

TESTIMONY

**Testimony
Of
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“NTEU Views on Improving the Delivery of Government Services”

March 6, 2002

Committee on Governmental Affairs
216 Hart Senate Office Building

Chairman Lieberman, Ranking Member Thompson, Senator Durbin, and other distinguished Senators of this committee, my name is Colleen Kelley and I am the National President of the National Treasury Employees Union. As you know, NTEU represents more than 150,000 employees in 25 federal agencies and departments, including employees who work at the Department of Treasury, Department of Health and Human Services, and the Department of Energy. I want to thank you for giving me the opportunity to present testimony on behalf of these dedicated men and women.

The past six months have been a very trying time for the American public. First came the tragic events of September 11th, then the spread of anthrax, the security threats on our ports and borders, the ongoing recession, and then the corporate accounting scandals. Never before has it been so clear how vulnerable our nation is to such a wide variety of attacks. And never before has the need to maintain a highly trained, highly skilled, dedicated federal workforce to respond to and prevent these attacks been so clear. The Customs officers who inspect foreign cargo, the FDA employees who ensure a safe food supply and who work to bring new vaccines to the public, the FDIC and SEC employees who regulate our banking and securities industries, and the men and women at the IRS who ensure the revenues due to the Treasury are paid: our democracy depends on these patriots. If any American didn't appreciate the national value of our federal employees before the tragic events of September 11th, then they sure recognize their work now.

We can all agree that government services should be delivered to the American taxpayers in the most reliable, most efficient, and most cost-effective manner, and that agencies should continue to strive for higher performance in the delivery of these services. Regardless of whether federal employees or private contractors provide the services, the taxpayers deserve accountability for how their tax dollars are being spent, they deserve reliability to ensure those services will be delivered when they need them and where they need them, and they deserve a transparent system that is fair and equitable. Today, NTEU would like to make suggestions for meeting these criteria.

First, when it comes to accountability and oversight of the federal workforce, thanks to the checks and balances within the federal civil service system, and oversight and scrutiny of federal agencies by Congress, there is crystal clear transparency of the work being done by federal employees. And through the budget and appropriations process, the Government Performance and Results Act, and the FAIR Act, there is little we don't know about the quality and costs of government services delivered by federal employees.

Unfortunately, we know virtually nothing about the quality and “real” costs of the government functions being performed by private contractors. And because of very little government oversight of contractors, when a contractor is not performing or when

the contract costs escalate, it is often too late to fix the problem. For example, last year, we learned that Mellon Bank, a contractor hired by the IRS, lost, shredded, and removed 40,000 tax returns worth close to \$1 billion in revenues for the government. Fortunately, the IRS eventually terminated the contract and is conducting an investigation to determine the level of criminal wrongdoing.

I am not raising this issue to suggest that based on Mellon's poor performance we should not contract out any more work. Rather, I am bringing this issue to your attention to highlight the need for better oversight of contractors. How could we let this fraud go on for so long – 40,000 lost tax returns – before we realized there was a problem? The answer is quite simply that Congress and the Administration have never put in place reliable government-wide systems or provided adequate staffing to track the work of contractors. The American taxpayers want the same level of transparency and accountability of the work performed by contractors as there is of the work performed by federal employees.

Before contracting out even more government work, the taxpayers deserve to know exactly how their tax dollars are being spent on contracts. We need to get a better handle on the current system, and NTEU believes the best way to do this would be for Congress to approve, and President Bush to sign into law, S. 1152, the TRAC Act. The TRAC Act would require agencies to implement systems to track whether contracting efforts are saving money, whether contractors are delivering services on-time and efficiently, and that when contractors are not living up to their end of the deal, the government work is being brought back in-house.

In addition to passage of the TRAC Act, NTEU believes the acquisition workforce – those responsible for not only awarding contracts, but overseeing them as well – should be increased and training for them should be improved. We are very concerned that as the amount of government work being contracted out continues to increase – and with it the workload for contract officers – there has been a steady decline in staffing levels for agency contracting offices. The increased workload and decrease in staffing has led to rarely utilized and inadequate public-private competitions and practically non-existent contractor oversight. And according to the General Accounting Office, the problem is only going to get worse, as 27 percent of agencies' current contracting officers will be eligible to retire through the year 2005.

Unfortunately, even though no new accountability procedures have been adopted and the acquisition workforce continues to decline, the Administration has taken extreme actions that will undoubtedly only exacerbate current problems with contracting out. In particular, NTEU is strongly opposed to the Administration's use of arbitrary quotas to open up thousands of federal jobs to the private sector.

The Office of Management and Budget has directed every department and agency to open up to the private sector in fiscal year 2002 the work of five percent of the federal jobs on their FAIR Act inventories and an additional ten percent in FY 2003. The Administration will be directing agencies and departments to ultimately open up to the private sector fifty percent – more than 425,000 – of these federal jobs considered commercial in nature. Agencies and departments are not even required to hold public-private competitions before privatizing these jobs to reach the arbitrary quotas.

The arbitrary privatization quotas will significantly disrupt operations at agencies like the IRS, which is in the middle of a sweeping reorganization plan, and agencies on the front lines of our homeland defense. For example, at the Customs Service, personnel are working under heightened Level 1 border security as a result of the tragedy of September 11th 2001, and many have been sent on temporary duty assignments thousands of miles from their families. Yet, OMB is still insisting that the Customs Service and every other agency meet the arbitrary quotas, and in fact they have begun grading agencies on their compliance.

Furthermore, while the Administration refers to these arbitrary contracting out quotas as “competitive sourcing,” nothing could be further from the truth. Regardless of how well federal employees are doing their jobs today, the directive provides no assurance that they will have an opportunity to “compete” to keep their jobs. Agencies are allowed to hold a competition, but in most cases they will be converting the jobs directly to the private sector without competition. The civilian agencies simply do not have the staffing, the expertise, or the training to run a fair public-private competition. And with the OMB pressure on these agencies to open these jobs to the private sector – let’s remember agencies are being publicly graded on this – of course they are going to take the easier road and outsource the jobs without competition. If this policy truly is about “competitive” sourcing, then federal employees should have an opportunity to compete in defense of their jobs before they are contracted out.

The one-size-fits all arbitrary outsourcing quotas, which give no consideration whatsoever to the uniqueness of each agency, will harm the ability of the IRS and other federal agencies to effectively carry out their missions. We believe these actions are only going to lead to more waste, more broken promises, and more cost overruns in government contracting. And we know this directive is already having a negative impact on the morale of the federal workforce. While the Administration clearly did not feel it was necessary to seek congressional approval for such a broad arbitrary change in policy, Congress can certainly pass legislation to block this policy and NTEU urges you to take such action.

Before contracting out more government work, the government needs to take a step back and evaluate the costs, the quality and the risks involved. Sure, a private contractor may be able to submit a bid to perform a certain government function for less cost than federal employees, but what happens when that private contractor files for bankruptcy in the 2nd year of a five-year contract? Is it worth the long-term risks to our nation to shut the government out of the government service business and become dependent on profit-driven private sector companies? It is incumbent upon Congress and the Administration to make investments in increased agency staffing and better training so that government services can be delivered by federal employees at even lower costs, increased efficiency, and lower risk than they are today.

Mr. Chairman, the issues before you are very complex. As you know, I am a member of the Commercial Activities Panel, which was established last year by Congress to look at the subject matter we are discussing today. The Panel, chaired by Comptroller General David Walker, is working to develop a set of recommendations for Congress on how to improve our government’s service delivery decision-making procedures, and is required to report to Congress by this May. Regardless of what recommendations the Panel sends to Congress, NTEU believes that Congress should move forward with the suggestions we have proposed today. We believe our recommendations will clean up the current system while serving the needs and interests of the American taxpayers.

Thank you for holding this important hearing today and for giving me the opportunity to testify.

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