



UNDER SECRETARY OF THE ARMY
WASHINGTON

09 JUL 2010

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: In-sourcing

1. Reference:

a. 10 United States Code Sections 235, 2330a(c)-(f) and 2463; National Defense Authorization Act for Fiscal Year 2010, section 1111; National Defense Authorization Bill for Fiscal Year 2011, S. Rep. 111-201, p.172 and H. Rep. 111-491, p. 373 (civilian authorizations should adjust with workload to facilitate in-sourcing and reduce overhires).

b. Memorandum, Secretary of the Army, July 10, 2009, subject: Army Policy for Civilian Workforce Management and Service Contracts.

2. The President has made restoring the balance between government and private sector workforces a priority and in-sourcing is designated by Office of Management and Budget as one of ten high priority performance goals. In-sourcing is a top priority of the Secretary of the Army, and we must remain committed to ensuring the proper balance of our workforce mix in order to provide proper oversight of Army programs and have the proper balance of organic capability and capacity. The growth in contract services support more than doubling since 2001 makes it imperative that the Army continuously re-examine its use of contracted services with the same scrutiny it applies to organic requirements.

3. The Army continues to make significant progress in strengthening in-house capabilities to perform inherently governmental functions through in-sourcing. The Army has inventoried 262K contractor full time equivalents (\$43 billion in services) and reviewed 105K contractor full time equivalents in our Panel for Documenting Contractors (PDC) process. Through the PDC review, the Army identified and in-sourced 1,960 contractor full time equivalents performing inherently governmental acquisition and law enforcement functions, and 1,456 contractor full time equivalents performing unauthorized personal services. Within the 105K contractor full time equivalents reviewed, we have identified 47K contractor full time equivalents performing closely associated with inherently governmental functions and 3.5K contractor full time equivalents performing critical functions. The Army currently plans to in-source at least 13.3K positions through fiscal year 2015, including approximately 4K acquisition positions. The Army is un-wavering in its commitment to small business performing commercial functions and is using its contractor inventory review process to focus on functions at risk of implicating inherently governmental functions. These achievements place the Army at the forefront in complying with Title 10 requirements and Presidential direction to reform our acquisition processes as part of our human capital strategy.

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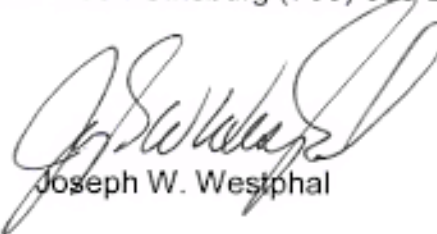
4. The requirements imposed by reference 1b ensure we will maintain an effective in-sourcing program; however, we must ensure our business practices support our strategy in this area. In addition, Title 10 establishes statutory requirements designed to remove cultural and fiscal impediments to in-sourcing where appropriate. Below are actions that will streamline and help sustain an effective in-sourcing program.

- HQDA must be able to accommodate out-of-cycle requests for in-sourced authorizations throughout the year and not just when building the next program and budget.
- HQDA Program Evaluation Group executives must be more pro-active in supporting command realignment of funding for civilian authorizations with the way contracted resources have been executed.
- New contract service requirements should be justified and authorized with greater visibility in the program and budget based on workload and to prevent duplication of effort with organic capabilities.
- Commanders need to improve their compliance with the Secretary of the Army contract approval checklist and improve their contractor inventory compliance.
- Every Command and HQDA Principal should improve their compliance with the contractor inventory statutory requirements and submit all contract services to an annual PDC review process.
- Staffs at all levels must coordinate more closely to ensure that in-sourcing decisions are also synchronized with appropriate human resource processes, and to ensure complete and timely execution of the in-sourced capability.

Every Commander and HQDA Principal must ensure that inherently governmental functions and unauthorized personal services are in-sourced and give "special consideration" to in-sourcing "closely associated with inherently governmental" and "critical" functions as identified in the PDC process. I plan to review by Command on a quarterly basis, the information reported to the Deputy Secretary of Defense on each Service's in-sourcing plans in comparison to the number of contractor full time equivalents identified in the PDC process as suitable candidates for in-sourcing.

5. My points of contact for the PDC and in-sourcing process policies and reporting are: Dr. John Anderson (703) 693-2119 and Ms. Eileen Ginsburg (703) 693-2109.

Encls



Joseph W. Westphal

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