

TESTIMONY OF

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Chairwoman McCaskill, Ranking Member Portman, and Members of the Subcommittee, I appreciate the opportunity to speak to you about the Department of Homeland Security's (DHS) efforts to appropriately balance its federal and contractor workforce. DHS has devoted significant attention to achieving the correct mix of public and private sector resources, and I look forward to providing details on the approach and implementation of our Balanced Workforce Program.

The Balanced Workforce Strategy (BWS)

In response to GAO recommendations and language in the 2009 Omnibus Appropriations Act, DHS formulated the formal Balanced Workforce Strategy (BWS or the Strategy) in mid-2010 to ensure that the Department could achieve three goals:

- Comply with applicable statutes, regulations, and policies, through a repeatable, documented decision-making process;
- Determine the proper balance of federal employees and contractors for programs and functions; and
- Reduce mission risk while, as practicable, reducing or controlling cost.

The Balanced Workforce Program Management Office was established within the Office of the Chief Human Capital Officer, with an understanding that any effort to balance the workforce would need to be anchored in strategic workforce planning practices. However, recognizing that we would need expertise from other disciplines, we established the Departmental Working Group consisting of representatives from Finance, Human Capital, Procurement, and the Office of the General Counsel to oversee Components' execution of the Strategy.

To launch the Strategy, DHS Components began reviewing current service contract work (that is, contracts already in place) using the following three-step process.

The first step, *Identify the Work*, involves looking at a service contract's Statement of Work to isolate and accurately describe each discrete function that will be analyzed.

The second step, *Analyze the Work*, relies on an electronic questionnaire entitled the BWS Tool. The Department selected the questionnaire method to ensure contract reviews were consistent and repeatable, and an electronic format was chosen to make it easier for Components to respond and to create a central database for future analysis. Six hundred seventy-six contracts or contract actions have been analyzed using the electronic BWS Tool. In FY 2013 the BWS Tool will be upgraded in order to be more user-friendly and add the following new functions: routing of analyses for review, improved user interface, and increased data management capability.

The BWS Tool leads the respondent through a series of items to ensure compliance with law, regulations, and relevant policy. Questions directly address the issue of inherently governmental and follow section 736 of the 2009 Omnibus Appropriations Act, covering whether a function is closely associated with inherently governmental work. The respondent then completes a test to

determine if the Component possesses “Sufficient Internal Capability,” by answering questions related to issues such as:

- The relationship of a function to the Department’s core missions;
- The risk to a function if all contractors were to leave suddenly; and
- The likelihood that a function might evolve into one that is inherently governmental.

The BWS Tool produces a suggested ratio of federal workers to contract workers. This information is used by Components to consider the issue of mission control. Frequently, Components will seek to rebalance the workforce for a function if concerns about mission control are identified; however, Components may alternatively provide a risk mitigation strategy, such as substantially enhanced oversight, absorption of work by existing federal employees, or increased reporting requirements to ensure mission control while contracting for the function.

As prescribed in section 736, if a function can be performed by either the public or private sector, Components move to a Cost Comparison Analysis.

The final step of the BWS process, *Implement the Sourcing Decision*, requires the full involvement of finance, human capital, procurement, and the other management lines-of- business. If the determination is made to rebalance the workforce by adding federal employees to attain better control of the mission, a contract must be permitted to expire or the work must be de-scoped while the federal workforce is hired.

All Departmental components have implemented the Balanced Workforce Strategy to assess contracts in place as of 2010. We have also recently launched a pilot to apply the Balanced Workforce Strategy to pending contract requirements, for a limited number of special interest functions. To date, 44 positions have been insourced via the Balanced Workforce initiative and an additional 241 positions have been identified for insourcing in the remainder of FY 2012 and FY 2013.

Cost Comparison Analysis

While adhering to law and regulation and minimizing potential risk to DHS mission requirements are the Department’s paramount considerations, cost is an important element when analyzing work that can be performed by either the public or private sector.

When a Component determines that either federal employees or contractors would be suitable to perform a function, they must consider and compare the costs of each, which informs the final decision on the most cost-effective and efficient source of support.

Within the BWS guidance, Components first calculate the cost of federal workers using the OMB-approved DHS Modular Cost Model, the same tool utilized in formulating annual budget requests and expenditure plans. This method incorporates a variety of factors to describe the fully-loaded cost for a federal worker, including one-time and recurring costs associated with establishing new positions. On the contract side, the cost of the current contract is used; if a new requirement is being procured, an Independent Government Cost Estimate serves as the

basis for the comparison. When applicable, we also include other costs related to the contract, such as the cost for contract oversight and the cost of space and similar administrative factors. Although cost is not the primary driver of the Balanced Workforce Program, the Department has identified an estimated \$2.3 million in savings as a result of BWS implementation, as of January 2012.

It is important to note that concurrent with all of these efforts, the Department continues to make great strides to buy smarter and drive down what we pay for our contracted services. As part of Secretary Napolitano's Efficiency Review Initiative to improve performance and efficiency by working to reduce costs, streamline processes, eliminate duplication, and improve customer service, DHS has placed a renewed emphasis on guarding against inefficiency and waste and improving its ability to obtain high quality services from contractors on time and within budget. For example, between FY 2010 and 2011, information in the Federal Procurement Data System (FPDS) shows that the Department reduced its spending on management support services by roughly 6.5 percent, or approximately \$160 million. This category of spending includes services where spending has grown significantly across the government since 2000, including at DHS, and where agencies have become over-reliant on contractors. In short, we have achieved, and will continue to maintain greater fiscal responsibility in our contract spending.

Conclusion

We will continue to work to have a federal workforce that allows maximum flexibility to accomplish our homeland security mission. Again, I thank you for the opportunity to appear before you today, and I welcome your questions on the Department's Balanced Workforce Program.