



Highlights of [GAO-10-744T](#), a testimony 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

Why GAO Did This Study

Federal agencies face a complicated set of decisions in finding the right mix of government and contractor personnel to conduct their missions. While contractors, when properly used, can play an important role in helping agencies accomplish their missions, GAO has found that agencies face challenges with increased reliance on contractors to perform core agency missions. Congress and the Executive branch also have expressed concern as to whether federal agencies have become over-reliant on contractors and have appropriately outsourced services. A March 2009 Presidential memorandum tasked the Office of Management and Budget (OMB) to take several actions in response to this concern.

Based on GAO's prior work, this statement discusses (1) civilian agencies' development and implementation of guidelines to consider whether contracted functions should be brought in-house—a process known as insourcing; (2) OMB's proposed policy on work reserved for federal employees; (3) challenges agencies face in managing the federal workforce; and (4) key tools available for insourcing and related efforts.

What GAO Recommends

GAO has made numerous recommendations in recent years to help ensure better management of the multisector workforce, and agencies are in the process of addressing them.

View [GAO-10-744T](#) or [key components](#). For more information, contact John Needham at (202) 512-4841 or needhamjk1@gao.gov.

SOURCING POLICY

Initial Agency Efforts to Balance the Government to Contractor Mix in the Multisector Workforce

What GAO Found

GAO reviewed the status of civilian agencies efforts to develop and implement insourcing guidance and reported in October 2009 that none of the nine civilian agencies with whom we met had met the statutory deadline to produce insourcing guidance. Primarily, they were waiting to ensure their guidance was consistent with or receive additional OMB guidance, and to use the results, best practices, and lessons learned from their multisector workforce pilots to better inform their insourcing guidelines. Since the time of our review, OMB reported in December 2009 that 24 agencies had launched pilots to address overuse of contractors in one or more of their organizations. Agencies were due to report the results of their pilots to OMB by May 1, 2010.

In response to a congressional mandate, OMB recently issued a public notice that provides proposed policy for determining when work must be performed by federal employees. Comments on the policy are due from federal agencies and the public by June 1, 2010. The proposed policy provides the following guidance to executive branch agencies: it adopts a single, governmentwide definition of inherently governmental functions in accordance with the definition in the Federal Activities Inventory Reform Act of 1998, which classifies an activity as inherently governmental when it is so intimately related to the public interest that it must be performed by federal employees; it provides guidance for determining functions “closely associated with inherently governmental;” and it introduces the category of “critical functions,” as work that must be reserved for federal employees in order to ensure the agency has the internal capability to maintain control of its missions and operations.

Agency efforts to effectively insource functions performed by contractors will in large part depend on the ability to assess mission and human capital requirements and develop and execute plans to fulfill those requirements so agencies have a workforce that possesses the necessary knowledge, skills, and competencies to accomplish their mission. Furthermore, GAO's 2009 review of civilian agency insourcing efforts identified operational and administrative challenges agencies face with respect to implementing the conversion of contractor personnel to government positions. For example, agencies face difficulties in gathering and analyzing certain types of service contracting data needed for making insourcing decisions.

Agency implementation of insourcing efforts could be facilitated by tools that GAO has previously identified, including:

- Inventories to identify inherently governmental functions;
- Business case analysis to facilitate agency decisions in determining whether insourcing a particular function has potential to achieve mission requirements; and
- Human-capital flexibilities to efficiently fill positions that should be brought in-house.