

## Press Release

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Contact: Mark Davis, NFFE Forest Service Council, (608) 231-9474; Carol Goldberg, PEER, (202) 265-7337

### **FOREST SERVICE CANNOT SUPPORT SAVINGS CLAIMS FOR OUTSOURCING Independent Audit Casts Doubts on Administration Estimates**

Washington, DC — The U.S. Forest Service claims of savings for contracting out vehicle maintenance operations “cannot be validated and/or substantiated,” according to a recently unearthed independent audit performed by the Department of Agriculture. The audit also raises questions about other Bush administration self-reported savings from its “Competitive Sourcing” program which seeks to replace federal employees with contractors.

On February 24, 2006, the Forest Service announced that it had generated \$1.7 million in estimated savings in fiscal year 2005 from contracting out its California vehicle maintenance operation, including specialized fire-fighting equipment. An “Independent Verification and Validation” (IV&V) prepared for the Chief Financial Officer of the U.S. Department of Agriculture, the Forest Service’s parent agency, found there was no factual basis for this claim of savings. The IV&V team reported that their efforts to verify and validate costs were “futile” because the Forest Service could not produce any “breakout for line items such as personnel cost, material supplies, other attributable cost, overhead or any additional costs.”

Similar problems were cited in audits of other claimed savings. In all, the Forest Service reported over \$23 million in savings for its Competitive Sourcing efforts during FY 2005; however, in no case was the agency able to provide baseline costs from which savings could be calculated. The President’s Office of Management and Budget claim of annualized gross FY 2005 savings of \$375 million is also based upon unverified agency reports similar to those from the Forest Service.

“Enron may have cooked the books, but at least they had books,” stated Bill Dougan, President of the National Federation of Federal Employees (NFFE) Forest Service Council. “The claims of savings from government outsourcing appear to be simply pulled from thin air. Taxpayers are being fleeced.”

On May 1, 2006, the Forest Service terminated the vehicle maintenance contract for non-performance. In Sacramento, for example, 14 of 25 contract-serviced fire engines were removed from service for critical safety problems. Notwithstanding this experience, the Forest Service is proceeding with plans to study contracting out as many as 21,350 jobs, more than two-thirds of the total agency workforce.

“While there may be disagreement about what tasks the public sector performs well, there is consensus that one thing the federal government does abysmally is manage contracts – exactly the activity this program seeks to expand,” added Public Employees for Environmental Responsibility (PEER) Executive Director Jeff Ruch, noting the irony that the Forest Service Competitive Sourcing Office is itself largely operated by contractors. “This program is run by contractors for the benefit of contractors.”

When it returns from recess next week, Congress will again take up efforts to cap overhead costs in agency-staged contractor competitions, as well as impose reliable overhead reporting requirements.

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*Read the May 12, 2006 USDA Independent Verification and Validation*  
[http://www.nffe-fsc.org/Documents/CSIndex/PR\\_060831/IV&V\\_Redacted.pdf](http://www.nffe-fsc.org/Documents/CSIndex/PR_060831/IV&V_Redacted.pdf)

*Look at the Forest Service claim of savings*  
[http://www.nffe-fsc.org/Documents/PressReleases/FS\\_060224\\_FSToday.mht](http://www.nffe-fsc.org/Documents/PressReleases/FS_060224_FSToday.mht)

*See how the contract was cancelled for non-performance*  
[http://www.nffe-fsc.org/Documents/PressReleases/PR\\_060503d.pdf](http://www.nffe-fsc.org/Documents/PressReleases/PR_060503d.pdf)

*Revisit Forest Service plans to outsource its firefighting force*  
[http://www.peer.org/news/news\\_id.php?row\\_id=720](http://www.peer.org/news/news_id.php?row_id=720)