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United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

February 23, 2012

The Honorable John McHugh
Secretary of the Army
1400 Defense Pentagon
Washington, DC 20301

Dear Mr. Secretary:

We are writing to request that you or your designee(s) testify before the Subcommittee on Contracting Oversight at a hearing entitled, "Contractors: How Much Are They Costing the Government?" The hearing will be held on Tuesday, March 13, 2012 at 10:30 A.M. in Room SD-342 of the Dirksen Senate Office Building.

The government has recently begun to assess the cost implications of using contractors or federal employees to perform the same services. In May 2009, Department of Defense (DOD) issued guidance that commercial services relegated to a contractor would be subject to a determination of whether it could be more cost-effectively delivered by civilian personnel of the Department.¹ In a report to Congress, however, DOD noted that it was unable to provide certain data requested by Congress and that it was unable to "completely or accurately assess the specific impact in-sourcing has had on private sector firms or their employees" due to a lack of data.²

The Office of Management and Budget has also released guidance regarding the appropriate balance between contractors and federal employees. In July 2009, the Office of Management and Budget (OMB) released guidance on "Managing the Multi-Sector Workforce," where OMB stated that it was continuing to work to improve the management of federal and contractor employees, including by "analyzing ways in which agencies can track more detailed information on contracted work that could be used by federal officials to better manage the multi-sector workforce."³

The purpose of the hearing is to examine whether and how cost information is used by government agencies to make decisions about whether work should be performed by federal employees or contractors. The hearing will also assess what the government is doing to improve the data available to and develop best practices to determine when using contractors to provide a given service will constitute

¹ Department of Defense, *Memorandum: In-Sourcing Contracted Services-Implementation Guidance* (May 28, 2009); Department of Defense, *Memorandum: Estimating and Comparing the Full Costs of Civilian and Military Manpower and Contract Support* (Jan. 29, 2010) (DTM-09-007).

² Department of Defense, *Report to the Congressional Defense Committee on the Department of Defense's FY 2010 In-sourcing Actions* (Sept. 2011).

³ Office of Management and Budget, *Managing the Multi-Sector Workforce* (July 29, 2009).

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the most effective use of taxpayer dollars. The hearing will also explore how agencies can control the costs of contracting while still maintaining effective contract management and oversight.

Your testimony should focus on the Army's contractor inventory and what information the Army now has regarding the costs of contractors to perform different types of services. Your testimony should also address how the Army is using this data to inform the budget process and acquisition planning. In addition, you should discuss how the Army is addressing the problem of a lack of reliable data to compare the actual cost of contractors with the actual cost of federal civilian employees, and whether the Army is working to develop a cost analysis to assist in determining when contracting is the most cost-effective choice. Finally, you should be prepared to answer questions about proposed government-wide solutions for determining contractor cost effectiveness.

The Subcommittee requests that you summarize your testimony in 5 minutes, although a longer written statement may be submitted for the official record. This will allow adequate time for you to engage in questions and answers with members of the Subcommittee. **Subcommittee rules require that your testimony be submitted by no later than 10:30 A.M. on Friday, March 9, 2012.** Please send an electronic copy of your written statement and a brief one page biography to Subcommittee Clerk, Kelsey Stroud, at Kelsey_Stroud@hsgac.senate.gov. If you would like to discuss the waiver of written testimony, please contact the Subcommittee upon receipt of this invitation.

The Subcommittee also requests that you provide a briefing for Subcommittee staff on these topics on or before **Tuesday, March 6, 2012.**

The jurisdiction of the Subcommittee on Contracting Oversight is set forth in Senate Rule XXV clause 1(k); Senate Resolution 445 section 101 (108th Congress); and Senate Resolution 73 (111th Congress).

We look forward to your participation. Please contact Sarah Garcia or Margaret Daum with Senator McCaskill's Subcommittee staff at (202) 224-4462 or Senator Portman's Subcommittee staff at (202) 224-3353 with any questions.

Sincerely,



Claire McCaskill
Chairman
Subcommittee on Contracting Oversight



Rob Portman
Ranking Member
Subcommittee on Contracting Oversight