

Post-Hearing Questions for the Record
Submitted to Jay Aronowitz, Deputy Assistant Secretary,
Force Management, Manpower and Resources, U.S. Army
From Senator Daniel K. Akaka

“Contractors: How much are they costing the government?”
March 29, 2012

1. I am concerned by the 2011 cap on full time Department of Defense civilians mentioned in your testimony because I believe it prevents the insourcing of inherently governmental work and does not allow the Department to correctly balance its workforce.
 - a. How has the civilian workforce cap impacted the Army?
 - b. Do you believe the civilian workforce cap should be lifted?

Answer: The civilian workforce cap has impacted the Army in a number of different ways. As a result of the civilian cap, individual Army Commands have a cap on their own manpower, in order to ensure the Army’s ongoing compliance with policy. This cap limits the flexibility that the Army has, both as a whole and in individual components, when managing its manpower mix. If a civilian cannot be hired, then the only remaining options are to contract the function, or use borrowed military manpower. The use of military personnel is usually not an option, which leaves only contracting as a viable means of executing a mission.

When faced with hiring decisions, people are therefore being placed in the unenviable position of having to decide whether to comply with the civilian cap, or to comply with the other statutes and policies governing the workforce (like the prohibition on the performance of inherently governmental functions by contractors).

Although the goal of the civilian cap—the reduction in overall Department of Defense expenditures—is clearly a good one, the workforce cap has had the unintended consequence of limiting the flexibility of the Army in managing its workforce. Cost-effective workforce management decisions ought to be based on allowing for the hiring of civilians to perform missions, rather than contractors, if the civilians will be cheaper. The lifting of the civilian workforce cap would restore this flexibility, and in that sense it would seem to be a positive potential step forward.

2. You testified that this is the first year the Army’s contractor inventory has been fully populated with data, and that its primary purpose has been to identify outsourcing of inherently governmental work. Does the Army have a strategy for using the data as part of its budget and acquisition process?

Answer: Contractor inventory data has not yet been used by the Army as part of its budget and acquisition process, but there is a strategy to utilize the data going forward. Beginning in Fiscal Year 2012, the Army Acquisition Executive is obtaining Army-wide semi-annual services requirements forecasts and quarterly cost reports for services acquisitions valued at \$10M and

above. This data will help to provide program management and funding visibility for services acquisitions. This initiative implements part of the Army's 2011 Services Optimization Implementation Plan, with an aim to increase effectiveness, efficiency, and promote costs savings as the Army acquires essential services to support our Soldiers and their families. The Deputy Assistant Secretary of the Army, Civilian Personnel and Quality of Life has also assembled a working group with the Army Budget Office, Army Program Analysis & Evaluation, and the Assistant Secretary of the Army for Manpower and Reserve Affairs to integrate the Contractor Manpower Reporting Application into the budget process.

3. The Army relies on self-reported data from contractors to populate its Contractor Manpower Reporting Application. What sort of oversight is done to make sure labor hours and costs are accurately reported?

Answer: There are a number of different kinds of oversight to make sure that labor hours and costs are accurately reported into the Army Contractor Manpower Reporting Application (CMRA), though there is no real alternative to self-reporting for fixed-price contracts, as only contractors have access to this information. CMRA alerts users when they are entering labor costs and hours that project an hourly rate that is extremely high or extremely low. An additional CMRA edit check alerts users when entering labor costs that exceed the total amount invoiced for the contract task order. These tools assist in preventing inaccuracy during the initial phase of data entry.

Additionally, Resource Managers of the major Army Commands review the results of data reported by contractors to ensure the correct alignment between reported contract services and requiring activities, and to ensure that the level of contract services reported by contractors is commensurate with the resources allocated by the Command for contracts that involve services. In these ways, Resource Managers play an important role in ensuring that labor hours and costs are accurately reported.

Finally, during compilation of the annual inventory, extreme outliers in labor hours and costs are identified, researched and resolved. In addition, invoices for contract services reported by contractors in CMRA are compared with obligations for contract services recorded in Army finance and accounting systems to ensure contractor manpower reporting is complete. These last oversights provide the final checks to ensure that issues are resolved, and that data reporting is both complete and accurate.

4. In his Plan for Economic Growth and Deficit Reduction, the President proposed a cap on contractor pay equal to the top of the Federal Executive Schedule –approximately \$200,000 per year. Under the current formula, taxpayers may have to pay up to \$700,000 for contractor employees. What are your thoughts on the President's proposal and should it be implemented?

Answer: The President's proposal to cap contractor pay at a level equal to the top of the Federal Executive Schedule is worth considering as part of an holistic look at how spending on contract services can be reduced across the Department of Defense. This reduction is even larger than the reduction to \$400,000 proposed by Senators Boxer and Grassley and referenced by Senator

McCaskill at the hearing on March 29, 2012. Any significant reduction in the cap on contractor pay needs to take into account the possible second- and third-order effects of such a decision.

For example, contractors are utilized in instances when the Army requires the services of highly-qualified specialists whose abilities may not be present in the current, available Army manpower pool. This kind of need is especially present in fields like Information Technology. These contractors, because of the relative scarcity of their skills, command a high price. This is not to say, of course, that the government should simply throw money at a problem, but rather to say that if a contractor pay cap were to be implemented, the effects such a cap might have on contractor willingness to work for the government at reduced prices would need to be considered.