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**News Digest: March 14**

Last Updated: March 13, 2011

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**Obama: Two-week CRs are "irresponsible"**

President Obama said Friday he opposes funding government operations with multiple continuing resolutions and wants to see a resolution funding agencies for the rest of fiscal 2011.

"We can't keep running the government based on two-week extensions. That's irresponsible," Obama said in a news briefing.

A Treasury Department official speaking on background to reporters Thursday said Obama will not continue to sign short-term continuing resolutions.

Obama also warned that there are limits to cuts he would accept.

House Republicans have introduced a plan to fund the government for three weeks after the current CR expires March 18. The plan includes \$6 billion in cuts.

The federal government has been operating under continuing resolutions since Oct. 1 that generally fund agencies at at 2010 levels.

**U.S. personnel accounted for following Japan quake**

All federal employees and their family members stationed in Japan are accounted for following Friday's earthquake and tsunami, a State Department official said.

There are no reports of injuries or deaths among U.S. government personnel, the official said.

President Obama said in a news briefing that the U.S. embassy has moved its personnel in Tokyo to an alternate location.

The U.S. has an aircraft carrier stationed in Japan and another is on the way to provide assistance if needed, Obama said.

Also, he said, the Federal Emergency Management Agency was on a high alert in Hawaii and on the U.S. Pacific coast, where tsunami warnings had been issued.

Obama called the tsunami "a potentially catastrophic disaster" and "heartbreaking."

**Issa continues pursuit to stop step increases**

Rep. Darrell Issa, R-Calif., is still looking for a way to temporarily halt General Schedule employees' step increases.

At a hearing on federal pay today, Issa asked Office of Personnel Management Director John Berry to help lawmakers find a way to put step increases on hold and broaden the White House's partial pay freeze.

Berry declined Issa's request, but left the door open to revisiting the issue in the future.

"At this point in time, the answer would be no," Berry told the House Oversight and Government Reform subcommittee on the federal workforce. "We're happy to take that back and discuss that with the Office of Management and Budget to see if there's any opening there."

Issa last month tried to attach an amendment to HR 1, the House spending bill that would fund the government for the rest of fiscal 2011, but his proposal was voted down.

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Issa today said automatic step increases would cost the government \$500 million by the end of the year.

"There is no freeze, because with step increases, people are getting pay increases automatically this year," Issa said. "They will make more money" than they did in the previous year.

Berry said within-grade step increases are important because they allow federal employees to advance in their careers, and help the government retain vital employees.

But critics, such as the Heritage Foundation, say that automatic step increases do nothing to hold poor performers accountable and have helped inflate federal salaries. Heritage analyst James Sherk said his analysis shows federal employees earn 22 percent more on average than their private sector counterparts. Other estimates from groups such as the Cato Institute show the federal pay premium is even higher. OPM and federal unions dispute those estimates, saying they are not based on "apples to apples" comparisons.

The government estimates that federal employees earn about 24 percent less than private sector workers, and that the gap is growing. Conservative and libertarian groups say that cannot possibly be true, since the recession has put millions of private sector employees out of work and depressed the salaries of millions more.

Issa said he may ask the Government Accountability Office to investigate federal pay rates.

By the end of Wednesday's hearing, the participants were no closer to finding common ground between their positions. But Max Stier, president of the nonprofit Partnership for Public Service, noted that the participants generally agreed that some feds are probably paid more than their private-sector counterparts, and others are probably paid less.

"The next question has to be, how do we design a system that does a better job of actually ensuring that we are being as cost effective as possible to get the right talent, the best talent for the government," Stier said. "That is the conversation we should be having."

## Deficit commission chairmen launch new effort to cut nation's debt

Leaders of the presidentially appointed deficit commission don't intend to let their controversial plan for turning around the country's financial crisis gather dust.

Former Sen. Alan Simpson, R-Wyo., and former Clinton administration official Erskine Bowles, the co-chairmen of the commission, pressed lawmakers Tuesday on the need to address structural problems plaguing entitlement programs, discretionary spending, and the tax code. Then they took their message to the media.

The commission members have dubbed their public campaign "The Moment of Truth," taken from the title of the commission's report, released last year, that prescribes spending cuts, tax code changes, and entitlement reforms that would carve \$4 trillion from the projected deficit over the next decade.

"This baby is out there; it ain't going away," said Simpson. He and Bowles, who testified earlier in the day at a Senate Budget Committee hearing. The campaign, under the umbrella of the nonpartisan Committee for a Responsible Federal Budget, will seek to raise public awareness of the debt issue, provide technical and policy analysis and work with members of Congress. Staffers are already involved in discussions with a group of six senators seeking to turn the commission's recommendations into legislation.

"I think this is the issue of our time," Sen. Mark Warner, a Virginia Democrat who is among the six, said at the news conference. In a brief interview afterward, Warner declined to say whether a bill will be forthcoming soon.

Created by President Obama, the 18-member deficit commission — officially known as the National Commission on Fiscal Responsibility and Reform — released its report last fall. Among other cost-cutting steps, the commission recommended a three-year pay freeze for federal employees, reducing the size of the federal work force through attrition, and cutting travel, printing and vehicle budgets.

Although the commission approved the report 11-7 in December, that count fell short of the 14-member majority needed to trigger immediate congressional action.

Lawmakers are now embroiled in a bitter battle over how much to chop domestic discretionary spending in this year's budget. The White House has so far agreed to about \$10 billion in reductions compared with last year's budget, while House Republicans pushed through a bill last month that would cut more than \$60 billion. But that higher figure amounts to only 1.6 percent of a \$3.7 trillion budget, Bowles said.

"We have to broaden the discussion," he said, adding that entitlement programs and the tax code also need to be on the table.

## GAO upholds protest of DHS contract for financial system

The Government Accountability Office on Wednesday upheld a protest challenging the Department of Homeland Security's multimillion-dollar contract with CACI to integrate financial management systems.

CACI was awarded up to \$450 million worth of work on Nov. 19 to support the department's troubled Transformation and Systems Consolidation program, which required the company to consolidate financial, acquisition and asset management systems across the department.

Competitors — Global Computer Enterprises and Savantage Financial Services — protested the award with GAO about a week later. GAO upheld GCE's protest but dismissed Savantage's, a GAO spokesman said.

"We have made a recommendation of corrective action on DHS's part," said the spokesman, who would not confirm if DHS will need to issue another solicitation. "We're saying the award was improper."

GAO's decision was the second this month to set back a DHS information technology project. On March 1, GAO upheld the cancellation of a Northrop Grumman task order for \$2.6 billion worth of IT work at DHS' planned new

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headquarters complex. The General Services Administration had canceled that contract under pressure from other vendors and is moving forward with a new solicitation.

GCE and CACI declined to comment on GAO's ruling against the CACI award, which has not been released to the public. CACI has until March 19 to file a request with GAO to reconsider its decision.

"We are working with GAO and the other parties to finalize a public version of the decision, and we are currently assessing GAO's findings and recommendations to determine the way forward," said DHS spokesman Chris Ortman. "The modernization of the department's financial, acquisition and asset systems remains a key priority for DHS."

In a July report, DHS Inspector General Richard Skinner said the department faces numerous challenges in implementing integrated systems and lacks the necessary planning documents, accurate life cycle costs for the project and staffing plans.

DHS has struggled over the last seven years to consolidate its financial systems, including an attempt in 2008 that was cut short by a federal judge's ruling. The judge ruled that DHS's procurement violated the Competition in Contracting Act because it required contractors to use an Oracle or SAP software solution.

Savantage's protest against CACI's award was dismissed because it was procedurally defective, the GAO spokesman said.

## Downside of fixed-price contracting: Inflated bids

The Obama administration's push for more fixed-price contracting may not be best for the Army's operations, a senior Army official said Wednesday.

Malcolm O'Neill, assistant Army secretary for acquisition, logistics and technology, told members of the Professional Services Council that contract officers see contractors intentionally bid high to offset some of their risk.

"There is risk when you take something fixed price," O'Neill said, referring to contractors. "But in my experience when you offer a fixed-price bid, it's 10 percent to 15 percent more than you need."

"Is [the contractor] accepting risk? No. He's providing a cushion," O'Neill said.

The administration classifies cost-reimbursement contracts as "high risk," along with time-and-materials contracts and sole-source awards. The Office of Management and Budget has asked agencies to cut by 10 percent their use of each of these three contract types.

With cost-reimbursement contracts, O'Neill said he would like to see more incentive fees to encourage the contractor to finish work on time. The contractor earns more of the fee if work is done on time and under budget and less if the project is late and costs more than expected.

O'Neill outlined the Army's efficiency goals for acquisitions, including a plan to grow warfighting capabilities 2 percent to 3 percent annually without increasing budget resources by the same amount. O'Neill said he'd like to give program managers the ability to reallocate savings they identify to the projects they think need it.

For example, if the program executive officer of ground combat systems saves money and wants to apply those savings to developing the M1 tank, he should be able to do that, O'Neill said. The Army or Defense Department comptroller can always say no and direct the money to other spending priorities, he said, but overall more flexibility should be given to the program managers.

O'Neill said he has received the preliminary results of an acquisition review commissioned last year to study the Army's acquisition policies, work force and processes, including how the Army acquires and manages equipment. O'Neill said the report will be released after he and other Army leaders decide how they are going to implement the data.

## GSA launches program to attract midsized firms to fed market

The General Services Administration plans a new education and training program to entice more medium-sized businesses into contracting with the government.

"While we have given tremendous focus to small-business entrepreneurs and innovators, we must not forget that there are a large number of midsize companies in the United States that are looking for opportunities to expand," White House National Economic Council senior adviser Ginger Lew said during a Thursday teleconference about the program. "And if you think about it, the United States federal procurement program is one of the best business development tools that any business can attain."

GSA, which buys more than \$50 billion in goods and services each year for federal agencies, put together a series of workshops for midsized businesses that they're calling "Business Breakthrough." A pilot of the program is expected to be launched in two cities, not yet finalized, in May and nationally later in the year.

Lew said that as part of the president's initiative to increase contracting with small businesses and reduce regulatory barriers for new and expanding businesses, Cabinet members and senior administration officials have been talking to businesses about what needs to change.

"We have heard from businesses, especially medium-size businesses, who felt that they were falling through the cracks here," she said.

GSA officials left the definition of a medium-sized business open but said they are companies that are too big to qualify for small-business incentives and also have a hard time competing against large corporations for federal contracts.

GSA Associate Administrator Jiyong Park said the agency will offer two workshop series based on level of

experience with federal contracting. The first level will introduce companies to federal and GSA contracts, and the second will give businesses that have more government contracting experience an in-depth view of what GSA buys and the services it provides across agencies.

More experienced midsize businesses that participate in the program could also qualify to become mentors for smaller businesses that are starting to work with the federal government. Participating in the mentor-protégé program gives both businesses selection advantages when competing for government contracts.

Park said GSA wants to encourage midsize businesses to compete in the absence of procurement preferences available to small businesses and take advantage of the GSA contract methods already in place.

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