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Eunjoo Rho’s article “Contracting Revisited: Determinants and Consequences of Contracting Out for Public Education Services” revives a past study of Texas public school districts to see what an expanded time period in which to consider the causes and effects of “contracting out” and the examination of additional environmental factors will reveal. Her extensive statistical analysis makes several conclusions about contracting out: it does not save any meaningful portion of school funds; it is (happily) associated with some performance improvement in public education; it tends to increase as a result of shocks within the public school environment from budget shortfalls and dramatic enrollment changes; and more contracting out proceeds from a “Parkinsonian” cycle of increasing numbers of school system bureaucrats. The conclusions of Rho’s work offer practical lenses through which public contracting professionals may examine their particular contracting results to determine whether contracting out, whereby governments award contracts for core agency service performance by private sector providers, achieves the intended results. This commentary suggests Rho’s work as a model for contracting professionals to assess the results of their contracting out.

The application of Rho’s work sets out a challenge to public contracting professionals: can we do more than barely tease out tactical improvements in our contracting techniques from our environments without examining the larger implications of our contracting work? Do the contracts that we award produce cost savings and improved performance? What shocks in our particular systems impel more or less contracting out? Are we in a Parkinsonian cycle in which more officials beget more contracts? Just as Rho reexamines Texas schools’ contracting out, our role must be as metaphorical jurors sent back to the jury room to reexamine the case.

My professional perspective is in the federal contracting environment. As contracting officers, our focus is usually on an absorbing and narrow practical level, from which we suppose that standard metrics give us a reliable portrait of contracting “health” in our organizations. But none of the numbers about funding obligation rates, small business contract awards and subcontract plans, and competitively awarded contracts demonstrates whether we have achieved the intended results from a contract award or from the contracting work itself. On the latter, the unchecked flurry of memoranda on contracting from the Office of Management and Budget (OMB) suggests that we are not achieving the intended results. As to the former, acquisition plans and capital investment strategies that agencies establish as the necessary pre-cursor to the contracting process may represent little else than a “check the box” requirement to the typical contracting officer.

As a practical exercise of this idea, I will review this case of contracting out and the key questions from my experiential perspective. With regard to understanding cost savings and improvements in performance, our agencies are missing a key follow-through activity from contracting out. We typically believe that a performance-based specification and the “best value” source selection process with competition and trade-off analysis prove that a contract’s cost is sound. But we must know the actual cost of the contract compared to the necessary cost of its performance and make this difference a regular item for consideration by contracting officers. This specific information is an ultimate foundation for the “strategic sourcing” of contracts.

Shocks occur in our federal contracting domain. Regular shocks stem from new and replaced regulations. Epochal events such as the Federal Acquisition Streamlining Act and others happen, but often advancements erode from evolving measures to fix the problems caused by the initial changes. The shock of 9/11 saw massive growth in some areas of federal contracting. We will endure another large shock soon, as the inevitable realities of spending beyond receipts will undoubtedly increase pressure to spend less. Perhaps
the corollary here will be to “buy smarter,” so we may see a renewed interest in contracting out, but from an even more elaborate analytical process than the current applications of OMB Circular A-76 suggest.

Parkinsonian contracting does seem to be an enduring feature of our system. One of the persistent plagues afflicting contracting managers is the hiring and development of contracting officers to handle the workload from a decade’s worth of expansion and the award of huge service contracts. Professional certification requirements have added their special challenges to this activity. Similar “professionalization” of our program manager counterparts continues apace. Agencies with entrenched program management requirements such as the Department of Defense may be less prone to this growth. My view is that other agencies’ growth into similar professional structures is having just the effect on contracts that Rho finds in Texas.

I believe that public contracting professionals can use Rho’s model to examine their contracting out operations and devise appropriate management initiatives. My ultimate wish, though, is for a more thoughtful contracting profession in our federal government, with less focus on operating our internal processes and more focus on achieving the kinds of results that Rho’s work examines from contracting out.

Note
The opinions expressed here are those of the author and do not represent any official position of the United States.