focused on the next generation of acquisition professionals. The academy, in its second year, is built on approaches used in other agencies. Additionally, the Defense Acquisition University and the Federal Acquisition Institute have teamed to provide training and support to the acquisition workforce.

Direct Hiring Authority

Congress has granted direct hiring authority for specific skill shortage categories and some agencies are maximizing this flexibility. The Department of the Air Force reports these flexibilities have allowed them to bring on acquisition workers in about 17 days versus the traditional hiring process which averaged 120 days to on-board a new acquisition worker. I would note, however, that we are hearing of an increasing number of cases in which it appears contracted positions are being targeted for insourcing using direct hire authorities, although the work involved does not really fall into the category of mission critical skills, further illuminating the need for analytical rigor and discipline in the process.

S. 736

I also want to specifically address S.736, "Federal Hiring Process Improvement Act of 2009," sponsored by Senators Akaka and Voinovich and introduced on March 30, 2009.

As you know, S. 736 contains requirements for strategic human capital plans, measurement of federal hiring effectiveness, and timely notification to applicants regarding their standing in the hiring process, including their status and next steps. PSC applauds these needed improvements.

To further strengthen the effectiveness of the new workforce, the bill should also require that strategic human capital plans address the multi-sector workforce, including the right mix of government, industry and academia needed for mission success. Hiring, training and career opportunities are dependent upon the strategic structuring of an acquisition workforce and should not be isolated from the government staffing considerations.

Finally, the bill contains specific requirements for job vacancy announcements and job applications which may result in rigid processes or checklists, thus electing process and

reporting over demonstrated results in hiring, retention and training. These provisions should be adjusted to reflect the desired hiring goals and measurements while leaving flexibility to the agencies on how best to recruit, hire and train for their agency-specific mission.

Challenges Remain

Although progress has been made, much remains to be done. Rebuilding an experienced, skilled federal acquisition workforce and rebalancing the multi-sector workforce will take years of dedicated effort. The following challenges must be addressed to support the multi-sector workforce and to appropriately increase the size, training and competency of the federal acquisition workforce.

Plan for and manage a multi-sector workforce

Agencies must strengthen performance and demonstrate results. Program success is not only dependent upon the total agency acquisition workforce, but also on partners from industry and academia. Strategically established, well-defined approaches for hiring the right people for critical agency functions and awarding and managing the right contracts and grants for partner performance are critical to mission success. We must reinvigorate the civil service so that critical, often-vacant, positions are filled by employees with the skills and know-how to interact with, manage, and oversee contractors, as well as federal employees. A strategic approach to human capital requires agnosticism on whether non-inherently governmental work should be performed by federal employees or contractors. The overriding question is simply: who can get the job done best on behalf of the taxpayers. Insourcing without a strategic assessment of how the mission can best be accomplished and appropriately staffed will further exacerbate the workforce skill imbalance and almost certainly increase costs to the taxpayer.

Further, where there is a direct contractor to government relationship, and where the positions involved are neither inherently governmental or performing work the government absolutely must perform to maintain control of its missions, there should be a firm and mutual “no poaching” policy. Under such a policy, contractors would agree to not recruit government employees to simply “badge flip” them and bill them back to their agency performing essentially the same work they were performing previously and, at the same time, government would not recruit contractor employees to simply “badge flip” and convert to government employment, performing the same work they were doing as contractors. This type of mutual policy is the norm in commercial business relationships. Companies recognize both the impropriety of doing so and the costs such actions create for all concerned. It is time for the government-industry relationship to be marked by a similar ethic and agreement.

Clearly define the federal acquisition workforce

A successful acquisition program requires a coordinated effort comprised of numerous skill sets, including project management and financial personnel, end users, systems engineers, quality control, contracting officers, contract specialists and contractor officer representatives. Although the DoD definition of the acquisition workforce includes all these team members, civilian agencies often do not broadly define their acquisition teams in this manner. Rather, acquisition is interpreted as contracting and procurement people only, resulting in further pressure on this career field. The acquisition workforce must be defined in its totality, so that the strategic human capital plan includes recruiting, hiring, and developing a total team.

Fund the “total” acquisition workforce

Congress must recognize that the acquisition process involves a combination and integration of skills and capabilities, and that the agencies need a comprehensive, cogent, and well-enforced development and training regimen. Congress and the administration must provide stable, recurring resources for existing and new workforce recruitment, training, development and retention.

Put leadership in place

Critical acquisition leadership positions remain unfilled. The Administrator of the Office of Federal Procurement Policy (OFPP), the Administrator of the General Services Administration, and many agency Chief Acquisition Officers and Service Acquisition Executive positions are vacant. These positions must be filled with experienced leaders who can drive a change agenda and develop the needed policies, procedures and workforce. Further, the role of the OFPP Administrator should be expanded to encompass all acquisition functions, rather than being limited to just procurement or contracting. Such a change will reinforce the critical role of acquisition across the government and emphasize Congressional and Administration expectations for program accountability and results.

Streamline the hiring process

Current hiring processes, with pockets of exceptions, take too long, are too complex, discourage mid-level entries, and pass over excellent candidates based upon “process” compliance. The Office of Personnel Management, in conjunction with agency human resource personnel, need to significantly simplify, streamline and modernize hiring. Senator Collins’ amendment to the 2010 National Defense Authorization Act authorizing limited use of retired annuitants in the acquisition workforce, building on authority enacted last year in the GSA Modernization Act, would be helpful in alleviating the immediate personnel shortage and in providing mentors to the new entrants.

Provide cutting edge tools

Technology, including social media, is a part of every-day life. These tools and their

experimental applications contribute to transparency, accountability, process improvement and speed. The acquisition community must be encouraged (and funded) to maximize the use of current technology in accomplishing their jobs. The next generation expects the technology to be readily available and will incorporate these technology applications into their successful program implementation and contract management.

Ensure engaged, meaningful oversight

Accountability must begin with a system that enables performance and rewards excellence. But it must also tolerate innovation. Today's federal acquisition workforce is overworked, under-trained, under-resourced and under-supported. Furthermore, the federal acquisition environment has become extremely risk averse and leaves little room or excuse for honest mistakes. Performing at the highest levels—which is what we ask of the federal workforce—is impossible without innovation and responsible risk-taking. A contracting officer who does not uphold every single audit “recommendation” should not find the remedy for exercising his or her best judgment to be a referral to the Inspector General for personal investigation. The understandable zeal for accountability has frequently spawned a “gotcha” environment that has had a palpable effect on federal employees in general and government acquisition professionals in particular. A breakdown in communication between the oversight communities and the acquisition community is exacerbating the problem. In the vein of “independence,” some elements of the defense oversight community have largely withdrawn from collaborative problem solving, early reporting, and open discussion and resolution of negotiable items. Independence does not equal isolation. Both the federal workforce and contractors should support serious innovation in both good times and bad. Sending that message could do more to strengthen the federal workforce than almost anything else.

The acquisition workforce “crisis” did not develop overnight, nor will it be resolved in a few months or even a few years. We do not need more reviews, competency studies, further discussion of who should or should not be counted in the acquisition workforce, or arbitrary new hiring goals. Nor can we imagine successful government without trained, skilled and experienced federal employees who skillfully plan, develop and manage the multi-sector workforce. Action is needed now. Following are PSC's recommendations that would put us on the right path to the workforce of the 21st century.

Recommendations

1. Demand rigor in planning the multi-sector workforce. OFPP should issue clear executable guidance on the phrase “inherently governmental” as required by the President's March 4 memo. Agencies should then develop strategic plans that reflect a balanced workforce focused on hiring for inherently governmental and critical core

positions and also address the full cost comparisons of other positions before making conversions.

2. OFPP should define the federal acquisition workforce to include the broad range of skills needed for the life cycle of a successful acquisition. An OFPP letter should be issued immediately with appropriate legislative and or regulatory language to follow.

3. Agencies should work with Congress and the Administration to reflect the proper workforce size and budget requirements, including recruiting, retention and training needs to support personnel funding in FY 2010 and beyond.

4. Congress should amend the OFPP Act to expand the role of the administrator to include “acquisition” in its broadest context and should ensure that agencies recognize and support the strategic role of acquisition in their agency.

5. The president should quickly nominate and the Senate should confirm an OFPP administrator. The Senate should confirm the president’s GSA administrator nominee. Fill other key positions with experienced, qualified acquisition professionals.

6. Hire now—at all experience levels for critical skill sets. To accomplish this, the hiring process has to be made easier and more responsive—almost overnight.

7. Fund technology and provide tools. OMB should grow the leveraged applications developed by the Integrated Acquisition Enterprise and the forward leaning transparency and accountability functions sponsored through the Chief Information and Technology Officers. Congress should appropriate funds directly to alleviate the current “pass the hat” funding limitation.

8. Reestablish oversight as an integral part of the acquisition team and a partner in the government’s continuous improvement process. Provide acquisition training to the oversight and, particularly, the audit community, emphasizing that the oversight community can and should be a key partner with the acquisition community—which can be done without any compromise of their independence.

Attached to my statement are three documents relevant to the multi-sector workforce:

- April 7, 2009 PSC Letter to Defense Secretary Gates
- June 9, 2009 PSC Letter to Defense Deputy Secretary Lynn
- June 15, 2009 PSC paper titled “A Proper Approach to Insourcing”

Thank you for the invitation to provide these views. I would be happy to answer any questions the subcommittee may have.



PROFESSIONAL SERVICES COUNCIL

The Unified Voice of the Government Services Industry

4401 Wilson Boulevard, Suite 1110, Arlington, Virginia 22203

P: 703-875-8059 F: 703-875-8922 www.pscouncil.org

Robert M. Gates
Secretary of Defense
United States Department of Defense
1000 Defense Pentagon, Room 3E880
Washington, DC 20301-1000

Fax: 703-571-8951

April 7, 2009

Dear Secretary Gates:

On behalf of the more than 330 member companies of the Professional Services Council (PSC), the nation's largest trade association of government services contractors, I am writing today to express our desire to assist with your initiative to rebuild some of DoD's most critical human capital capabilities. PSC has long advocated for the reinvigoration of the federal acquisition workforce to include key technical and associated skills that are so fundamental to the effective execution of DoD's missions. To the extent this initiative leads to a reasoned and thoughtful effort to rebalance internal capabilities in targeted functions and addresses the significant critical skills gaps the department faces, it could be of significant value to the department, our men and women in uniform, and the taxpayer. At the same time, many of the support service contracts referenced in your remarks yesterday do not fall into or near the category of "critical capabilities" and thus, any decision to insource this work should be accompanied by sound analyses that demonstrate the cost savings and/or performance improvements that will result.

We share the concern that the department's contracting workforce has been under-resourced for too long; and we are equally concerned about the slow but steady atrophy of key technical capabilities (systems and other engineering, cost and pricing, etc.) across the department's broader, and much larger, acquisition and technical workforce. As such, your initiative to address these shortfalls offers a unique opportunity for a fresh approach to the department's human capital challenges based on today's marketplace realities. Its implementation must be driven by realistic, forward-looking strategic human capital planning that focuses on truly critical positions and capabilities with the goal of building the department and workforce of the future, and not seeking to reinvent the department or workforce of the past. Moreover, it must also be underpinned by a commitment to ensuring that the outcome will be higher performance and, where appropriate, lower costs.

To achieve those important goals, we also believe that several key principles should guide the initiative's implementation:

- I. The department's first step should be to carefully and fully assess the extent to which any "inherently governmental" functions are currently being performed by contractors. While we are not aware of any evidence suggesting that this practice is widespread, to the extent it exists at all, those functions should be of highest priority for action.
- II. Each component of the department should submit or update a human capital plan that carefully maps the most critical positions in their organization that are not inherently governmental. These positions are those that are essential to the department's ability to manage and oversee its missions, activities, and contracts, and may vary from component to component. A broad brush approach which assumes that all contractors providing contract support should be "insourced" is unrealistic and unnecessary. Likewise, while many program offices lack adequate experienced technical staff to evaluate and oversee the work of non-government technical experts, it is also unreasonable to assume that all such contractor support is inappropriate or even undesirable.

The key is to identify those specific positions that must be performed internally and to create the proper balance between contracted and in-house performance to ensure appropriate and necessary evaluation, oversight and performance. In fact, many of those skills are in short supply throughout the economy, even during these difficult economic times. Thus, the department's efforts must be targeted to its real needs and to realistic goals.

- III. Decisions to convert these carefully targeted, non-inherently governmental positions from contract to organic performance should be accompanied by a clear justification of need (i.e., truly mission critical).
- IV. For positions that do not involve these clearly identified, critical skills, any decision to convert contracted work to internal performance should be accompanied by a clear, analytically sound assessment of the fully burdened costs associated with the conversion, the availability of personnel to perform the work, and the performance improvements that will be attained. Absent such analyses, there is a real risk that presumption will rule over facts, and that the best interests of the taxpayers and the warfighter will not be served.
- V. The conversion of contracted functions or positions from contracted to internal performance must also be done in a fair and balanced manner. Just as many government entities today limit what contractors can offer federal employees to leave the government, so too must DoD activities be limited in a similar way as to what they can offer contractor employees as an incentive to come into the government. Out of fairness to both the government and the companies, the playing field must be leveled.

As I noted above, we support your efforts to address the workforce challenges facing the department and look forward to working with you and your team to ensure the successful implementation of your initiative. These are issues that impact us all and we stand ready to work with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Stan Soloway". The signature is stylized with a large, looped initial "S" and "S" followed by the name "Soloway".

Stan Soloway
President and CEO

The Honorable William J. Lynn
Deputy Secretary of Defense
United States Department of Defense
1010 Defense Pentagon, Room 3E944
Washington, DC 20301-1010

Via Fax: (703) 697-7374

Dear Secretary Lynn:

I am writing to follow-up on my April 7 letter to Secretary Gates, our meeting of April 16, and your subsequent May 28 guidance on the insourcing of currently contracted activities. As you know, we fully support the department's efforts to appropriately rebalance its workforce to ensure it has adequate and capable in-house resources to ensure optimal execution of its many critical missions. To that end, we recognize the need to strategically assess the department's current personnel posture, skills shortfalls, and long-term demographics and workforce development needs.

However, there are elements of your May 28 guidance that raise a number of important questions that we would appreciate discussing with you directly. While we recognize that elements of the guidance are required by statute and separate from the initiative outlined by the secretary in his budget announcement, the two initiatives are inextricably linked. For example, we are concerned that the May 28 guidance does not adequately clarify, discuss or identify a range of critical decision elements and options that should guide any insourcing—or outsourcing—initiative. Moreover, while not specifically identified in the legislation, those decision elements and options are entirely consistent with the statute and vital to ensuring that decisions made are in the best interests of our men and women in uniform and the taxpayers.

Specifically, our concerns include:

- The limited focus on utilizing competition as a tool to drive performance and a concomitant lack of focus on measuring and holding public or private entities accountable for performance. This is particularly true for contracts where performance has been determined poor. The guidance does not even identify recompetition as an appropriate option, despite appropriate efforts elsewhere in DoD and other agencies to drive more competition.
- The lack of a clear definition of “closely associated with inherently governmental functions” and how, through a strategic assessment, to determine which positions meeting that definition need to be considered for insourcing, rather than assuming all such functions must be insourced.
- In the case of work performed by federal employees anytime in the past five years, the guidance does not address the benefits of ongoing competition, or require realistic assessments of workforce availability or analyses of how insourcing will drive higher performance.
- The guidance appropriately addresses the importance of considering cost in most insourcing decisions, but does not address the importance of assessing total costs; clearly, a full accounting, or even a reasonable estimate, of the government's total costs of personnel, benefits, and overhead (including personnel, pay, and other systems and offices), as well as lifetime benefits (and not to mention the

effects of using grade increases as hiring incentives) is essential to ensuring that the taxpayer's interests are best served.

- The guidance implies, or in some areas explicitly states, that contractors will not be allowed to complete work on existing contracts and/or be given award terms that they have legitimately earned. This seems to undercut basic fairness.

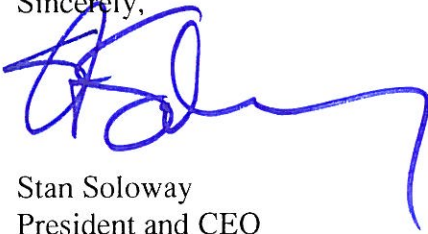
As I said, we are very supportive of the department's overall strategic direction to rebalance its workforce and ensure it has the kind of critical skills to execute its missions. Our hope is that we can work collaboratively to achieve that vital goal.

To that end, as the primary national association representing the industry most affected by the insourcing debate, and on behalf of our more than 330 member companies, I would appreciate the opportunity for a small delegation of our leadership to meet with you to discuss these questions in more detail. We believe such a dialogue will be crucial as we move forward together through this process.

I will be in contact with your office to determine when such a meeting might be arranged. In the meantime, my thanks, as always, for your time and thoughtful consideration.

I look forward to continuing the dialogue.

Sincerely,



Stan Soloway
President and CEO

Cc: Dr. Ashton Carter, USD/AT&L
Robert Hale, USD/Comptroller

A PROPER APPROACH TO INSOURCING

OVERVIEW:

President Obama said in his inaugural address that the issue is not whether government should be larger or smaller but whether it can work better for the American people. However, much of the current debate has focused on the false choice of whether there must be more government employees for numbers sake or whether government should rely on the private sector to address the increases in agency workload or mission requirements. The FY09 Omnibus Appropriations Act (P.L. 111-8) and the FY08 National Defense Authorization Act (NDAA) (P.L. 110-181) included provisions requiring guidelines and procedures to ensure that agencies give priority consideration to using federal employees to perform new functions and functions currently performed by contractors that could be performed by federal employees.

Historically, the agencies' decisions on the allocation of work has been made after careful consideration of whether the government or the private sector has the best capability to perform the function and to provide the best value to the taxpayer. The recent legislation, however, arbitrarily requires insourcing even if the private sector can demonstrably perform the work better or at a best value price.

RECOMMENDATION:

PSC recommends that agencies be required to conduct an analysis of work to be performed that focuses on numerous factors affecting the performance decision and who can **best** perform the work before determining whether to insource it.

In addition to those few positions considered "inherently governmental" that must always be performed by government employees, agencies should identify those mission critical positions to be filled by government employees to ensure agencies can successfully achieve their mission and manage their contractors. Based on such findings, agencies should establish an appropriate workforce mix comprised of government and private sector employees.

For those positions not deemed inherently governmental or mission critical, agencies should be required to analyze and demonstrate cost savings associated with initiatives to insource work currently provided by the private sector. Such cost savings should be based on a thorough "apples-to-apples" comparison between the public and private sector employees. Criteria to be evaluated must include compensation, health and retirement benefits, plus overhead, facilities, equipment, and supplies.

DISCUSSION:

PSC's approach is consistent with the guidance issued by the Department of Defense in April 2008 to implement the FY08 NDAA language, and the requirements in another statute (10 U.S.C. Section 129a) to conduct a cost-evaluation. DoD's guidance also requires an analysis of workforce capabilities prior to insourcing and a determination of the most appropriate utilization or combination of government and contractor employees. There are no comparable analytical requirements on the civilian agencies.

With no civilian agency counterpart to 10 U.S.C. Section 129a, the Omnibus Appropriations language is not tempered by any requirement for the same common sense analysis used by DoD. Such comparable guidance should be adopted administratively as soon as possible, as well as being included in future appropriations bills. Congress should endorse applying the DoD implementing guidance as a model for the civilian agencies.

PSC **only** asks that when the government makes a determination whether to contract for a function or utilize government personnel for other positions, that the decision be based on rational and fair criteria--including **who can best perform the work at the best value to the taxpayer**.

For more information contact Roger Jordan (jordan@pscouncil.org) or Michele Kaplan (Kaplan@pscouncil.org) at 703-875-8059.

6-15-2009